

STARBREEZE  
STUDIOS



Starbreeze Annual Report 2021



**Stepping up ...**

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**...for the next level.**

This is Starbreeze


This is Starbreeze

# Video games and beyond

Starbreeze is great at developing long-term, strong game brands, known as IPs, with key characters that generate revenue over time through a large, engaged community.

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

- Owns one of the strongest brands in the games industry – PAYDAY
- Has the industry's largest community on Steam – 7.9 million members
- Focuses on its core business of developing great games for PC and console
- Proven track record in developing long-term value for its games
- Experienced management team and a growing, international game development organization
- Stable financial foundation and positive cash flow
- Started the next phase – to develop Starbreeze into a self-publishing game developer with multiple games in production and on the market

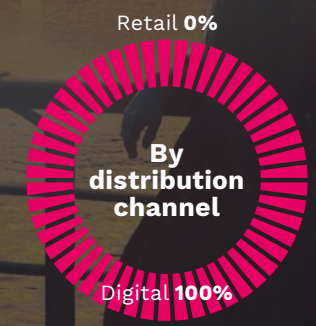
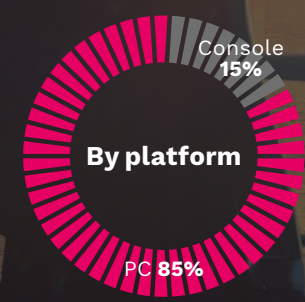


**We work to deliver long life-time value to our community, allowing them to co-create their experiences, through stories that go well beyond our games.**

This is Starbreeze

**100**  
employees in four countries

### Net sales in 2021



The year in brief

# Key milestones reached and PAYDAY 3 in full production

- Entered into a global co-publishing agreement with leading European publishing partner Koch Media. The agreement covers the development and marketing of PAYDAY 3, and the continued development and marketing of the game using the “Games as a Service” model.
- Signed a licensing agreement with PopReach Corporation for PAYDAY Crime War, the mobile version of PAYDAY 2. Starbreeze will be paid royalties based on future sales and received a one-time payment in connection with the transfer of the source code.
- Launched the company’s new player services portal under the working name Starbreeze Accounts.
- The PAYDAY community on Steam grew to nearly 8 million, with over 800,000 new members.
- Released the first 3 chapters of PAYDAY 2: City of Gold, and a total of 9 DLC add-on packs.
- The development of PAYDAY 3 has continued according to plan, with a number of key recruitments.
- Tobias Sjögren was appointed permanent CEO of Starbreeze.

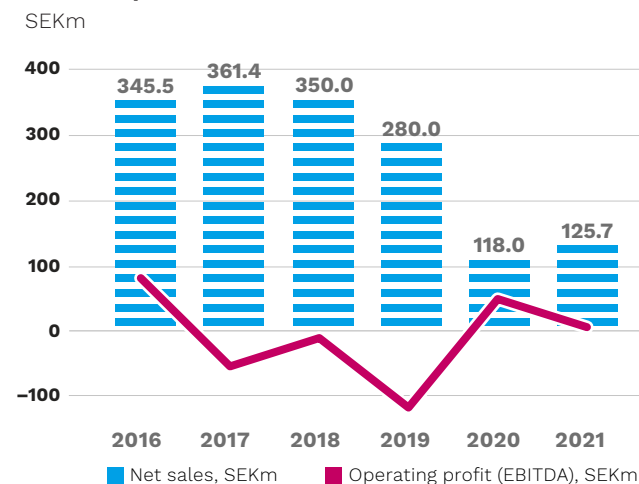
## Key figures

SEK	2021	2020
Net sales	125,689	118,006
EBITDA	6,268	49,317
EBITDA adjusted <sup>1)</sup>	74,940	49,317
Profit/loss before tax	-105,226	-130,473
Earnings per share	-0.14	-0.28
Cash and cash equivalents	128,572	157,423

1) Adjusted for one-off effects related to PAYDAY Crime War license agreement

The Board of Directors proposes that no dividend be distributed for the 2021 financial year.

## Sales and profit 2016–2021



CEO's comments

# Good progression on Starbreeze's exciting journey

Starbreeze has a solid foundation. We have one of the strongest brands in the games industry, we are focused on our core business of developing games for PC and console, and we have a clear and ambitious strategy to become an even bigger developer and publisher of successful games in the long term.



PAYDAY 2 has taken us on a fantastic journey. Our success is largely due to our community, our ability to deliver a great experience, and the way we have involved our community and provided high-quality content. We are quite simply among the very best in our industry at developing strong IPs with iconic characters that generate revenue for years to come through a large and engaged community. We take this experience with us in our work on PAYDAY 3.

## Games as a Service

When PAYDAY 3 comes out in 2023, it will be released on console and PC simultaneously. Using the Unreal Engine allows us to continuously develop the game equally on all platforms, following the successful business model of releasing additional content, DLC, which in PAYDAY 2 is only available to us on PC. This means that our market – both in terms of the number of players and the monetization potential – at and after the release of PAYDAY 3 will be significantly larger than it was at the release of PAYDAY 2.

In 2021, we established several important partnerships to strengthen PAYDAY as IP and increase its revenue potential. With the release of PAYDAY 3, our partnership with Koch Media means we have the potential to reach players in every corner of the globe, thanks to their extensive experience in local distribution and marketing.

Through our partnership with PopReach, we have secured the ability to establish PAYDAY on mobile platforms with a “free-to-play” business model. We are confident that the size of our customer base and our customer’s appetite for PAYDAY experiences will enable us to release several different gaming experiences in the future.

## Our Community

Our community on Steam has close to eight million members – the highest number of any game on that platform. This is both a source of strength and an asset leading up to the release of PAYDAY 3. One step in our efforts to strengthen our close relationship with our community is the launch of our new player portal, “Starbreeze Accounts”, which took place

## CEO's comments

in October. This is where our players and members will be able to enjoy benefits and many new opportunities to interact with us and other players.

Work on developing the portal is in full swing, and we will be releasing content on an ongoing basis. Our goal is to provide our players with the best possible service and content – whatever their platform or game. The portal will feature PAYDAY 3, and of course PAYDAY 2 and PAYDAY Crime War, as well as any other future games we release or publish.

**Tenth anniversary for our video game franchise**

The last quarter of the year saw us celebrate the tenth anniversary of our most valued video game franchise. PAYDAY: The Heist was released in October 2011, and it is with a sense of awe mixed with pride that I note that in 2021, a decade later, our average MAU was a whopping 788,000. This shows once again how important our community is in the PAYDAY gaming experience.

Strong commitment has also led to a strong financial performance. In 2021, we generated PAYDAY-related revenues of approximately SEK 120 million, growth of 15.8 percent, and our EBITDA, adjusted for non-recurring effects, increased by 50 percent to SEK 74.9 million. Since its release, PAYDAY as a franchise has generated revenues of over SEK 1 billion.

**Enhanced game development team**

During the year, we also strengthened our game development team with new employees – our team now has employees from around 25 different countries. Starbreeze attracts

talents. I have personally experienced the power of the company's amazing culture since being its CEO for almost two years now. We work hard to help our employees progress, and this gives us a solid foundation for continued growth. We strongly believe in what we do, and we have a wide diversity of skills and people to drive development and creativity.

**Broaden the PAYDAY brand**

Our strategy is to release several games on the market that are either self-published and self-developed or based on licensed IPs, and we aim to release the next game in 2025 at the latest.

We are also working to broaden business related to the PAYDAY IP, creating additional revenue streams to complement PAYDAY 3 when releasing the game in 2023.

**Conditions for expanding our IP portfolio**

Overall, we see strong continued growth for PAYDAY 2, while PAYDAY 3 is being developed according to plan. Our ability to continuously improve our performance demonstrates the strength of our strategy and the capabilities of our teams.

We continue our efforts to deliver on our long-term goals – to create games where players collaborate and participate in bringing their gaming experience to life – and to create the conditions to expand our IP portfolio and reach more players with our incredible games.

It's an amazing feeling to work with and lead this fantastic team that will carry Starbreeze onwards on our exciting journey.



The games market in 2021

# A market experiencing strong, long-term growth

Starbreeze is a well-known name on the global games market, developing games for PC and console. Its proprietary games are aimed primarily at hardcore gamers with a focus on the company's core genre of co-op FPS (first-person shooter) games.

Worldwide, the average player is 34 years old and approximately 45% of the player base is female.

## The market

Starbreeze's products are sold through platforms such as Steam, PlayStation Store and Xbox Games Store. Of the total sales revenue generated by Starbreeze in 2021, North America accounted for approximately 45 percent, Europe for approximately 23 percent and Asia for approximately 18 percent. Starbreeze sells its products through distributors/platform owners (such as Steam), and through console partners (such as 505 Games). Starbreeze's end customers – the people who play the company's games – live all over the world.

While Covid-19 resulted in an increase in engagement and game consumption in 2020, other negative effects of the pandemic became more apparent in 2021. Continued remote working and disruptions to physical supply chains resulted in delayed game releases and lower console and PC sales. A number of titles scheduled for release in 2021 will be released in 2022 or later. This mainly concerns PC and console games which, compared to mobile games, have larger teams working on them, and often cross-country collaborations and

higher production values. This is particularly clear for the new generation of consoles such as PlayStation 5 and Xbox Series X/S, where console sales have been affected by semiconductor shortages. Despite this, sales are higher than for earlier generations of consoles. Although mobile games was the only segment to show growth in 2021, it was affected by Apple's change to IDFA (Identifiers for Advertisers), which makes it more difficult to measure the impact of marketing efforts.

At the same time, the global games market continues to show long-term strength with an estimated compound annual growth rate (CAGR) of 8.7 percent between 2019 and 2024. Growth is being driven by factors such as increased gaming within certain audiences and in certain regions, new genres attracting new players, new consoles and subscription services, and new consumption patterns in which social platforms such as YouTube and Twitch play a central role. The games market can be divided into three different commercial categories: mobile games, console games and PC games. Despite its global nature, it can also be divided geographically.

**SIZE AND GROWTH**

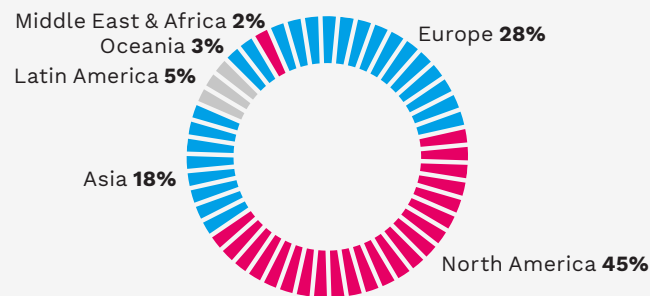
The global games market across all platforms was expected to reach USD 176 billion in 2021, which represents a marginal decrease of 1.1 percent compared to the previous year. The rise of digital distribution has reduced reliance on physical distribution channels (retail) and increased the ability to reach a wider customer base geographically. The number of players around the world is approaching three billion, and grew 5.6% in 2021. Increased access to reliable internet connections and smartphones is leading to a continuous increase in the player base.

**GEOGRAPHICAL AREA**

In terms of turnover, the Asia-Pacific region (excluding the Middle East) is the largest geographic market segment for gaming globally with a market share of 50% of the global games market in 2021. Growth in the region was 3.0 percent in 2021, mainly due to the region's high percentage of mobile gamers. North America accounts for a total of 24% of the global games market, with growth of –7.2% in 2021. Europe accounts for a total of 18% of the global games market, with growth of –5.6% in 2021. Other regions such as Africa and Latin America experienced good growth.

Starbreeze's games are mainly played in North America and Europe. The Asia-Pacific region is important to Starbreeze as a long-term and strategic growth area.

### Breakdown of Starbreeze's revenues from Steam by region in 2021



## SEGMENTS

Ten years ago, each games segment operated alone, completely separated from the others. Thanks to constant innovations in cross-platform gaming, subscriptions and various franchise agreements linking the segments, the boundaries of cross-platform gaming have become increasingly blurred. Fortnite was the first game that could be played simultaneously on PC and all types of consoles, and since then a number of others have followed suit, with a clear trend toward continued cross-play. In a few years' time, more and more game titles will be available on all platforms, including mobile.



### Console games

Console games are played on a fixed or handheld console – a device specifically designed for gaming. A new generation of consoles hit the market at the end of 2020 with the release of the PlayStation 5 and Xbox Series S/X, which have significantly superior capabilities than the previous generation of consoles. Console games are distributed online through digital downloads as well as being sold on discs 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 2021, with revenues of USD 49.2 billion and growth of +8.9 percent.

### PC games

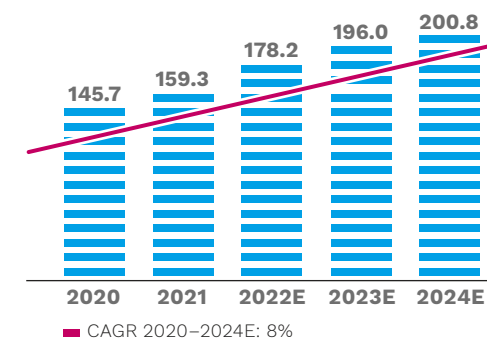
PC games include all games that can be played on a PC (personal computer), whether it's a desktop computer or a laptop. Digital sales have grown steadily in this segment over recent years, with platforms such as Steam and Epic Games Store, while new forms of distribution based on streaming technology, such as Google Stadia, are attracting increasing interest. The segment accounted for 20 percent of the games market in 2021, with revenues of USD 35.9 billion and growth of +2.8 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, as they are often expected to be played while traveling or commuting. Mobile games also generally require lower development budgets and shorter production times than games developed for PC and consoles. The mobile games market relies exclusively on digital distribution via platforms such as the App Store and Google Play. The segment grew by 4.4 percent in 2021, and for the first time it now represents 50 percent of the global games market.

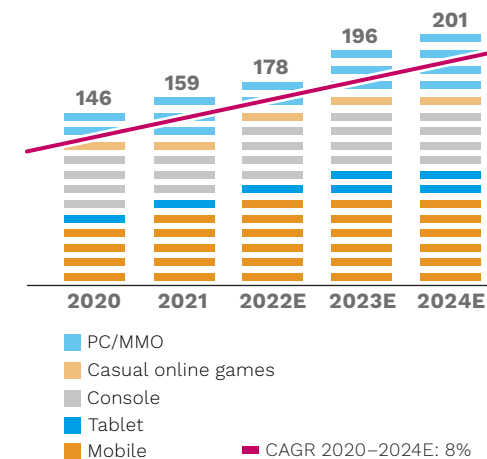
### Overview of the global games market, 2020–2024

USD million



### Overview of the global games market by segment

USD million



## 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 they can vary widely. A selection of the main revenue models is described below.

### Premium games

Most PC and console games are full-price games. Full-price games means that the games are sold for a one-time payment. The majority of revenues come soon after the game is released, and generally within one year. Many full-price games are further developed after release to generate additional purchases via downloads (DLC).

### Subscription and streaming games

Subscription requires digital distribution (downloading or streaming) and gives the player access to a large number of titles (usually only basic games) on one or more platforms for a monthly fee. The publisher is then paid by the distributor according to their contract. This is a relatively new revenue model, but one that is growing fast. Examples of subscription services include Xbox Game Pass, PlayStation Now, EA Access and Google Stadia. Playing games via streaming technology is expected to become even more prevalent as 5G technology gains a stronger foothold and reaches more users.

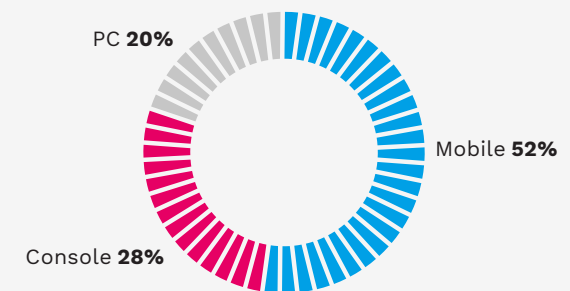
### Add-on purchases (DLC/Add-ons)

Add-on purchases are purchases that unlock additional content in a game beyond what the user can access when the game is purchased. The increased distribution of games via digital download has led to increased opportunities for the sale of add-on purchases in both premium and free-to-play titles. Add-on purchases, also referred to as "Games as a Service" (GaaS), are an important factor in extending the life of a game through the continuous production and sale of new content. This is often done through the analysis of user data and constant communication with the players (the community). Starbreeze has historically been a pioneer in this revenue model.

### Free-to-play

Free-to-play is a generic term for games where all or a significant part of the game is available for free. Revenue comes from in-game purchases or the purchase of currency or other in-game content. These games sometimes 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.

**Revenue distribution in the global games market by segment in 2021**



## THE GAME INDUSTRY'S VALUE CHAIN

### Developers

Developers are the companies 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 are usually divided into two different categories depending on whether they are owned by a publisher or not: developers employed by a publisher are called in-house developers, while other developers are called independent developers.

The increased need for flexibility and control over the staffing of developers in the games industry makes it common to outsource parts of a game's development. There are companies whose business model is to subcontract to other developers.

### Intellectual property owners (IP owners)

IP owners are the entities that own the various trademarks used in games. For example, IP owners may be game developers who own the rights to proprietary games, publishers who have acquired a portfolio of brands, or copyright holders of film or book titles on which games are based.

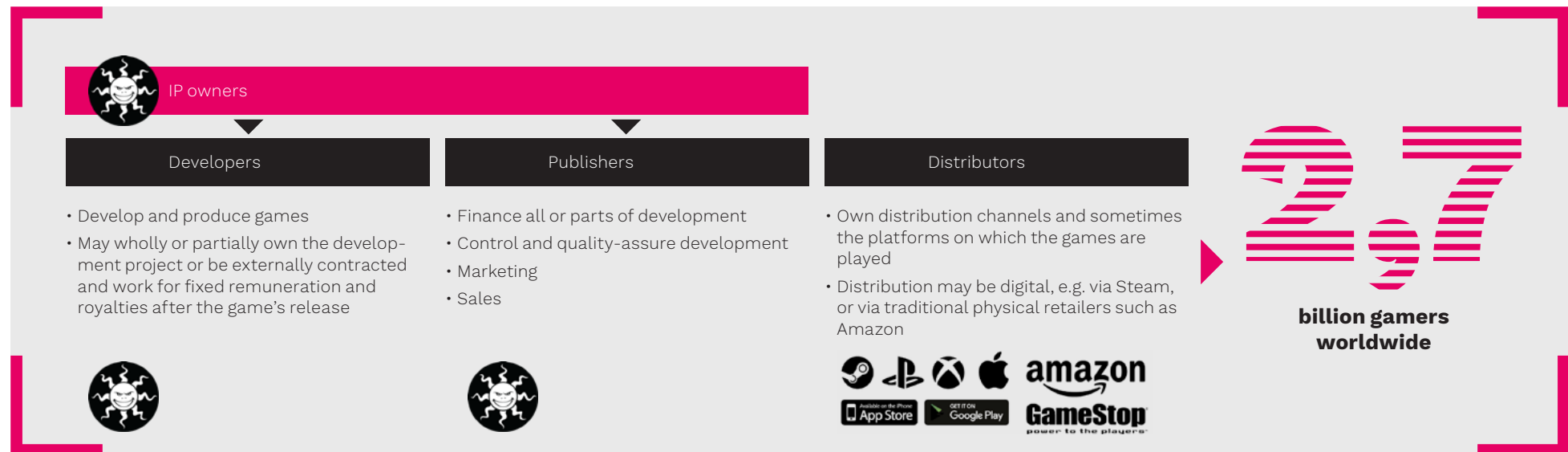
### Publishers

The publisher's role is primarily to bring games to market and take overall responsibility for the product. This can be done by fully or partially financing game development projects, overseeing production, controlling quality, customizing products and often distributing and marketing the finished game to retailers. The rights to the game are often owned by the publisher, while development and production are carried out by either independent developers or by the publisher's

in-house team. In some cases, the publisher acts only as a distributor and is responsible for the release, marketing and distribution of the game, while the rights are still owned by the developer.

### 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, a growing number of games are now sold through digital channels such as Steam, Epic Store, the App Store and Google Play, as well as Sony and Microsoft's gaming platforms for consoles.



### Starbreeze's role in the value chain

Starbreeze is currently a developer, publisher and IP owner. Games are mainly sold through digital channels, with the Steam platform currently being the most prominent. Since 2018, the company has established the world's largest game community on Steam, allowing players to interact with each other and the company through its proprietary game PAYDAY 2.

### OUR COMPETITORS

Starbreeze has extensive experience in its game genre and a strong brand with the potential to expand into more segments and product categories. Starbreeze also has games on multiple platforms with a wide geographical distribution. The games market is global, and Starbreeze has both small and large competitors in a number of different regions. Consolidation in the industry has accelerated in recent years, with large corporations such as Tencent, Embracer Group, Microsoft and Sony acquiring a growing number of smaller game developers with strong IPs.

### Swedish games – six billion downloads

According to estimates based on downloads, every fourth person in the world has played a game developed in Sweden. In total, games developed in Sweden have been downloaded almost six billion times and major Swedish games regularly top the download and sales lists. Swedish game development companies have a broad profile and develop games in almost every genre and for all platforms, which means that development remains stable.



## Business model

# A model for continued value creation

## OUR CURRENT BUSINESS MODEL

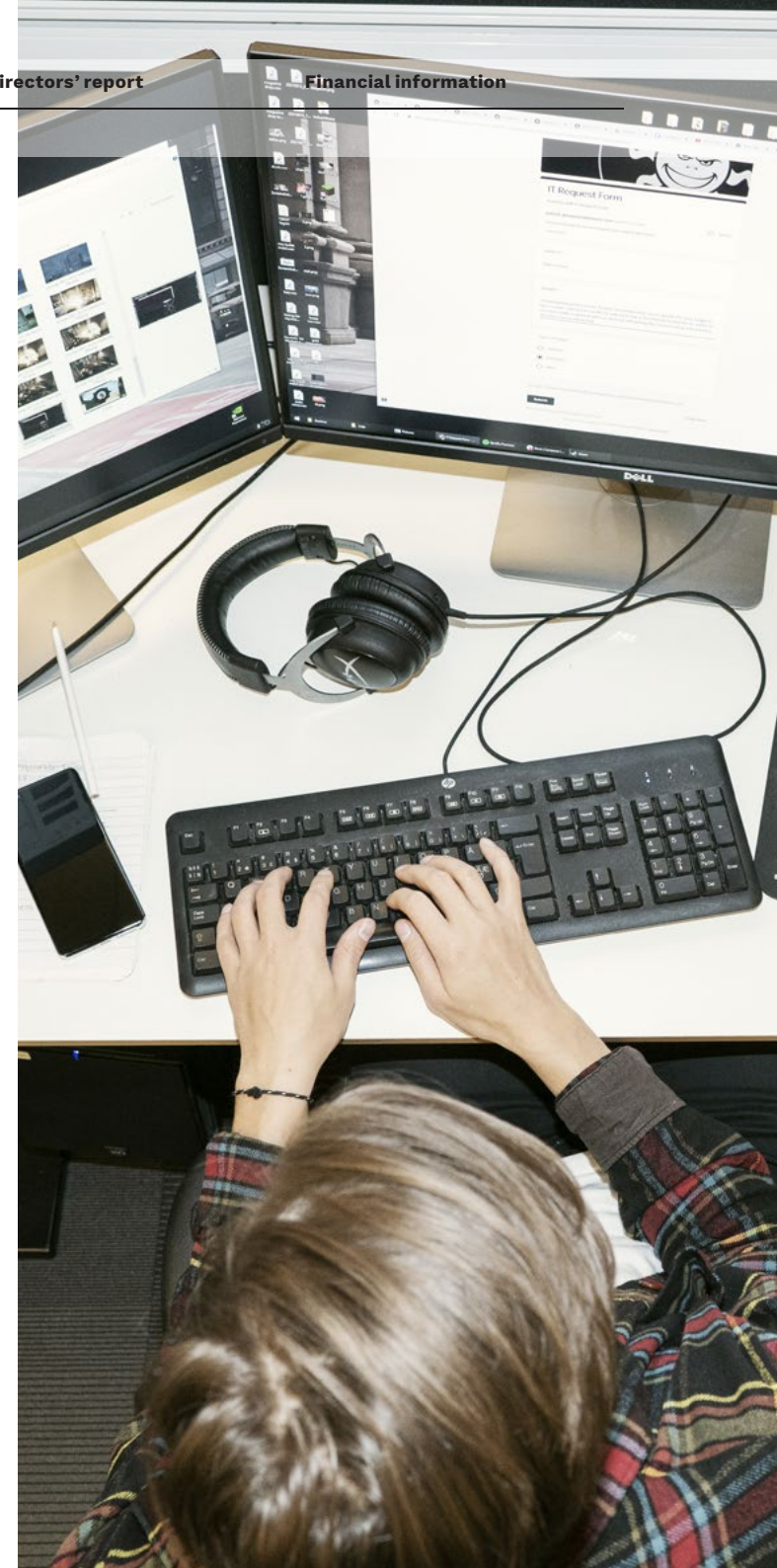
When IP is owned by Starbreeze and the game is self-financed, Starbreeze receives all revenues (after deducting taxes and platform fees). If the game has been financed by third parties (fully or partially), they will receive a share of the revenue in the form of royalties. When a game is based on IP that Starbreeze doesn't 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 normally shared equally. The company is normally entitled to offset these costs before sharing the revenue with any IP owners.

## DEVELOPMENT AND PRODUCTION

Starbreeze's ambition is to maintain its position as a leader in GaaS as a business model, while further developing the model to adapt it to what best suits PAYDAY 3 and other future games. When PAYDAY 2 was released, it came out on PC first, with console coming later. Starbreeze was not able to use the GaaS model for PAYDAY 2 on console due to technical restraints. PAYDAY 3 will be released simultaneously on console and PC, and the company will develop the game on the various platforms on an ongoing basis. This means that the market and the number of potential players covered by the company's GaaS model has the potential to be significantly larger.

## SHARED VALUE CREATION

The agreement with Koch Media means that Koch Media and Starbreeze will together invest up to EUR 50 million into PAYDAY 3 for development and marketing up until 18 months after its release. The majority of the investment will be used for development costs in the period before the game's release. This partnership allows us to scale up our operations and extend our reach. Starbreeze is responsible for the game's development and owns the IP, and Koch Media will distribute and actively assist in marketing the game and managing local communities. This means that Starbreeze retains the freedom to develop the game while benefiting from Koch Media's publishing expertise with extensive local outreach in most key markets.



## Strategy

# Create value beyond the gaming experience

PAYDAY's journey as an entertainment brand has only just begun. Building on PAYDAY 3, Starbreeze's strategy for future growth is to develop games that create value and revenue streams beyond the gaming experience.

Starbreeze has a solid track record of developing games based on brands with broad roots in popular culture. Ten years after its release, PAYDAY remains one of the strongest brands in its niche – with player activity at record levels and stable cash flow generation.

With the upcoming release of PAYDAY 3, Starbreeze is ready to take adding value beyond the gaming experience to the next level. Our core focus continues to be building long-term, strong engagement by continuously delivering new, high-quality content in close collaboration with our players. Moving forward, this will include facilitating and encouraging user-created content.

Future growth will come from new development partnerships that fully leverage Starbreeze's 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, our IP portfolio will grow across our own and other brands by continuing to strengthen development and publishing activities within the company. This will allow us to build an even larger community of players who are attracted to action-packed multiplayer games with strong characters and storylines.



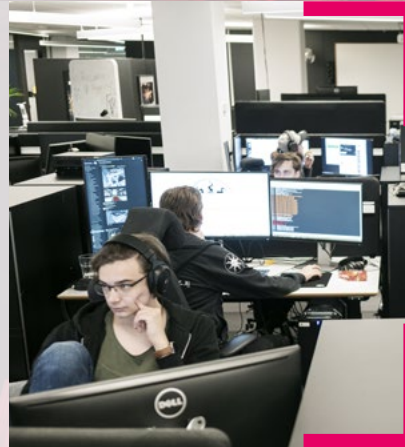


## The four pillars for success

To deliver value to both players and shareholders in the short and long term, Starbreeze is guided by four strategic pillars.

### Developing games, IP and beyond

We never compromise on our core focus: action-packed, long-lasting gaming experiences for passionate players. Our skilled teams create characters and storylines that take our brands beyond the games to create new experiences, customer environments and revenues.



### A co-creating community

The most powerful tool for creating an engaged community is providing opportunities for people to participate in developing their own content. From mods to streamed game sessions, if a customer has spent time creating content for your product, the relationship is cemented for a long time to come.



### The place to be

Starbreeze wants to be the best studio to work at for game developers from all over the world. We believe that a culture where we work as a team, and where all employees have the opportunity to evolve, builds the best gaming experiences.



### Games as a Service

Creating games that deliver value over time is about so much more than DLCs and add-on purchases. Starbreeze has been at the forefront of GaaS since PAYDAY 2 was released in 2013. We are committed to continuing to foster the development of long-term relationships with our customers – for both PAYDAY and new brands.



## A solid foundation to deliver and grow

Throughout 2021, Starbreeze took several important steps to ensure the successful development of PAYDAY 3, while adding further value to its growing and committed player base. With a new, experienced management team and Board, a stable financial position and secured publisher partnerships, Starbreeze has a solid foundation from which to deliver and grow.

Our focus for the coming year will be on the release and further development of PAYDAY 3. In parallel, activities are underway to grow our IP portfolio and take advantage of the opportunities created by PAYDAY and other brands beyond the gaming medium.

### Roadmap

#### 2022

##### Core focus creates capacity for growth ...

- Secure PAYDAY 3 development and quality
- Continued monetization of PAYDAY 2 through DLC
- Develop and implement Starbreeze Accounts – enhanced, multi-platform community
- Expand game production capabilities
- Expanding IP portfolio

#### 2023–2024

##### ... into a broadened IP portfolio ...

- Launch of PAYDAY 3 and LTV creation
- New IPs in production (developed, acquired and/or licensed)
- Multi-IP community
- Leveraging transmedia partnership(s)

#### 2025 and beyond

##### ... building games, IP and beyond.

- Self-publishing
- Several games on the market
- PAYDAY 3 continuous monetization
- Co-creation
- Building franchises beyond our games

Sustainability

# How Starbreeze is developing and taking responsibility

Starbreeze's activities adopt a responsible approach to all aspects of the company's business. The company's vision, mission, values and Code of Conduct guide employees in their daily work with regard to sustainability issues such as occupational health and safety, social issues, the environment, human rights, and anti-corruption.

## THE ENVIRONMENT

A large percentage of the world's population are gamers, i.e. engage in some form of gaming, and with that comes a responsibility for the impact of gaming and game development on the environment and the climate. The shift to digital distribution has a smaller carbon footprint than distributing physical games, but running servers and hardware also has an environmental impact. Server-based online gaming, where the game runs on local software, is more energy-efficient than e.g. video streaming, but the long-term sustainability of future cloud-based games requires an increased use of renewable energy.

Nowadays, the majority of Starbreeze's products are sold through downloads and the company aims to promote sales through digital channels over sales in physical stores. The environmental impact of the business is currently considered to be low, but Starbreeze is actively following developments in server rooms and other solutions to guarantee and control the impact of our business.

## Key focus area

Every fifth employee in Swedish game development is a woman, which represents just over 21%. In 2021, 15 percent of new employees were women. The biggest issue for the future of the industry is diversity, for both game creators and players. Although significant progress has been made in recent years, there is still a long way to go. In the long term, there is every opportunity to increase diversity and inclusion – games offer an opportunity to escape everyday life and step into a world where imagination is the only limit.

## EMPLOYEES AND SOCIAL CONDITIONS

As a knowledge-based company, our employee's diverse experiences and backgrounds are enriching for creative work and game development. Starbreeze therefore strives for diversity in all areas and has zero tolerance for discrimination. The Group treats all colleagues and prospective colleagues equally, regardless of gender, disability, religion or sexual orientation.

### Everyone should be able to play PAYDAY – Starbreeze donates to AbleGamers

AbleGamers is an American charity that helps people with disabilities to have more fun and have a better social life through games, by providing practical hardware, but also by lobbying the gaming industry to develop games that are better adapted for everyone. In 2021, Starbreeze donated SEK 30,000 to the organization as well as a number of game keys.

In a knowledge-based company, attracting and retaining talent is essential. This requires an engaging workplace and, above all, good career opportunities and scope for personal development. Starbreeze works systematically with work environment issues and strives to be an exemplary employer in terms of diversity, engagement and career opportunities.

## HUMAN RIGHTS

Human rights are an integral part of Starbreeze's values. The company only conducts its own business activities in countries where employees are well protected and where there is no forced labor or child labor. The risk of human rights violations at the current time is therefore considered to be very small.

## ANTI-CORRUPTION

Starbreeze has a zero-tolerance policy for corruption and no suspected cases have been reported during the year. The company's Code of Conduct outlines employee responsibilities related to corruption, bribery, fraud, extortion, money laundering and counterfeiting. It also provides clear guidelines for giving or receiving gifts, and entertainment and hospitality. All employees are informed of and undertake to comply with these guidelines when they start work at Starbreeze.

## SUSTAINABILITY REPORT 2021

Starbreeze's full Sustainability Report is available on the company's website. You can find more information about the company's sustainability work and the outcomes in 2021 there.



The PAYDAY brand

# PAYDAY, our flagship for the last 10 years

Since Starbreeze was founded in 1998, the company has grown and developed into a globally respected developer and publisher of computer and video games. The main business is based in Stockholm and is driven largely by the successful PAYDAY brand, which celebrated ten years as successful IP in 2021 with a customer base that keeps on growing. Through the creation of interesting content and engaging experiences, the PAYDAY story continues.

**At its peak, PAYDAY 2 had**

# 1,223,104

unique users per month in 2021  
– Starbreeze's highest number of MAU ever!



## The PAYDAY brand

Starbreeze develops games for PC and console. The company mainly works with its proprietary, well-known IP PAYDAY, but also has other popular IP in its game catalog. The development team includes seasoned and new developers from a variety of countries and backgrounds to best serve the interests of the players. In game development projects, Starbreeze uses outsourcing for specific parts, but its own development teams control and ensure that the product requirements are met.

Finished games are sold through digital distribution channels or physical stores according to what is known as the full-price model. Once a game is released, our strategy is to engage players for an extended period of time, following the Games as a Service (GaaS) model. This is mainly done by continuing to develop the game, and by creating games where the community can participate in and influence its future direction.

For this reason, Starbreeze focuses on developing games with high replay value, creating the opportunity to generate a large community. Further game developments result in free and paid updates, known as add-on purchases or DLC.

**The PAYDAY brand**

The PAYDAY brand was introduced in 2011 with its first game, PAYDAY: The Heist. After a number of updates and over a million copies sold, work began on the development of PAYDAY 2. This was released in August 2013, and the title recovered its development costs within one month. The brand has now existed for over 10 years, and has over 36 million base games and 220 million add-on packs on the market.

PAYDAY represents strong IP and is an incredibly popular First-person shooter (FPS) – a computer game genre where the screen corresponds to the character's field of vision and where firearms play a major role. PAYDAY has managed to attract players over an extended period of time through its classic, movie-inspired action experience where players act as 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, with over 75,000 active players daily. Over the past eight years, the game has had more than 200 updates, featuring a mix of free and paid content.

The frequent updates 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.

Activity levels were further increased in 2021 with the release of a regular flow of add-on purchases and other upgrades, while better pricing and more targeted sales efforts also contributed to increased sales. Additional purchases and sales efforts will be further accelerated in 2022.

In 2021, a licensing agreement was signed with PopReach Corporation for the re-release of the mobile game PAYDAY Crime War. The company will cover all costs for the game's further development, marketing, optimization and user acquisition. Once the game is released, Starbreeze will receive incremental royalties based on the net revenue from the game, on par with licensing agreements for PC and console games. Starbreeze will continue to own all IP rights to the title.

PopReach has successfully developed and released free-to-play mobile games based on well-known IPs, and the partnership is an important step in Starbreeze's strategy to further develop the PAYDAY brand. A beta version of PAYDAY Crime War was released at the end of 2021 and received a positive response. As part of the licensing agreement with PopReach, Starbreeze's current team of five people in Barcelona switched to working on PAYDAY 3.



## The PAYDAY brand

**PAYDAY: The Heist**

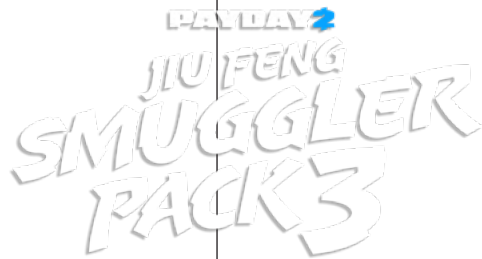
PAYDAY: The Heist was released in 2011 and immediately established the brand's position in the market, with steadily growing interest in the concept laying the foundations for the development of PAYDAY 2. The first game was released on PlayStation and Steam.

**PAYDAY 2**

PAYDAY 2 – released in August 2013 on PC and June 2015 on console – is a fast-paced, four-player co-op1 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.

In this sequel to PAYDAY: The Heist, the PAYDAY gang is once again approached by their sidekick, Bain, who this time offers to come to Washington D.C. to wreak havoc. Since its release, over 100 PAYDAY 2 add-on packs have been released, which players can pay to access. Lots of free add-on packages have also been released.

In total, over 200 updates have been released since the game came out in August 2013. 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. This is Starbreeze's first mobile game project.

**PAYDAY 3**

PAYDAY 3 is Starbreeze's next game in the PAYDAY series. The game will be released in 2023.

**Agreement with Koch**

Starbreeze and Koch Media Group signed a co-publishing agreement for the release of PAYDAY 3.

**Launch of SB  
Accounts**

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

2011

2013

2015

2018

2021

Community / Starbreeze Accounts

# A big community creates opportunities

A key factor in PAYDAY's success is the involvement of players in the product, which includes maintaining a close dialogue between developers and fans.

7,900,000

Steam members



## The community

One indicator of the game's popularity can be found on the Steam digital distribution platform, where the forum for PAYDAY 2 is the largest forum on the entire platform, with nearly eight million members. Players provide direct feedback to the developers and great emphasis is placed on involving the fans in the future development of the gaming experience. Among other things, this close dialogue has led Starbreeze to develop some of the most appreciated add-on packages for its members.

In 2021, there were also three events, which unite players in a common mission. Two of these took place to mark PAYDAY's eighth and tenth anniversaries. In December, the official PAYDAY account opened on TikTok.

**THE NEXT STEP – CLOSER TO OUR CORE**

The PAYDAY community on Steam is a strength and an asset prior to the release of PAYDAY 3, assuming that members are taken care of in the best possible way. One step in this work is the company's self-developed customer portal under the working name "Starbreeze Accounts", which was launched at the end of 2021. The portal will offer players and community members benefits and other initiatives to help them make the transition to PAYDAY 3.

It will also incorporate PAYDAY 2, PAYDAY Crime War (the mobile version of PAYDAY), and all future games released or published by Starbreeze. In addition, great importance is attached to offering the community the opportunity to create their own content in the games, a process known as co-creation. Starbreeze Accounts is designed to give more value to loyal players in a new and more modern format. Benefits include, but are not limited to:

- **Cloud saving features**
- **Cross-play**
- **Community contests and giveaways**
- **Loyalty bonuses**
- **Additional benefits as the product evolves**

The development of the customer portal helps to future-proof Starbreeze's marketing and publishing initiatives by enabling more advanced marketing activities and campaigns across multiple game titles. This will strengthen the value proposition for future third-party partnerships and ensure the growth of the Starbreeze community.

Starbreeze will continue to develop the portal and regularly add new functions. In February 2022, we released a schedule for features and player rewards. During the beta period, Starbreeze has been testing the registration flow to ensure a smooth customer experience, and will continuously update the customer portal.





### Our Vision of Participatory Entertainment

"We are continuously working on improving our relationship with our gamers, the players of our games. Our goal is to create a strong feeling of belonging and breaking the boundaries of the games by allowing our community to interact with our brands in many more formats. This happens by supporting the users participation in creating their own experiences."



Red Archer (troy xxxx), YouTuber and Payday partner

# “PAYDAY really is a community-driven game”

## For those of you who don't know you already, who are you?

My name is Troy, also known online as Red Archer Live. I'm a YouTuber and a Twitch streamer who loves playing games, in particular games from the PAYDAY franchise! I've been doing YouTube now for over 7 years, and Twitch for a little over a year.

## Why do you play PAYDAY?

Well, I first picked PAYDAY 2 up back in 2014 on the Xbox 360. I'd read about it and it sounded like the kind of game I'd love, especially whilst still riding on the highs of the heists in the recently-released GTA 5. To see that be not just a feature of a game, but to be the WHOLE PREMISE... it was so cool to me. The variations, the customisation, the hours of replayable fun with friends – all of these were so cool to me, especially in an age where games are fighting to keep your attention for as long as possible.

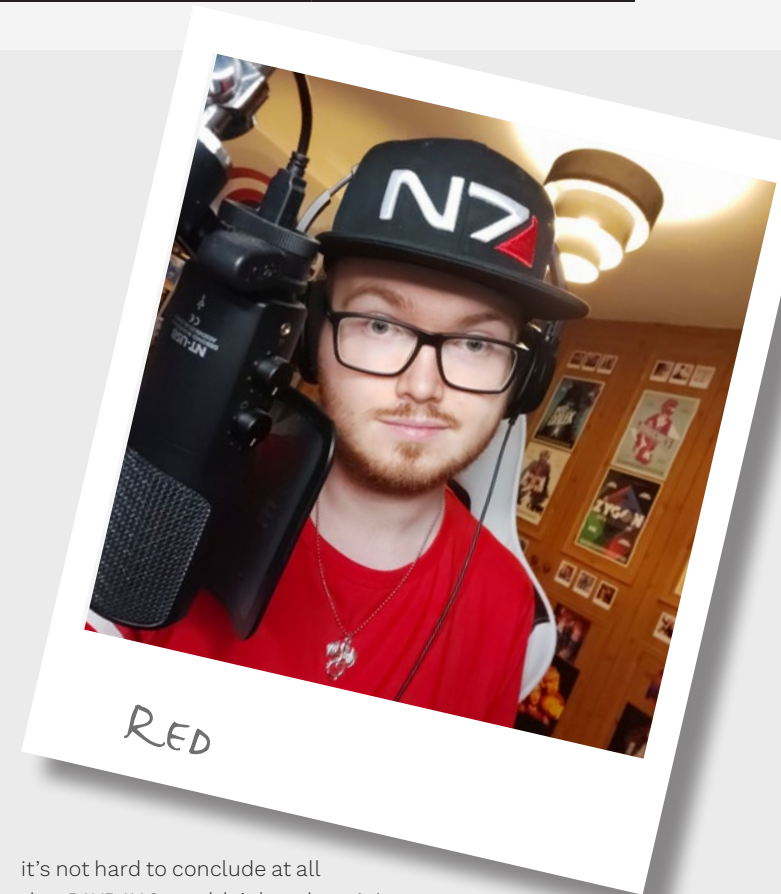
## How have you and Starbreeze worked together over the years?

I started making fully-fledged PAYDAY 2 content back in Summer 2017 when the Most Wanted DLC update released on Xbox One and PS4 (although I had done the odd PAYDAY 2 video before that, including a video recreating the Hoxton Breakout Trailer in GTA 5, which until recently had held the title of my most popular video for about 5 years!). From that

point onward, it was always a pipe dream to get some form of acknowledgement from the developers to show they had seen what I was doing and enjoyed it. At that time, they'd been using the "Overkill Approved" system to show this acknowledgment, but they sadly never reached out to give me that coveted badge. The reason became clear, however, when they reached out around the time they were bringing PAYDAY 2 back into full development and asked me to step up as an Overkill Partner – something beyond my wildest dreams. Now, being able to have a close dialogue with the developers, have codes to give away to viewers and even an insider scoop on what's coming up for the game... it's something I never expected and I'm super grateful to have it. I'm excited to see where it goes in the coming years!

## How do you see the weight of having a close dialogue with the community to evolve the game experience over time?

Listening to the community, let alone implementing ideas they offer, is often a vital aspect of a game's ongoing development that gets squandered by a lot of developers. So many games will say they take player feedback but very rarely implement much based on it. On the other hand, it truly DOES feel as though the developers at Overkill Software are aware that the players' voice is just as important, if not more so in some ways, than the ideas and opinions of the developers. PAYDAY 2 really is a community-driven game, and



it's not hard to conclude at all that PAYDAY 2 wouldn't be where it is today, never mind as popular as it is, without the ongoing strong dialogue between the developers and the heisters. It's awesome to see!

## What do you look forward to the most in 2022?

As always, I'm excited to see new content being added to PAYDAY 2 (on PC and, if at all possible, Consoles!)... but I think what I'm REALLY looking forward to is news regarding PAYDAY 3. There've been whispers about it for years now, but in 2021 we've finally started to get proper chunks of information. With that 2023 release date creeping up on us, I think 2022 is about to be a BIG year for PAYDAY 3 news – and I'm really excited for it!

Employees

# A strong culture that builds new successes

In order to take the next big step in Starbreeze's development, it is important that the business is permeated by strong and shared values that will contribute to the continued success of the company's game development and to Starbreeze being perceived as an attractive employer in the industry.

**Smarter Together**  
**Enabling creativity**  
**Learn & Develop**  
**Accountability**

Starbreeze depends on the creativity, knowledge and commitment of its employees to create great experiences for its players and community, and to contribute to the profitable and sustainable growth of the business. The company offers stimulating challenges, and an open and creative workplace with dedicated and committed 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. Starbreeze has studios in Stockholm, Paris and Barcelona. During the year, the company strengthened its organization with 60 new recruitments, including 9 women, which means that the business is growing to accelerate the development of PC and console games with a focus on the company's strong IP, PAY-DAY. A total of 25 nationalities are represented, including Brazil, Spain and the USA.

### Working together and interacting is key

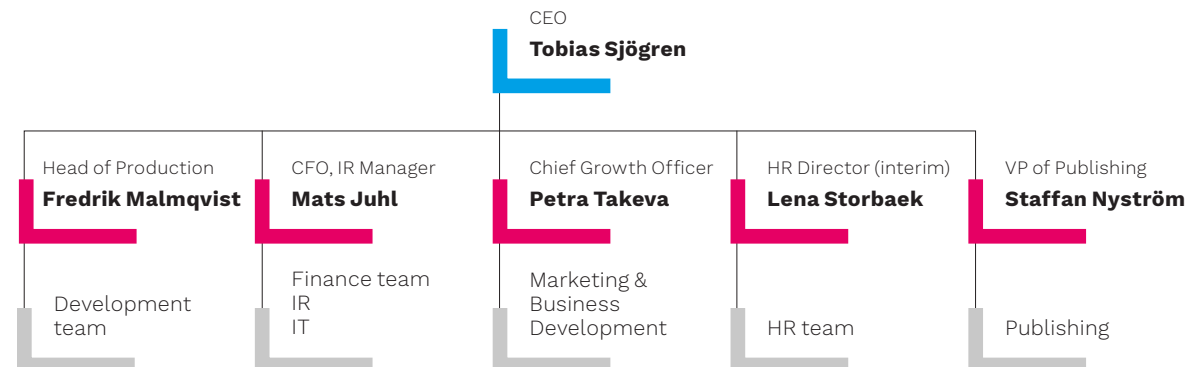
Starbreeze is an organization where employees assume responsibility and meet challenges through working together and interacting throughout the product development process. The company operates under a model where each specialist area or discipline is responsible for its own areas of expertise across 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. Starbreeze applies a flexible approach to the workplace where employees alternate between working from home, traveling, and working in

the office, using the studio as a base. Although we are, of course, extremely experienced and knowledgeable in digital meeting technology, physical group meetings are central to fueling our creative process.

There were 138 employees as at 31 December, 2021 (124). The average age was 40 (37) on the same date, and the gender breakdown was 82% (85) men and 18% (15) women. In order to consolidate and develop its market position, Starbreeze works actively to attract and retain motivated and competent staff, by offering clear career paths and room for continuous development. All managers in the organization underwent a two-step leadership program in 2021, and the whole company gathered at a major conference in early November to unveil and discuss the company's vision for 2025 and the pathway there. New values were created to consolidate the unique company culture while creating an even greater team spirit.

### Strong growth

Swedish game companies are growing and employ a total of 6,596 people based in Sweden and 7,177 people in other countries. Recruitment difficulties in Sweden persist and many companies are expanding by acquiring overseas development studios. In Sweden, the number of employees increased by 671, which is an increase of 11 percent.



### Starbreeze – an equal universe

Starbreeze works continuously to monitor and improve gender equality among employees. This work is a high priority for all managers, and gender equality issues are considered and addressed in their daily work. This means that activities must be conducted in a gender-neutral manner. There are three fundamental goals for Starbreeze's gender equality work:

- All employees' skills must be nurtured and utilized
- All employees must be given equal pay, working conditions and opportunities for advancement
- All employees must be given equal opportunities to combine work and family life

### The place to be

Starbreeze is a place for people to progress and feel that they are making a difference, and be rewarded for it. Salaries are set individually, taking into account the nature and complexity of the job and the qualifications and performance of the employees. Starbreeze offers:

- Market-based salaries and incentive schemes (LTI)
- Opportunities for advancement and career development
- Skills development, both at a managerial and employee level
- A workplace with an open atmosphere, positive attitude and strong camaraderie
- A multinational and multicultural workplace offering exciting interactions, which encourages self-discovery and open-minded attitudes
- 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



### A healthy work environment

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. Starbreeze continuously evaluates the company's efforts in the field of work environment in order to make constant improvements to its daily work environment management. Measures to change the working environment must be based on a holistic approach to all the factors that affect people at work. Monitoring and improving the work environment is an integral part of all activities within the company. Employees need to know not only what risks exist, but also how to avoid them.



### Number of employees as at December 31, 2021

Office	Country	Total
Stockholm <sup>1</sup>	Sweden	120
Paris	France	14
Los Angeles	USA	1
Barcelona	Spain	3
<b>Total</b>		<b>138</b>

<sup>1</sup> Head office

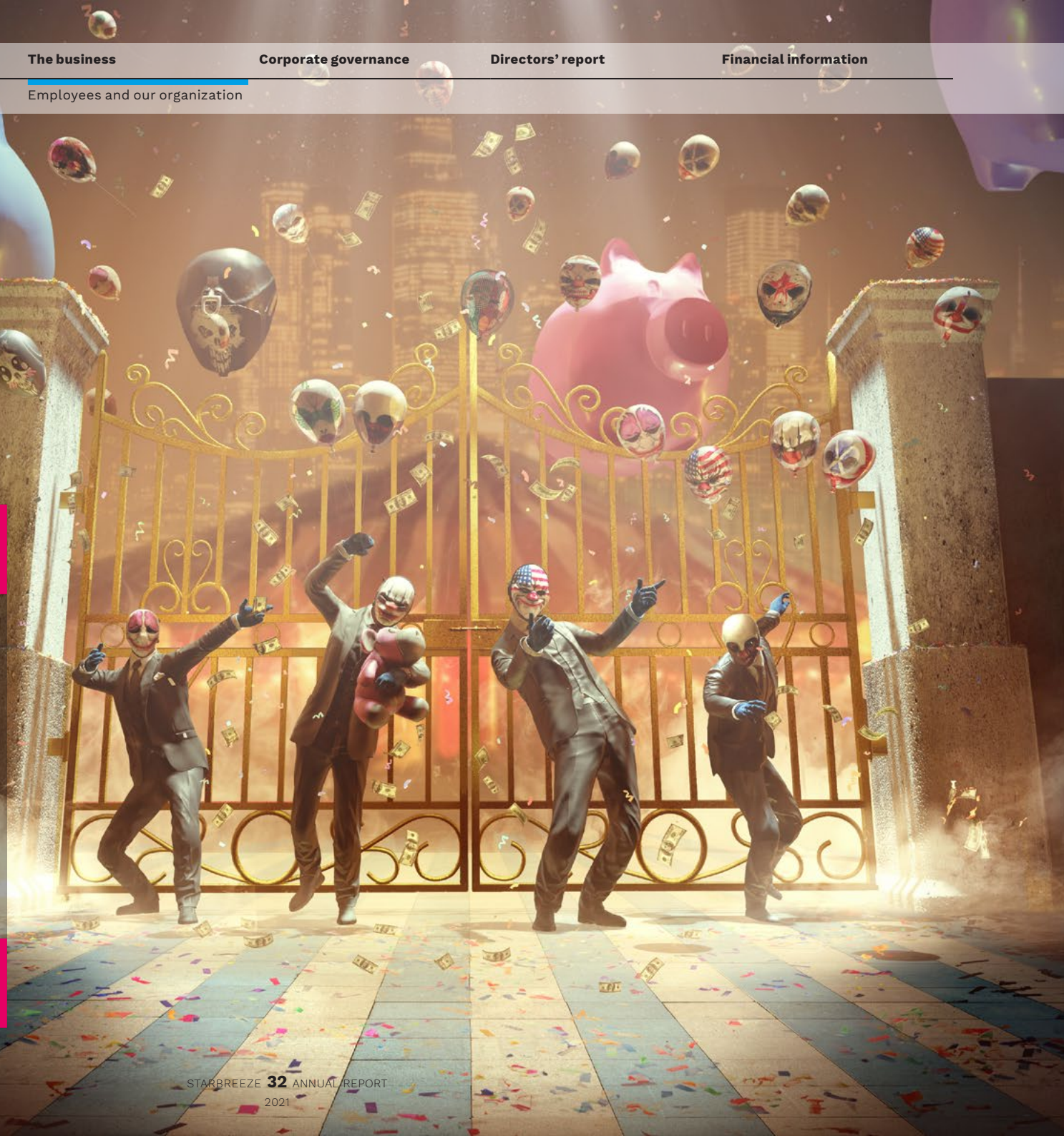
### Key figures – Employees

	Full year 2021	Full year 2020	Full year 2019	Full year 2018
Average number of employees	135	123	331	634
Number of employees at end of year	138	124	127	604
Proportion of women, %	18	15	12	12
Average age, years	40	37	34	32
Net sales per employee, SEK thousand	931	959	846	552

## PAYDAY TURNS 10

"A whole decade of PAYDAY means millions of hours of gameplay and co-op fun. This is an incredible achievement and success for us at Starbreeze, and it would not have been possible without our amazing community who have been with us from the very beginning. PAYDAY players and our community have been with us through thick and thin, and this anniversary is a great opportunity for us to look back at all we've achieved over the past decade, and more importantly, to take stock of everything we've learned along the way, ensuring that PAYDAY 3 (and beyond) will be bigger and better than ever."

Tobias Sjögren, CEO





Rika Lim, lead level designer at Starbreeze

## “Everyday I look forward to new ways to work and think”



### What do you do at Starbreeze?

I am a Lead Level Designer for both PAYDAY 2 and PAYDAY 3, and my main responsibility is supporting the level design team and bridging the gaps between the other departments and us in general. I also break down the game direction and vision further into the level design specific elements where we can integrate into our scope and tasks. Coming up with level design direction and pillars that aligned with the overall game direction, and ensuring consistency through all the core elements in the game we are working with.

### What made you start at the company, and what is your background?

Prior to joining Starbreeze, I was working in Ubisoft Singapore for about six years, primarily on the Assassin's Creed franchise from Assassin's Creed Syndicate until the most recent, Assassin's Creed Valhalla. And in the last three years before I left, I had the opportunity to learn and progress my career towards a Lead role, leading and growing the world design team, and also guiding the world design team in our co-development studios, Chengdu and Philippines during those times.

Early 2021, I was opened up to this opportunity of being able to relocate to Sweden and work in Starbreeze. And as the interview process went by, I got to learn more about what I actually want to do and learn. The conversations I had with various team members during those times have been a wonderful experience and it wasn't just about me learning more

about myself, but also learning more about them before I actually joined the company. I feel that the company truly values who they are bringing into the team, and they want that individual to be part of the culture and people they are building and growing together. I also see this as an opportunity where I can learn and continue building my skills in a different game genre and environment.

### What makes Starbreeze an exciting place to be?

Working with talents from different backgrounds and experience is always one of the most exciting thing I look forward to in each video game company, and Starbreeze is no exception. And the support and guidance I have received from my peers during this period of time, has been one of the most appreciative thing in growing myself further in this industry. Everyday I look forward to learning new ways to work and think about different perspectives.

### What was the most fun in 2021

### and what do you look forward to the most in 2022?

The most fun moment in 2021 is probably also the biggest decision I made to relocate to Sweden to work, leaving my comfort zone to explore new challenges in Starbreeze and a new country that I have never been to before. It is amazing to be able to be part of the PAYDAY franchise journey and see where it will further expand in the future. I am definitely looking forward to seeing what exciting content we will be creating for both PAYDAY 2 and the upcoming PAYDAY 3 game as well.

Game development process

# A platform for creative ideas

Starbreeze has a flexible, production-oriented development organization that enables the continuous optimization of successful games. Our ambition is to create processes that allow creative ideas to grow and develop into their own intellectual property.

Starbreeze studios' focus is on developing games for PC and console. The amazing trajectory of PAYDAY 2 is largely due to the community, and the way the company has succeeded in giving members a good experience, involving them and providing them with high-quality content. Starbreeze's development department is continuously developing new content by being responsive, innovative, creative and, last but not least, listening to the players when it comes to designing new content. PAYDAY's iconic characters engage players and create loyalty to the game, which will carry over into PAYDAY 3. PAYDAY 3 is also the company's main focus at the moment, taking the PAYDAY story to the next level thanks to a large, dedicated team of studio staff, along with a network of external creators. At the same time, it is important to be able to pursue other projects in parallel. For example, development of content for PAYDAY 2 continues, along with our ambition to develop PAYDAY as a multi-channel IP, together with the development of other IPs, whether proprietary, licensed or acquired.

## MOBILE GAMES

Successfully developing and publishing mobile games requires special skills and a dedicated focus. By licensing Starbreeze's mobile game Crime War to PopReach, the company has gained a partner who can ensure that the game is as good as possible and reaches as many players as possible. In the long term, our objective is to build the organization and knowledge to enable the in-house development of games on multiple platforms, including mobile.

## GAME DEVELOPMENT PROCESS

Starbreeze Studios is a team of 125 creative professionals taking the company to the next phase. The development process is based on a number of structured and well-tested elements.

### Production methodology

Starbreeze's production methodology is built on a combination of what is known as agile development and traditional planning. Different phases of the agile production cycle require different types of project methodology because the objectives differ significantly between the concept, production and delivery stages.

Starbreeze uses a delivery-based organizational model, which essentially means working on projects with cross-functional teams that work interactively. The aim is to create a focused and fun working environment where the team feels ownership and responsibility, which in turn will lead to the success of projects.



nations are represented in the Starbreeze team

### Project organization

The Head of Development is ultimately responsible for the product portfolio, together with the Executive Producer for each product. The Head of Development is responsible for ensuring the successful delivery of the project taking into account the overall budget and staffing together with the defined project deliverables. The Head of Development is also organizationally responsible and accountable for ensuring that collaboration is optimal between production and the other teams in the company. The Executive Producer, together with the Design Director, is ultimately responsible for the game's concept and its communication to all parties. The Executive Producer has overall responsibility for ensuring that the game project meets its quality objectives, stays within budget and is delivered on time.

The studio is collectively overseen by a management team consisting of a Head of Studio, Head of Development, Executive Producer(s), and Technology, Art, Design and QA Directors. Although the Executive Producer has the ultimate responsibility for each product, each Director is responsible for their own domain.

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.

Other members of the production team include Level Designers, Environment Artists, Animators, Audio Designers, Audio Composers, Concept Artists, Gameplay Programmers and Quality Assurers.



## GAME DEVELOPMENT ORGANIZATION

### CONTENT CREATION AND IMPLEMENTATION

#### Level Designer

Develops the game play of the game, which includes deciding which enemies the player will face and what the player will do and experience in the game. Builds the environments used in the game.

#### Animator

Produces animation data for the game and develops the narrative elements of the game.

#### Character and 3D artist

Builds the characters and objects used in the game based on the concepts produced by the Art Director.

#### Texture Artist

Builds the textures used in the game's environments.

#### Effect Artist

Develops the effects seen in the game.

#### Concept Artist

An artist who develops models and environments for the game.

#### Media Artist

Produces the moving images used in the game.

#### Audio

Creates and arranges the music and sounds used in the game.



### PROGRAMMING

#### Game Programmer

Develops the systems that are specific to a particular game project. This includes items such as weapons, artificial intelligence and effects systems.

### TECHNOLOGY

#### Engine Programmer

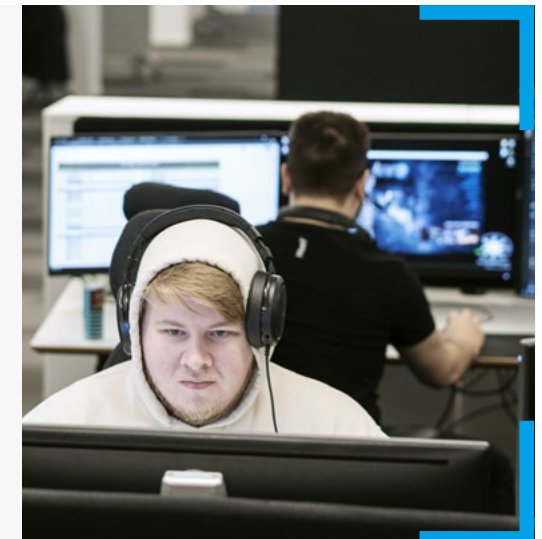
Develops and modifies the basic technology in the game engine.

#### Tools Programmer

Tasks similar to those of the engine programmer, but the focus is on the tools used to develop the game.

#### Quality Assurer

The QA finds any problems in the game and reports them so they can be fixed. Gate Keepers ensure that the game is of the highest quality in terms of playability and design – nothing leaves production without QA approval.



The share

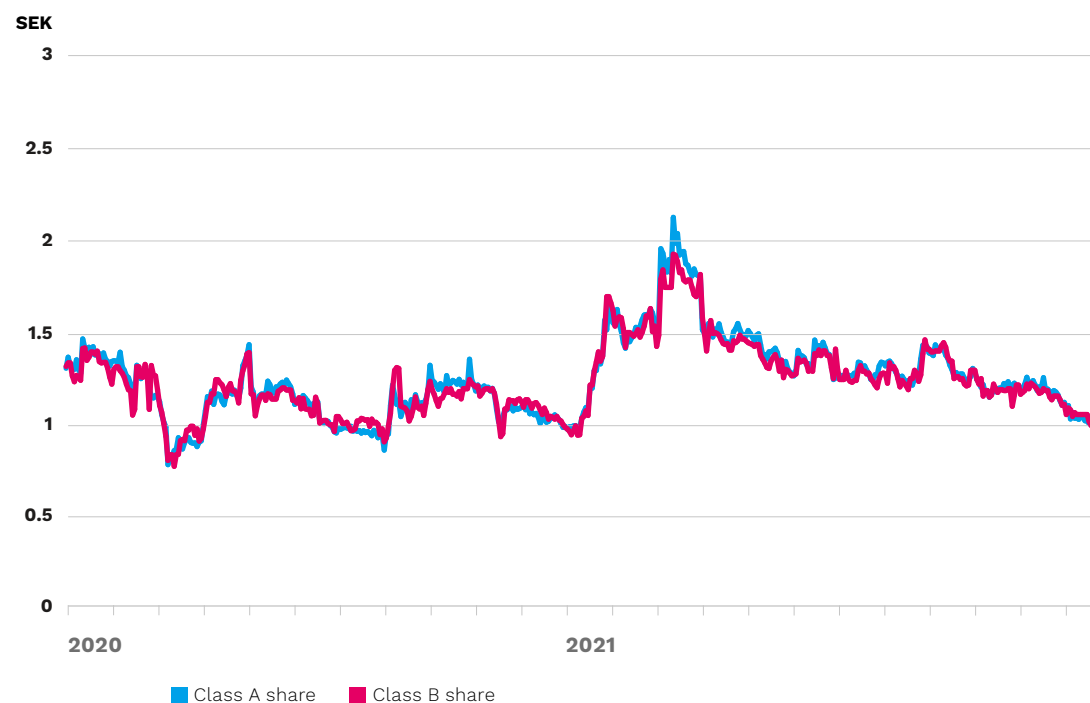
# Shares and shareholders

The Starbreeze share has been listed on Nasdaq Stockholm in the Small Cap segment since October 2, 2017. The shares are traded under the same ticker and ISIN code as before – STAR A, SE007158928, and STAR B, SE0005992831. At the end of the year, the closing price was SEK 1.01 (1.06) for the Class A share and SEK 1.00 (1.09) for the Class B share, and their combined market cap was SEK 726 (785) 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, 2021, the number of outstanding shares was 724,609,266 shares (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, 2021, the number of Class A shares was 166,371,768 (169,321,548) and the number of Class B shares was 558,237,498 (555,287,718). One Class A share carries ten votes and one Class B share carries one vote.

Performance of Starbreeze Class A and Class B shares from January 1, 2020 to December 31, 2021



## The share

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

## Shareholders

Starbreeze had 32,085 shareholders (28,263) as at December 31, 2021, of which 20 percent were from outside Sweden. 72 percent of the shareholders were men, 25 percent were women, and 3 percent were legal entities. Legal entities held 63% of the share capital.

## Largest shareholders as at December 31, 2021

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	28.91
Swedbank Robur <sup>1)</sup>	20,360,306	86,655,786	107,016,092	14.77	13.06
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	9.62
Förs. Bolaget, Avanza Pension	3,275,541	40,238,159	43,513,700	6.01	3.29
Allba Invest AB	5,170,000	0	5,170,000	0.71	2.33
Michael Hjorth <sup>2)</sup>	2,858,210	140,600	2,998,810	0.39	1.30
Nordnet Pensionsförsäkringar AB	1,074,060	13,908,514	14,982,574	2.07	1.11
Bengt Westman	810,404	2,958,364	3,768,768	0.52	0.50
Swedbank Försäkring	233,443	7,837,129	8,070,572	1.11	0.46
Other	33,999,031	322,208,617	356,207,648	49.18	29.79
<b>Total</b>	<b>166,371,768</b>	<b>558,237,498</b>	<b>724,609,266</b>	<b>100.00</b>	<b>100.00</b>

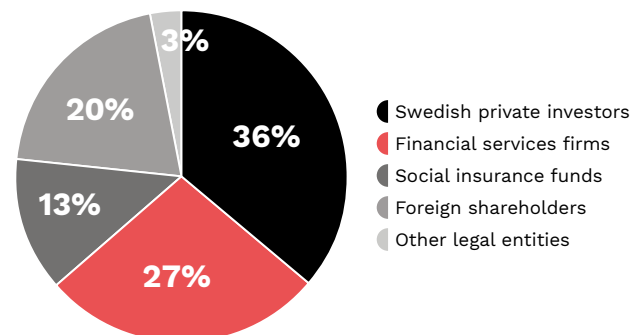
1) Swedbank Robur consists of Ny Teknik BTI.

2) Via Indian Nation Aktiebolag.

Source: Euroclear

## Distribution of equity by shareholder, December 31, 2021

Source: Euroclear



## Distribution of shares December 31, 2021, grouped

Holding	Number of shareholders	Number of Class A shares	Number of Class B shares	Holding, %	Voting rights, %
1-500	13,051	569,691	1,540,117	0.29	0.33
501-1000	3,977	707,970	2,433,779	0.43	0.43
1001-5000	8,023	3,871,391	16,494,075	2.81	2.48
5001-10000	2,674	3,100,652	17,060,896	2.78	2.16
10001-15000	1,082	2,024,248	11,496,466	1.87	1.43
15001-20000	768	1,699,921	12,197,150	1.92	1.31
20,001-	2,510	154,397,895	497,015,015	89.90	91.86
<b>Total</b>	<b>32,085</b>	<b>166,371,768</b>	<b>558,237,498</b>	<b>100.00</b>	<b>100.00</b>

Source: Euroclear

### 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:

Year	Transaction	Increase in share capital	Total share capital	Increase in number of shares	Total shares	Quotient value (SEK)
2015	Stock dividend	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

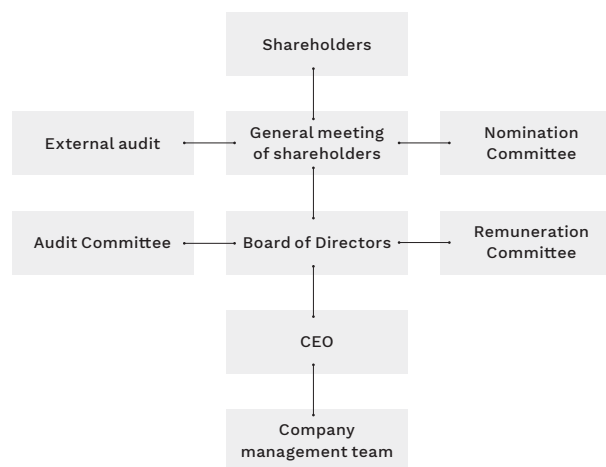
## General information about corporate governance

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.

## Starbreeze's corporate governance structure



## 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 participate, in person or by proxy. The General meeting of shareholders may resolve 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 example, resolve to increase or decrease the 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 and on the company's website. At the time of convening the meeting, information that the meeting has been convened is published in Dagens Industri. 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 2021 financial year was held on May 12, 2021. The next AGM is scheduled to take place on May 12, 2022.

### 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. Share-

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

The Nomination Committee's term runs until a new Nomination Committee is 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), Ulrik Grönvall (Swedbank Robur Fonder), 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 managing 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.

## 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	15/15	6/6	3/3
Kerstin Sundberg	Audit Committee (chair)	2019	Yes/Yes	15/15	6/6	
Jan Benjaminson	Audit Committee until November 19, 2021	2019	Yes/Yes	14/14	6/6	
Mike Gamble		2021	Yes/Yes	6/6		
Thomas Lindgren	Audit Committee from December 12, 2021	2021	Yes/Yes	6/6		1/1
Anna Lagerborg	Remuneration Committee from October 26, 2021	2020	Yes/Yes	15/15		3/3

At the 2021 AGM, members Jan Benjaminson, Torgny Hellström, Kerstin Sundberg were re-elected and Anna Lagerborg, Mike Gamble and Thomas Lindgren were newly 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. On November 19, 2021, Jan Benjaminson chose to step down.

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 48.

The table above 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.

15 minuted meetings were held during the 2021 financial year. Each Director's attendance at Board and Committee meetings is shown in the table to the left.

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.

### The 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 2021 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 2021 AGM, the Audit Committee has comprised: Kerstin Sundberg (Chair), Jan Benjaminson (stepped down on November 19, 2021), Thomas Lindgren (took office on December 12, 2021) and Torgny Hellström.

#### The 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 2021 AGM, the Remuneration Committee has comprised: Torgny Hellström (chair) and Anna Lagerborg.

#### Remuneration of Directors

Remuneration to Directors elected by the General Meeting is decided by the General Meeting. At the AGM on May 12, 2021, it was resolved that a fee of SEK 750,000 would be paid to the Board Chair and SEK 225,000 each to other Directors who are not company employees.

In addition, the AGM set a fee of SEK 70,000 for the Chair and SEK 60,000 for the other member of the Remuneration Committee. A fee of SEK 280,000 for the Chair and SEK 120,000 for the members of the Audit Committee was also approved.

Auditor's fees are paid according to approved invoices. See page 44 for the fees paid to the members of the Board of Directors in 2021.

#### 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 2021, 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.

#### 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 5,015 thousand (12,967) was paid to senior managers, including the CEO, to cover salary, variable remuneration and other benefits in 2021. 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.

The costs of stock options granted to employees were charged against profit and loss at the amount of 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 and Paris. With the successful PAYDAY brand at its core, Starbreeze develops games based on proprietary and third-party rights, both in-house and in partnership with external game developers.

2021 (SEK thousand)	Basic salary/ Directors' fees	Variable remuneration	Other benefits	Pension expense	Total
Torgny Hellström, Board Chair	971	-	-	-	971
Jan Benjaminson, Director until November 9, 2021	336	-	-	-	336
Kerstin Sundberg, Director	539	-	-	-	539
Anna Lagerborg, Director May 13, 2020	272	-	-	-	272
Thomas Lindgren, Director May 12, 2021	152	-	-	-	152
Mike Gamble, Director May 12, 2021	140	-	-	-	140
Tobias Sjögren, CEO	3,001	-	-	645	3,646
Other senior managers, average					
1 person, at year-end 1 person	1,563	250	200	389	2,403
<b>Total</b>	<b>6,974</b>	<b>250</b>	<b>200</b>	<b>1,034</b>	<b>8,458</b>

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 game via the various gaming platforms or retailers.

Visit [www.starbreeze.com](http://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.

#### Remunerations forms, 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% of the CEO's fixed annual salary, and 50% 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 10% 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 nine months' notice of termination of employment. Other senior managers have a notice period of three to nine months. There is no provision for severance pay.

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% 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 current 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 12, 2021, audit firm Öhrlings PricewaterhouseCoopers AB, (Torsgatan 21, 113 21 Stockholm) was reappointed as the company's auditors until the end of the AGM to be held in 2022. Öhrlings PricewaterhouseCoopers AB has been the company's auditor for the years 2015, 2016, 2017, 2018, 2019, 2020, 2021 and up to the end of the AGM in 2022. The auditor in charge is Nicklas Kullberg, Authorized Public Accountant.

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

#### 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, 2021, 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.

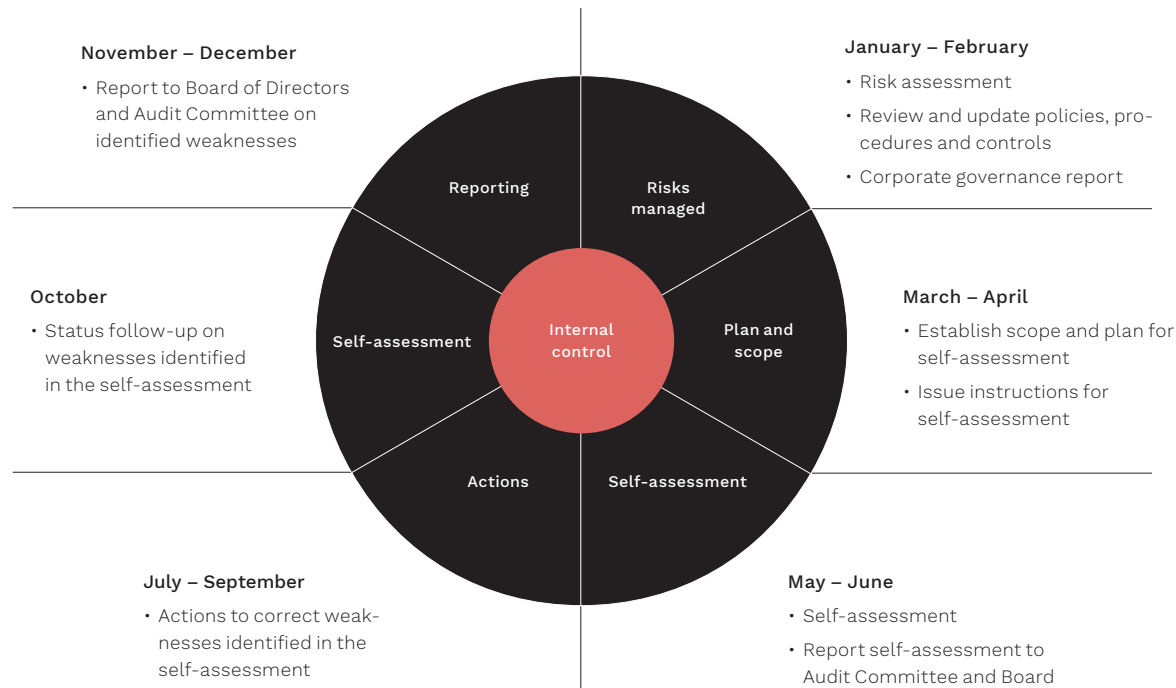
#### Control environment

Internal control at Starbreeze is based on a control environment that includes the 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 company'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.

### Starbreeze's annual cycle for auditing and control



#### 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, as shown in the graph on page 46.

#### 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.

# The Board of Directors and the auditors



**Torgny Hellström**

**Board Chair since the EGM in 2019**

**Born:** 1958.

**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 leading positions as Chairman of DDM Holding AG and MagComp AB, Director to the Board of True Heading AB and Seapilot AB, and within Anoto Group, most recently as CEO and earlier as COO and lead legal council. Torgny's previous experience 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 ImagineCare 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 active serving on 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:** Master of Science in Business Administration, Stockholm School of Economics.

**Principal occupation:** Principal occupation: Investor and mentor with several board appointments. Previous managerial positions at Fatshark, Goodbye Kansas Game Invest, Shooldo and ISD. Former CEO of Glorious Games (Stardoll), Gamefederation and ISD, founder of Wanderword.

**Other appointments:** Board Chair for Wanderword, Board Chair for Ecobloom, House of How, Northify and Rahms Ståd.

**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 owns 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.

### Nicklas Kullberg Auditor in charge

Auditor of Starbreeze AB (publ) since 2015.

**Born:** 1970

Authorized Public Accountant.

# Senior managers



**Tobias Sjögren**

CEO since March 24, 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 Agents. Head of DICE Stockholm's studio while the first Battlefield game was released.

**Holdings in the company:** Directly owns 569,600 Class B shares and 30,000 Class A shares.



**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 Manager at Enea AB (publ.)

**Holdings in the company:** Directly or indirectly owns 435,000 Class B shares.



**Fredrik Malmqvist**

Head of Production since 2021

Born: 1979.

**Education:** Bachelor of Science – Computer Science, Karlstad University

**Background:** Fredrik has extensive experience in the games industry, spending the last 10 years as Development Director at DICE where he worked on live and box products in their Battlefield franchise. He also has 8 years' experience in software development.

**Holdings in the company:** Directly owns 100,000 Class B shares.



**Lena Storbaek**

Interim HR Director since 2022

Born: 1973.

**Education:** Master in International Business, Gothenburg School of Economics

**Background:** More than 20 years' international experience in HR and leadership positions, primarily in consultancy, financial and engineering companies. Passionate about business-minded HR and creating the best possible workplace for managers and employees, which is fundamental to an excellent performance and sustainable business success. Vast experience from both strategic and operational HR roles, with an emphasis on developing HR functions and establishing processes and tools.

**Holdings in the company:** Directly owns 10,000 Class B shares.



**Petra Takeva**

Chief Growth Officer since 2021

Born: 1977.

**Education:** IHM Business School, Forsbergs 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 owns 100,000 Class B shares.



**Staffan Nyström**

VP of 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 100,000 Class B shares.



# 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, 2021, Starbreeze's twenty-fourth 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 developer and publisher of computer and video games with offices in several countries around the world and its main business in Stockholm. In 2021, business activities primarily focused on Starbreeze Games, with in-house game development and publishing activities focusing on the proprietary PAYDAY IP.

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

The Starbreeze Group includes the Parent Company Starbreeze AB (publ) and subsidiaries Starbreeze Studios AB, Starbreeze Publishing AB, Starbreeze Production AB, Starbreeze USA Inc, Starbreeze IP LUX, Starbreeze IP LUX II S.à.r.l, Starbreeze LA Inc, PAYDAY Production LLC, Starbreeze Paris SAS, New Starbreeze Studios AB, New Starbreeze Publishing AB, New Starbreeze Publishing PD IP AB, Starbreeze VR AB, Starbreeze Ventures AB (in liquidation), Starbreeze Barcelona SL, Enterspace AB and Enterspace

International AB (in liquidation). The Group also owns 33.3 percent of the joint venture company StarVR Corporation.

## Significant events during the year

On March 19, the company announced that it had entered into a global co-publishing agreement with leading European publishing partner Koch Media. The agreement covers the development and marketing of PAYDAY 3 and the continued development and marketing of the game using the "Games as a Service" model.

Tobias Sjögren was appointed permanent CEO on March 24.

On April 14, Starbreeze signed a license agreement with PopReach Corporation for PAYDAY Crime War, the mobile game version of PAYDAY 2.

The AGM was held on May 12. Mike Gamble and Thomas Lindgren were put forward by the Nomination Committee and elected as new Directors on the Starbreeze Board at the AGM.

The PAYDAY game series celebrated its 10th anniversary on October 18 with marketing efforts across multiple channels.

The company's new player services platform was launched on October 28 under the working name Starbreeze Accounts.

Board member Jan Benjaminson chose to step down from the Board on November 19.

Starbreeze continues to assess the impact of the COVID-19 pandemic on its operations. Current revenue-generating activities have not been disrupted as the majority of revenues come from a digital distribution model where the availability of products and contact between players remains uninterrupted, regardless of broader social distancing measures.

Most of our employees worked from home in the fourth quarter. The company considers that the short-term impact on its ongoing projects remains small, however, the long-term effects on future business and the impact on project organization efficiency may result in delayed deliveries. To date, the impact on the company's revenues has been positive.

## Stock option programs

As at December 31, 2021, there are no outstanding employee stock options or allocated outstanding warrants. For more information, see Note 30.

## 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.

## Net sales and earnings

The financial year covers 12 months (January–December 2021).

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

Net sales of the base game PAYDAY 2 on Steam increased 13% (SEK 2.9 million) compared to the corresponding period in 2020, and net sales of DLC (sales of add-on packs) increased 17% (SEK 9.4 million). Console revenue showed a negative trend, decreasing by SEK 5.9 million compared to the corresponding period last year.

Exchange rate fluctuations against the US dollar had a negative impact on net sales of SEK 6.1 million compared to the average exchange rate for the corresponding period last year.

Direct costs amounted to SEK 56.3 million (31.1) and comprise costs related to the production and development of games. This increase is mainly due to the increased amortization of intangible assets by SEK 22.8 million as the company's amortization schedule was revised for 2021 onwards. Direct costs include amortization of SEK 42.4 million (21.7).

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

Sales and marketing expenses amounted to SEK 12.9 million (8.5) and are primarily related to personnel costs and marketing activities. The increase is mainly attributable to the market activities performed.

Administrative expenses amounted to SEK 51.2 million (69.4) 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 decrease in administrative expenses is mainly attributable to a decrease in external service costs and costs related to reconstruction work. Administrative expenses include amortization of SEK 17.6 million (16.8). Capitalized development expenditure reduced administrative expenses by SEK 29.9 million (23.5) and concerns the games PAYDAY Crime War, PAYDAY 2 and PAYDAY 3.

Other revenues totaled SEK 9.7 million (1.8). This item is primarily composed of exchange rate effects due to fluctuations in the dollar and euro exchange rates against the Swedish krona. The previous year was positively impacted by net income attributable to subsidiary sales of SEK 6.4 million.

Other expenses amount to SEK –68.7 million (0.0) and relate to previously capitalized development expenditure related to PAYDAY Crime War that was reversed following

the signing of a license agreement with PopReach for the game's release. These costs have no impact on cash flow.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) totaled SEK 6.3 million (49.3). Adjusted for non-recurring items related to the license agreement for PAYDAY Crime War, EBITDA totaled SEK 74.9 million (49.3)

Profit share from the joint venture StarVR Corporation amounted to SEK 0.1 million (–2.1). During the period, net financial income/expense was charged with interest expense on lease liabilities of SEK –1.1 million (–1.5), which is due to the IFRS 16 accounting standard.

Net financial income/expense totaled SEK –51.5 million (–141.3). These expenses are mainly related to the company's convertible loan and related debt of SEK –49.4 million (–41.9). In the corresponding period of the previous year, we had a negative impact of SEK 90.9 million related to renegotiation loss when renegotiating the convertible loan.

Profit/loss before tax for the period amounted to SEK –105.2 million (–130.5). Earnings for the period were SEK –103.5 million (–130.3).

Basic and diluted earnings per share totaled SEK –0.14 (–0.28).

## Financial position

### Current assets

Goodwill at the end of the period amounted to SEK 42.4 million (38.8). Intangible assets, consisting mainly of IP rights, totaled SEK 199.9 million (228.5).

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

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

Amortization and impairment of intangible assets totaled SEK 39.5 million (16.6) during the period.

### Current assets

Trade and other receivables totaled SEK 16.2 million (4.1).

Prepaid expenses and accrued income at the end of the period was SEK 29.0 million (34.7), of which SEK 14.6 million (16.0) 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 122.8 million (228.5).

### Non-current liabilities

Non-current liabilities totaled SEK 442.7 million (329.8), of which convertible loans and related liabilities amounted to SEK 319.5 million, and liabilities to Koch Media for received game financing amounted to SEK 91.0 million. Non-current liabilities related to game financing will increase as financing is obtained and the liability will be credited in connection with the future distribution of PAYDAY 3 sales revenues. The non-current portion of lease liabilities amounted to SEK 21.0 million (37.1).

### Current liabilities

Current liabilities totaled SEK 108.6 million (150.3). Trade payables and other liabilities at the end of the period amounted to SEK 59.9 million (103.3). The final installment of the loan to Nordea, including interest, was paid during the period, representing SEK 59.1 million. Current liabilities for leases amounted to SEK 17.8 million (19.1). Accrued expenses and deferred income at the end of the period was SEK 30.8 million (27.9).

## Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 61.3 million (47.5) with negative earnings of SEK –53.7 million (10.9) in the period, and adjustments for items not included in cash flow totaling SEK 121.6 million (37.1) of which depreciation and amortization amounted to SEK 60.0 million (38.4). The items also include an accounting loss on the sale of fixed assets of SEK 68.7 million, which relates to previously capitalized development expenditure on PAYDAY Crime War. In connection with the signing of the license agreement for PAYDAY Crime War, the rights to the game were transferred to the licensee, resulting in the capitalization of previous investments in development.

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

Cash flow from investing activities was SEK –109.0 million (–96.2), of which investments in proprietary game development accounted for SEK –111.5 million (–94.5). The item also includes the non-recurring income received by Starbreeze in connection with the signing of the license agreement for PAYDAY Crime War of SEK 2.1 million.

Cash flow from financing activities amounted to SEK 6.2 million (195.6) and was mainly affected by the final repayment of a loan to Nordea of SEK –55.9 million, and financing received for game development from Koch Media Group of SEK 79.3 million. During the period, the company took out a new overdraft facility with Nordea with a limit of SEK 15 million, of which SEK 1.1 million had been utilized at the end of the period. The impact of IFRS 16 Leases amounted to SEK –19.1 million (–18.8). Two new share issues totaling SEK 301.3 million were carried out in 2020 which had a positive effect of SEK 271.0 million in the previous year, and a loan to Nordea of SEK –55.0 million was repaid. Total cash flow for the period was SEK –29.0 million (74.7).

Cash and cash equivalents at the end of the period amounted to SEK 128.6 million (157.4).

## Investments

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

## Impairment

Starbreeze regularly performs impairment tests on assets without a fixed useful life to ensure that the carrying amount of the asset 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 the company's website.

Ensuring a safe and healthy working environment is an important sustainability issue for Starbreeze. The goal of Starbreeze's work environment 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 e.g. 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 138 (124), with 113 men and 25 women. The average age at December 31, 2021 was 40 (37). For more information, see Notes 11 and 12 and the Group Sustainability Report, which can be found on our website.

## Remuneration of the Board and senior managers

The adopted guidelines for remuneration of the Board of Directors and senior managers proposed to the AGM 2021 can be found in the Corporate Governance Report on page 31. Expenses in 2021 for remuneration to senior managers are shown in Note 13 and in the Remuneration Report for 2021.

### 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 2021 amounted to SEK 24.1 million (29.8) and profit before tax amounted to SEK -26.5 million (-144.3). Earnings after tax were SEK -26.5 million (-144.3).

Shares in subsidiaries amounted to SEK 325.9 million (322.7).

At the end of the period, cash and cash equivalents amounted to SEK 7.6 million (10.9) and the Parent Company's equity was SEK 758.0 million (784.5).

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

On December 31, 2021, the closing price was SEK 1.01, compared to SEK 1.06 on December 31, 2020 for Class A shares, and SEK 1.00 compared to SEK 1.09 for Class B shares. At the end of the year, the total market capitalization was approximately SEK 726 million, compared to approximately SEK 785 million the previous year.

The share capital at the end of the year totaled SEK 14,492 thousand (14,492) divided into 724,609,266 shares (724,609,266), with 166,371,768 Class A shares (169,321,548) and 558,237,498 Class B shares (555,287,718).

Under the company's conversion program, 2,949,780 Class A shares were converted into Class B shares during the year.

Starbreeze had 32,085 shareholders (28,263 shareholders) 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 28.91 percent of the votes, Swedbank Robur with 14.77 percent of the share capital and 13.06 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 who produce the contracted work honoring the agreements entered into.

### 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 a number of key-persons 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-persons 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 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 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 447.9 million as at December 31, 2021. 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 the profits

The Board of Directors proposes that the retained earnings of SEK 743,524,649 be carried forward.

SEK	Parent Company Dec. 31, 2021
Retained earnings	-1,142,087,507
Share premium reserve	1,912,127,083
Profit/loss for the year	-26,514,927
<b>Carried forward</b>	<b>743,524,649</b>

### Dividend

The Board of Directors proposes that no dividend (0) be distributed for the 2021 financial year.

### Annual General Meeting

The Annual General Meeting of Starbreeze AB (publ), 556551-8932, will be held on Wednesday May 12, 2022.

# Financial overview

## Condensed consolidated statement of comprehensive income

SEK thousand	2021	2020	2019	2018
<b>Operating revenue</b>				
Net sales	125,689	118,006	280,002	349,955
Operating expenses	-179,409	-107,131	-784,364	-1,927,760
Operating profit/loss (EBIT)	-53,720	10,875	-504,362	-1,577,805
Net financial income/expense	-51,506	-141,348	51,938	230,556
<b>Profit/loss before tax</b>	<b>-105,226</b>	<b>-130,473</b>	<b>-452,424</b>	<b>-1,347,249</b>
Income tax	1,758	193	51,325	10,897
<b>Earnings for the period</b>	<b>-103,468</b>	<b>-130,280</b>	<b>-401,099</b>	<b>-1,336,352</b>

## Condensed consolidated balance sheet

January 1 to December 31, SEK thousand	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	462,494	454,289	384,565	787,459
Property, plant and equipment	36,013	55,570	76,614	60,499
<b>Total non-current assets</b>	<b>498,507</b>	<b>509,859</b>	<b>461,179</b>	<b>847,958</b>
<b>Current assets</b>	<b>175,640</b>	<b>198,847</b>	<b>129,709</b>	<b>155,468</b>
Available-for-sale assets	—	—	1,084	83,068
<b>Total assets</b>	<b>674,147</b>	<b>708,706</b>	<b>591,972</b>	<b>1,086,494</b>
<b>Equity and liabilities</b>				
Equity	122,817	228,498	6,158	339,006
<b>Liabilities</b>				
Non-current liabilities	442,743	329,849	184,196	159,314
Current liabilities	108,587	150,359	400,155	583,310
Available-for-sale liabilities	—	—	1,463	4,864
<b>Total liabilities</b>	<b>551,330</b>	<b>480,208</b>	<b>585,814</b>	<b>747,488</b>
<b>Total equity and liabilities</b>	<b>674,147</b>	<b>708,706</b>	<b>591,972</b>	<b>1,086,494</b>

## Condensed consolidated statement of cash flows

SEK thousand	2021	2020	2019	2018
Cash flow from operating activities	73,868	-24,640	49,508	49,906
Cash flow from investing activities	-109,006	-96,215	-36,239	-559,224
Cash flow from financing activities	6,172	195,599	—	344,334
<b>Cash flow for the period</b>	<b>-28,966</b>	<b>74,744</b>	<b>13,269</b>	<b>-164,984</b>
Cash and cash equivalents at the start of the period	157,423	82,787	69,289	233,757
Exchange rate difference in cash and cash equivalents	115	-108	229	516
<b>Cash and cash equivalents at the end of the period</b>	<b>128,572</b>	<b>157,423</b>	<b>82,787</b>	<b>69,289</b>

## The Group's alternative performance measures

SEK thousand	2021	2020	2019	2018
EBITDA margin, %	5.0	41.8	-41.6	-3.0
EBITDA margin, % adjusted <sup>1)</sup>	59.6	41.8	-41.6	-3.0
Profit margin, %	-83.7	-110.6	-161.6	-385.0
Basic earnings per share, SEK	-0.14	-0.28	-1.22	-4.2
Diluted earnings per share, SEK	-0.14	-0.28	-1.22	-4.2
Equity/assets ratio, %	18.2	32.2	1.0	31.5
Number of shares at the end of the period before dilution	724,609,266	724,609,266	329,367,849	325,295,554
Number of shares at the end of the period after dilution	724,609,266	724,609,266	329,367,849	345,895,038
Average number of shares before dilution	724,609,266	469,754,144	328,349,775	317,956,811
Average number of shares after dilution	724,609,266	469,754,144	328,349,775	317,956,811
Average number of employees	135	123	331	634
Number of employees at the end of the period	138	124	127	604

<sup>1)</sup> Operating profit before depreciation, amortization and impairment as a percentage of net sales adjusted for one-off effects related to PAYDAY Crime War license agreements.

# Financial information

## Definitions for the Group's alternative 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 analyze the company's operations. The measures presented in this report may differ from similarly named measures 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 license agreements.

### Adjusted EBITDA margin

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

### 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	2021	2020
Net sales	5, 6	125,689	118,006
Direct costs	5, 8	-56,302	-31,074
<b>Gross profit/loss</b>	<b>5</b>	<b>69,387</b>	<b>86,932</b>
Sales and marketing costs	8, 10, 12, 13	-12,946	-8,464
Administrative expenses	8, 9, 10, 12, 13	-51,159	-69,428
Other operating income	7	9,670	1,835
Other operating expenses	8, 14	-68,672	—
<b>Operating profit/loss (EBIT)</b>		<b>-53,720</b>	<b>10,875</b>
Financial income	15	82	628
Financial expenses	15	-51,638	-139,864
Share of profit or loss from holdings recognized using the equity method of accounting	42	50	-2,112
<b>Profit/loss before tax</b>		<b>-105,226</b>	<b>-130,473</b>
Income tax	17	1,758	193
<b>Net profit/loss for the year</b>		<b>-103,468</b>	<b>-130,280</b>
<b>Net income attributable to:</b>			
Parent company's shareholders		-103,468	-130,280
Other comprehensive income that may subsequently be reclassified to profit and loss:			
Exchange differences		-2,213	246
<b>Total comprehensive income for the year</b>		<b>-105,681</b>	<b>-130,034</b>
<b>Total comprehensive income for the year attributable to:</b>			
<b>Parent company's shareholders</b>		<b>-105,681</b>	<b>-130,034</b>
Earnings per share attributable to the Parent Company's shareholders during the period (SEK)			
Basic earnings per share, SEK	18	-0.14	-0.28
Diluted earnings per share, SEK	18	-0.14	-0.28

## Consolidated statement of financial position

SEK thousand	NOTE	Dec. 31, 2021	Dec. 31, 2020
<b>Assets</b>	1, 2, 3, 4		
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill	20	42,445	38,827
Other intangible assets	20	199,903	228,514
Capitalized development cost for own games and technology development	20	201,569	171,435
Investments in publishing projects	20	3,974	3,974
<b>Financial assets</b>	24, 25		
Financial assets	22	8,011	7,683
Shares in joint ventures	42	1,133	1,083
Non-current lease receivable	10	1,181	2,612
Deferred tax assets	17	4,278	161
<b>Property, plant and equipment</b>			
Computers and other equipment	21	2,045	6,704
Right-of-use asset – buildings	10	33,968	48,866
<b>Total non-current assets</b>		<b>498,507</b>	<b>509,859</b>
<b>Current assets</b>	24, 25		
Trade and other receivables	26	16,190	4,061
Current lease receivable	10	1,845	2,627
Prepaid expenses and accrued income	27	29,033	34,736
Cash and cash equivalents	28	128,572	157,423
<b>Total current assets</b>		<b>175,640</b>	<b>198,847</b>
<b>Total assets</b>		<b>674,147</b>	<b>708,706</b>

## Consolidated statement of financial position, cont.

SEK thousand	NOTE	Dec. 31, 2021	Dec. 31, 2020
<b>Equity and liabilities</b>			
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		19,433	21,646
Retained earnings inc. profit/loss for the year		-1,890,219	-1,786,751
<b>Total equity</b>		<b>122,817</b>	<b>228,498</b>
<b>Non-current liabilities</b>			
Non-current liabilities, earnouts	10	21,001	37,147
Other non-current liabilities	41	421,742	292,702
<b>Total non-current liabilities</b>		<b>442,743</b>	<b>329,849</b>
<b>Current liabilities</b>			
Current liabilities, earnouts	32	—	18
Trade and other payables	33, 41	59,936	103,345
Current lease liability	10	17,806	19,135
Accrued expenses and deferred income	34	30,845	27,861
<b>Total current liabilities</b>		<b>108,587</b>	<b>150,359</b>
Total liabilities		551,330	480,208
<b>Total equity and liabilities</b>		<b>674,147</b>	<b>708,706</b>

## Consolidated statement of changes in equity

SEK thousand	Share capital	Other contributed capital	Reserves	Retained earnings	Total equity
<b>Opening balance, Jan. 1, 2021</b>	14,492	1,979,111	21,646	-1,786,751	228,498
Net profit/loss for the year	—	—	—	-103,468	-103,468
<b>Other comprehensive income for the year</b>					
Exchange differences	—	—	-2,213	—	-2,213
<b>Total comprehensive income</b>	—	—	-2,213	-103,468	-105,681
<b>Closing balance, Dec. 31, 2021</b>	14,492	1,979,111	19,433	-1,890,219	122,817
<b>Opening balance, Jan. 1, 2020</b>	6,587	1,711,334	21,400	-1,733,163	6,158
Net profit/loss for the year	—	—	—	-130,280	-130,280
<b>Other comprehensive income for the year</b>					
Exchange differences	—	—	246	—	246
<b>Total comprehensive income</b>	—	—	246	-130,280	-130,034
<b>Transactions with shareholders</b>					
New share issue	7,905	293,368	—	—	301,273
Issue costs recognized in equity	—	-30,273	—	—	-30,273
Effect of change in convertible bonds	—	—	—	76,692	76,692
Other	—	4,683	—	—	4,683
<b>Total contribution from and value transfers to shareholders, recognized directly in equity</b>	7,905	267,777	—	76,692	352,374
<b>Closing balance, Dec. 31, 2020</b>	14,492	1,979,111	21,646	-1,786,751	228,498

## Consolidated statement of cash flows

SEK thousand	NOTE	2021	2020
<b>Cash flow from operating activities</b>			
Operating profit/loss		-53,720	10,875
Adjustments for non-cash items	39	121,610	37,053
Credit cost paid incl. interest	39	-3,394	-385
Income tax paid		-3,169	—
<b>Cash flow from operating activities before changes in working capital</b>		<b>61,327</b>	<b>47,543</b>
<b>Cash flow from changes in working capital</b>			
Increase (-) / decrease (+) in operating receivables		7,298	66,851
Increase (+) / decrease (-) in operating liabilities		5,243	-139,034
<b>Cash flow from operating activities after changes in working capital</b>		<b>73,868</b>	<b>-24,640</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment	21	-993	-944
Sale of property, plant and equipment		70	51
Sale of intangible assets		2,103	—
Divestment of subsidiaries	37	—	-472
Acquisition of intangible assets	20	-91	—
Change in financial assets		1,393	—
Investments in proprietary game and technology development	20	-111,488	-94,541
Investments in publishing projects		—	-309
<b>Cash flow from investing activities</b>		<b>-109,006</b>	<b>-96,215</b>

## Consolidated statement of cash flows, cont.

SEK thousand	NOTE	2021	2020
<b>Financing activities</b>			
New share issue		—	301,273
Costs related to new share issues		—	-30,274
Change in non-current liabilities		—	-1,598
Repayment of loans		-55,887	-55,000
Financing game development		79,999	—
Overdraft facility		1,115	—
Effect of financial lease		-19,055	-18,802
<b>Cash flow from financing activities</b>		<b>6,172</b>	<b>195,599</b>
<b>Cash flow for the year</b>		<b>-28,966</b>	<b>74,744</b>
Cash and cash equivalents at the beginning of the year		157,423	82,787
Exchange rate difference in cash and cash equivalents		115	-108
<b>Cash and cash equivalents at the end of the year</b>	<b>28</b>	<b>128,572</b>	<b>157,423</b>

## Parent Company income statement

SEK thousand	NOTE	2021	2020
	1, 2, 3, 4		
Net sales	6	24,100	29,762
Other operating income	7	35,116	8,542
<b>Total revenue</b>		<b>59,216</b>	<b>38,304</b>
Other external costs	8, 9	-12,500	-24,374
Employee benefit expenses	8, 11, 12, 13	-28,597	-29,961
Depreciation of property, plant and equipment	8, 21	-244	-188
<b>Operating profit/loss</b>		<b>17,875</b>	<b>-16,219</b>
Profit/loss from holdings in group companies		19	—
Other financial income	15	5,599	6,508
Financial expenses	15	-50,008	-134,561
<b>Profit/loss after financial items</b>		<b>-26,515</b>	<b>-144,272</b>
Appropriations	16		
<b>Profit/loss before tax</b>		<b>-26,515</b>	<b>-144,272</b>
Income tax	17	—	—
<b>Net profit/loss for the year</b>		<b>-26,515</b>	<b>-144,272</b>

## Parent Company balance sheet

SEK thousand	NOTE	Dec. 31, 2021	Dec. 31, 2020
<b>Assets</b>	1, 2, 3, 4		
<b>Non-current assets</b>			
Property, plant and equipment			
Computers and other equipment	21	145	268
Financial assets	24		
Shares in group companies	23	325,924	322,702
Shares in joint ventures	42	4,656	4,656
Other financial assets	22	2,621	2,594
<b>Total non-current assets</b>		<b>333,346</b>	<b>330,220</b>
<b>Current assets</b>			
Trade and other receivables	26	1,223	933
Receivables from group companies	26	1,346,719	1,332,388
Prepaid expenses and accrued income	27	629	524
Cash and cash equivalents	28	7,594	10,906
<b>Total current assets</b>		<b>1,356,165</b>	<b>1,344,751</b>
<b>Total assets</b>		<b>1,689,511</b>	<b>1,674,971</b>
<b>Equity and liabilities</b>			
Equity	19, 29, 30		
Share capital		14,492	14,492
Non-restricted equity			
Share premium reserve		1,912,128	1,912,128
Profit/loss brought forward		-1,142,088	-997,816
Net profit/loss for the year		-26,515	-144,272
<b>Total equity</b>		<b>758,017</b>	<b>784,532</b>



**Parent Company balance sheet, cont.**

SEK thousand	NOTE	Dec. 31, 2021	Dec. 31, 2020
<b>Non-current liabilities</b>			
Other non-current liabilities, convertible bonds	41	187,982	160,002
Other non-current liabilities	41	131,532	110,082
<b>Total non-current liabilities</b>		<b>319,514</b>	<b>270,084</b>
<b>Current liabilities</b>			
Trade payables	33	1,531	1,013
Liabilities to group companies	33	598,807	576,994
Other liabilities	32, 33	2,452	34,545
Accrued expenses and deferred income	34	9,190	7,803
<b>Total current liabilities</b>		<b>611,980</b>	<b>620,355</b>
<b>Total equity and liabilities</b>		<b>1,689,511</b>	<b>1,674,971</b>

## Parent Company statement of changes in equity

SEK thousand	Restricted reserves		Non-restricted reserves		Total equity
	Share capital	Fair value reserve fund	Share premium reserve	Retained earnings	
Opening balance, Jan. 1, 2021	14,492	—	1,912,128	-1,142,087	784,532
Net profit/loss for the year	—	—	—	-26,515	-26,515
Closing balance, Dec. 31, 2021	14,492	—	1,912,128	-1,168,603	758,017

SEK thousand	Restricted reserves		Non-restricted reserves		Total equity
	Share capital	Fair value reserve fund	Share premium reserve	Retained earnings	
Opening balance, Jan. 1, 2020	6,587	—	1,649,033	-1,074,507	581,113
New share issue	7,905	—	293,368	—	301,273
Issue costs recognized in equity	—	—	-30,273	—	-30,273
Effect of change in convertible bonds	—	—	—	76,692	76,692
Net profit/loss for the year	—	—	—	-144,272	-144,272
Closing balance, Dec. 31, 2020	14,492	—	1,912,128	-1,142,087	784,532

## Parent Company statement of cash flows

SEK thousand	NOTE	2021	2020
<b>Operating activities</b>			
Operating profit/loss		17,875	-16,219
Adjustments for items not included in operating activities	39	-2,975	-29,718
Credit cost paid incl. interest	39	-1,392	-25
<b>Cash flow from operating activities before changes in working capital</b>		<b>13,508</b>	<b>-45,962</b>
<b>Cash flow from changes in working capital</b>			
Increase (-) / decrease (+) in operating receivables		-9,155	-252,336
Increase (+) / decrease (-) in operating liabilities		24,394	26,232
<b>Cash flow from operating activities</b>		<b>28,747</b>	<b>-272,066</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		-121	-74
Sale of property, plant and equipment		—	38
<b>Cash flow from investing activities</b>		<b>-121</b>	<b>-36</b>
<b>Financing activities</b>			
New share issue		—	301,273
Costs related to new share issues		—	-30,274
Repayment of loans		-31,938	—
<b>Cash flow from financing activities</b>		<b>-31,938</b>	<b>270,999</b>
<b>Cash flow for the year</b>		<b>-3,312</b>	<b>-1,103</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>10,906</b>	<b>12,009</b>
Exchange rate difference in cash and cash equivalents		—	—
Cash and cash equivalents at the end of the year		7,594	10,906
<b>Total available cash and cash equivalents</b>	<b>28</b>	<b>7,594</b>	<b>10,906</b>

# 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 approved these consolidated financial statements for publication on April 13, 2022.

## 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 consistently applied for all years presented, unless otherwise stated.

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

The consolidated financial statements for Starbreeze AB were 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 the income statement. The Parent Company's functional currency is Swedish kronor, which is also the reporting currency for the Parent Company and the Group. The financial reports are therefore presented in Swedish kronor. All amounts, unless otherwise stated, are rounded to the nearest thousand. Producing financial statements in accordance with IFRS requires the use of a number of key accounting

estimates. It also requires the management team to make certain assessments in the application of the company's accounting policies. Estimates and assumptions are based on historical experience and a number of factors that are considered reasonable under 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 judgment, that are complex or where assumptions and estimates are of material significance to 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 1 January 2021 have had a material impact on the Group.

##### B. New standards, amendments and interpretations to 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, 2021. These standards have not been applied in the preparation of this financial report, and they 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 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 controlling influence in cases where its shareholdings carry less than half of the voting rights but it still has the ability to exercise 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 shareholder's 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 control is transferred to the Group. They are excluded from the consolidated financial statements from the date on which control ceases.

The acquisition method is used to account for 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 values at the acquisition date. For each acquisition – that is to say, on an acquisition-by-acquisition basis – the Group determines 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 occur.

Every contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. 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 in the income statement. 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.

➤ NOTE 2 CONT.

### 2.3 Segment reporting

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.

Starbreeze's core business consists of game development with PAYDAY at its heart. As of the 2020 financial year, the company has only one segment, which accounts for the absolute majority of total revenue and earnings. Any income and expenses that are not related to the core business are classified as other income and expenses. The 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. In the previous year, revenues were also reported in the Publishing segment, which consisted of Starbreeze's publishing activities where Starbreeze acted as a publisher for games developed by other game developers. The VR Tech & Operations segment consisted of Starbreeze's virtual reality (VR) technology and software development, which included the development of the StarVR VR headset and the PresenZ VR movie format, which was sold with the sale of the Parallaxter subsidiary in February 2020. The Other segment includes Group-wide costs and projects that are not attributable to the above segments.

### 2.4 Foreign currency translation

#### Functional currency and presentation currency

Items included in the consolidated financial statements are measured in the currency of the economic environment in which the respective company primarily operates (functional currency). The consolidated financial statements use SEK, which is the Parent Company's functional 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 date of the transaction. Exchange rate gains and losses arising from the settlement of such transactions and from the conversion of monetary assets and liabilities denominated in foreign currencies at the closing day rate are recognized in the income statement as Other operating income or Other operating expenses.

### Group companies

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

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

Goodwill and fair value adjustments arising on 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 valued at cost less depreciation. Cost includes all expenditure directly attributable to the acquisition of the asset. Additional expenditure is added to the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other forms of repairs and maintenance are recognized as expenses in the income statement in the period in which they are incurred.

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 each asset are reviewed at each balance sheet date and adjusted if necessary.

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

Gains and losses on sales are determined by comparing the proceeds from the sale with the carrying amount at the time of 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 interest in the fair value of the 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 impairment testing, 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 in the Group at which the goodwill in question is monitored for internal management purposes. Goodwill is monitored for each cash-generating unit. There are currently 3 cash-generating units.

Goodwill is not amortized, but it is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential decline in 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 losses are immediately recognized as an expense and are not reversed.

#### B. Capitalized expenditure on game and technology development

Software maintenance costs are expensed as incurred. 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
- the company has the ability to use or sell 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.

➤ NOTE 2 CONT.

Development projects that are deemed to meet all the criteria for capitalization are capitalized in the balance sheet and reported as "Capitalized development cost for own games 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 and PAYDAY 3.

Capitalization is recognized net in the income statement, meaning 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 stated at fair value at the acquisition date.

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

Rights to PAYDAY are amortized over an estimated useful life of 10 years.

#### 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 lives 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 down are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less sales costs

and its value in use. During the year, the Group has written down non-financial assets by SEK 0 million (324.8).

#### 2.8 Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are removed from the statement of financial position when the contractual rights relating to the financial asset expire, or when the financial asset and all significant risks and rewards are transferred. Financial liabilities are removed from the statement of financial position when they are extinguished – i.e. when the obligation specified in the contract is discharged, cancelled 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 the income statement
- fair value through Other comprehensive income.

The Group has no financial assets in the fair value through the income statement or fair value through Other comprehensive income categories in 2021.

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 which are classified as selling expenses.

Financial assets are measured at amortized cost if the assets meet the following conditions and are not carried at fair value through the 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 insignificant. 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 designated the financial liability at fair value through the income statement.

Financial liabilities are initially measured at amortized cost using the effective interest method, except for financial liabilities which are measured at fair value through the profit or loss. Financial liabilities measured at fair value through the income statement are financial liabilities held for trading and are comprised of contingent consideration in the Group. 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 the income statement 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

➤ NOTE 2 CONT.

credit losses, it is considered that any loss reserve in addition to the receivables already provided for does not need to be recognized because the amounts involved are insignificant.

### 2.10 Trade receivables

Trade receivables 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 recorded 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 6 months overdue relate to the former 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 recorded 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 into 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 con-

version 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 reported in equity net of tax.

After the acquisition dates, 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 expense for the year includes current and deferred tax. Tax is recognized in the income statement. The current tax expense is calculated on the basis of the tax rules in force or in effect at the balance sheet date in the countries in which the Parent Company and its subsidiaries operate and generate taxable income. The management team regularly evaluates the claims made in self-declarations for situations where applicable tax rules are subject to interpretation. Where appropriate, it makes provisions for amounts likely to be due 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 amounts 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 nor taxable profit. 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 related deferred tax asset 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 carry-forwards cannot be utilized between companies in different countries, and the remaining Swedish tax loss carryforward has 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 deficits can be utilized in 2026 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. Employee benefits expense is charged to the consolidated income statement 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 normal 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 participation and bonus plans

The Group recognizes a liability and an expense for bonus plans and variable remuneration. For bonus schemes 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 of December 31, the Group has no outstanding employee stock option programs.

The Group has a share warrant program for senior managers and certain other key employees, in order to manage new recruitments and promotions. The program 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.

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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 value of money and the risks associated with the provision. The increase in the provision consequent upon the passage of time is recognized as interest expense. As of 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 the game and from the sale of DLC (e.g. add-on packs). These models are described in more detail on page 12. 80% of the Group's sales in 2021 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 sale of publishing rights and any licensing deals takes 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 the 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 on an ongoing basis. This revenue stream relates to performance commitment 2, which is future DLC that will be contractually provided 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 goods sold.

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

### 2.20 Leases

The company applies IFRS 16 Leases.

All leases accounted for under IFRS 16 relate to leased premises. Other leases fall under the exemption rules for low-value or short-term contracts and mainly concern office equipment rentals.

The company has one car that is accounted for IFRS16.

At the balance sheet date, the Group's book value of the rights of use was SEK 34.0 million (48.9). A non-current receivable of SEK 1.2 million (2.6) and a current receivable of SEK 1.8 million (2.6) have been recognized in accordance with the standard for sublease contracts. In terms of liabilities, the Group has recorded a non-current liability of SEK 21.0 million (37.1) and a current liability of SEK 17.8 million (19.1). The value of rights of use has decreased by SEK 14.9 million (14.8) as a direct consequence of the amortization of rights of use during the year. Net financial income was negatively impacted by SEK 1.1 million (1.5). 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 have not been taken into account in the calculations. Non-lease components such as electricity costs have not been included in the calculations. For more information, see Note 10, Rights of use.

### 2.21 Statement of cash flows

The statement of cash flows is prepared using the indirect method. Reported cash flows include transactions involving cash receipts or payments only. Consolidated 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. The Parent Company has issued stock options which have a potentially dilutive effect. For stock options, a calculation is made of the number of shares that could have been purchased at fair value, for an amount equal to the monetary value of the warrants attached to the outstanding stock options. The number of shares calculated above is compared to the number of shares that would have been issued assuming the exercise of the stock options. There was no such dilutive effect for the 2021 financial year.

### 2.23 Joint ventures

Under IFRS 11, an interest in a collaborative arrangement is 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 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



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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 is an indication of impairment of the asset being transferred. The accounting policies for joint ventures have been adjusted where necessary to ensure conformity 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. For more information, see Notes 4 and 32.

#### 2.25 Assets and liabilities available-for-sale

Balance sheet items are valued at the lower of carrying amount and fair value. Foreign assets are valued at the closing day rate.

#### 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 report for Starbreeze AB, the Parent Company, has 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 financial statements, to the extent that this is possible within the framework of the Annual Accounts Act and the Insurance 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 have been applied as in the previous year.

#### Investments and shares in subsidiaries and associates

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

When there is an indication that investments in subsidiaries or associates have declined in value, a calculation of the recoverable amount is made. If this is less 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 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 financial or operating, are recorded as operating leases.

#### Provisions

The Parent Company has taken over a debt relating to Nordea from its subsidiary Enterspace International AB as the subsidiary is not expected to be able to fulfill its payment obligation. In previous years, this liability was recorded as a provision by the Parent Company.

Preparing reports in compliance with the applicable regulations requires the use of some key estimates for accounting purposes. It also requires the management team to make certain assessments in the application of the company's accounting policies. Areas involving a high degree of judgment, that are complex or where assumptions and estimates are of material significance to the company's financial statements are disclosed in Note 4.



### 3 Financial risk management

Through its business activities, the Group is exposed to various types of financial risks: market risks (primarily currency risk and a non-material interest rate risk), credit risks and 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, 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. The Group did not hold any forward contracts during the financial year. The Group receives royalties on games sold and other revenues in USD.

Currency risk arises 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.

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, 2021 would have been SEK 13.9 million (10.9) higher and expenses for the year would have been SEK 1.5 million (1.3) 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, 2021 would have been SEK 13.9 million (10.9) lower and expenses for the year would have been SEK 1.5 million (1.3) 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, 2021 would have been SEK 0.3 million (0.4) higher and expenses for the year would have been SEK 2.3 million (2.5) 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, 2021 would have been SEK 0.3 million (0.4) lower and expenses for the year would have been SEK 2.3 million (2.5) lower.

Of the net assets denominated in foreign currencies at the balance sheet date of December 31, 2021, approximately SEK 0.4 million (25.3) were denominated in USD. If the USD exchange rate had been 10 percent higher/lower compared to the exchange rate prevailing at December 31, 2021, the Group's profit/equity after tax would have been positively/negatively impacted by approximately SEK 0.0 million (2.5).

Of the net assets denominated in foreign currencies at the balance sheet date of December 31, 2021, approximately SEK -72.7 million (9.4) were denominated in EUR. If the EUR exchange rate had been 10 percent higher/lower compared to the exchange rate prevailing at December 31, 2021, the Group's profit/equity after tax would have been positively/negatively impacted by approximately SEK 7.3 million (0.9).

If the Swedish krona had weakened/strengthened by 10 percent against the EUR with all other variables held constant, the restated profit after tax as at December 31, 2021 would have been SEK 0.5 million (0.2) lower/higher.

If the Swedish krona had weakened/strengthened by 10 percent against the USD with all other variables held constant, the restated profit after tax as at December 31, 2021 would have been SEK 0.1 million (0.0) lower/higher.

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

#### Interest rate risk relating to cash flow and fair value

The company currently has interest-bearing liabilities in the form of convertible loans and bank loans with interest rates linked to the STIBOR rate, where a reduction in the interest rate has no effect, as it has a floor at zero percent. The convertible loan has a fixed interest rate of 2%. The fixed interest rate means that there is no interest rate risk. There are no interest-bearing assets.

#### Price risk

The Group is exposed to price risk if investments, which are classified as assets at fair value through the income statement, are held by the Group. As at December 31, 2021, the company has no current 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 receivables 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" 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 receivables are expected to be paid when all claims are settled according to the agreed restructuring plan. For further details, see the Reconstruction section of the Directors' Report.

#### 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 the Board 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.



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The table below analyses the Group's financial liabilities, broken down by the time remaining until the maturity date on the balance sheet date. The amounts shown in the table are the contractual undiscounted cash flows with the exception of the convertible loan which has been recognized at amortized cost using the effective interest method. 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 was renegotiated in January and can be converted into shares with an exercise price of SEK 1.63 per share). External liabilities total SEK 320 million. The 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.

	1-6 months	7-12 months	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
As at Dec. 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	—	—
<b>Total</b>	<b>19,605</b>	<b>58,136</b>	<b>26,010</b>	<b>386,199</b>	<b>—</b>

	1-6 months	7-12 months	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
As at Dec. 31 2020					
Trade payables	8,417	840	7	250	—
Non-current liabilities, earnouts	18	—	—	—	—
Lease liability	8,865	10,270	16,283	20,864	—
Convertible loan	—	—	—	215,000	—
Liability, renegotiation loss	—	—	—	165,000	—
Loan, Nordea	40,000	4,887	11,000	—	—
Other liabilities	3,549	45,397	11,618	—	—
<b>Total</b>	<b>60,848</b>	<b>61,394</b>	<b>38,908</b>	<b>401,114</b>	<b>—</b>

#### 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 Koch Media, which means that the game development for PAYDAY 3 is financed up to and after its launch in 2023
- The company will receive ongoing revenue from sales linked to PAYDAY 2
- Non-current liabilities related to game financing from Koch 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 license agreement with PopReach Corporation for PAYDAY Crime War, 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 measured at fair value, based on the 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 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 at December 31, 2021. 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 the Group, this 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 9% and assumed probability-adjusted revenues. The changes in Level 3 instruments during the financial year are shown below. Fair value is based on future revenues, which will form the basis of the earnout.

Fair value calculation, Group 2021	Level 2	Level 3
Financial assets and liabilities valued at fair value through the income statement as at Dec. 31 2021		
Financial liabilities		
<b>Conditional earnout</b>	<b>—</b>	<b>—</b>

Fair value calculation, Group 2020	Level 2	Level 3
Financial assets and liabilities valued at fair value through the income statement as at Dec. 31 2020		
Financial liabilities		
<b>Conditional earnout</b>	<b>—</b>	<b>18</b>

Conditional earnout related to acquisition		
Opening balance at Jan. 1, 2021	—	18
Change in currency	—	—
Revaluation of liability	—	-18
<b>Closing balance, Dec. 31, 2021</b>	<b>—</b>	<b>—</b>

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Fair value calculation, Parent Company 2021	Level 2	Level 3
Financial assets and liabilities valued at fair value through the income statement as at Dec. 31 2021		
Financial liabilities		
<b>Conditional earnout</b>	—	—
Fair value calculation, Parent Company 2020	Level 2	Level 3
Financial assets and liabilities valued at fair value through the income statement as at Dec. 31 2020		
Financial liabilities		
<b>Conditional earnout</b>	—	18
Conditional earnout related to acquisition	Level 2	Level 3
Opening balance at Jan. 1, 2020	—	62
Revaluation of liability	—	–44
<b>Closing balance, Dec. 31, 2020</b>	—	18

#### 4 Key accounting estimates and judgments

Estimates and judgments are regularly evaluated 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 have 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 taxes

Deferred tax assets are recognized in respect of tax loss carry-forwards 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 of December 31, 2021, the Group has no reported tax assets linked to loss carry-forwards. Loss carry-forwards cannot be utilized between companies in different countries, and the remaining Swedish tax loss carryforward has 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 contribution restriction relating to the two new companies in the Group, New Starbreeze Publishing AB and New Starbreeze Studios AB.

Starbreeze also has companies located in Luxembourg, where future profits may be taxed at a lower 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 determined 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 deferred 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 2021.

#### 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 ePawn

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 of December 31, 2021, the earnout is zero.

#### 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 indication of decline in value. This year's impairment test did not show any need for impairment. If the planned launch of Payday 3 is not successful, it might lead to future write-downs of capitalized expenses.

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 has been recorded during 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 to section 2.3 under accounting policies for further information on the company's segments.

Segment reporting, Group	2021	2020
Starbreeze Games		
Net sales	120,213	111,579
Direct costs	-55,442	-28,862
<b>Gross profit/loss</b>	<b>64,771</b>	<b>82,717</b>
Operating costs	-109,020	-71,121
Operating profit/loss	-44,249	11,596

	2021	2020
Other		
Net sales	5,476	6,427
Direct costs	-860	-2,212
<b>Gross profit/loss</b>	<b>4,616</b>	<b>4,215</b>
Operating costs	-14,087	-4,936
Operating profit/loss	-9,471	-721

	2021	2020
Total		
Net sales	125,689	118,006
Direct costs	-56,302	-31,074
<b>Gross profit/loss</b>	<b>69,387</b>	<b>86,932</b>
Operating costs	-123,107	-76,057
Operating profit/loss	-53,720	10,875

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:

	2021	2020
Starbreeze Games	-44,249	11,596
Other	-9,471	-721
Total	-53,720	10,875
Financial items, net	-51,506	-141,348
<b>Profit/loss before tax</b>	<b>-105,226</b>	<b>-130,473</b>

The Group's revenue comes from four different regions as shown below. The Group sells its products to platform owners/distributors rather than directly to end customers. The largest distributor/platform owner, Steam, accounted for 80% of sales in 2021.



> NOTE 5 CONT.

Segment reporting, Group

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
<b>Total net sales</b>	<b>120,213</b>	<b>5,476</b>	<b>125,689</b>

Net sales in 2020	Starbreeze Games	Other	Total
Games (PC and console)			
Europe	14,603	273	14,876
North America	94,506	1,193	95,699
Asia	2,351	—	2,351
Services			
Europe	—	8	8
North America	12	48	60
Licenses			
North America	—	4,723	4,723
Other			
Sweden	—	182	182
Rest of Europe	107	—	107
<b>Total net sales</b>	<b>111,579</b>	<b>6,427</b>	<b>118,006</b>



> NOTE 5 CONT.

Assets and investments, distribution at Dec. 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
<b>Total</b>	<b>450,095</b>	<b>41,470</b>	<b>6,695</b>	<b>247</b>	<b>498,507</b>

Assets and investments, distribution at Dec. 31, 2020

	Sweden	USA	France	Spain	Total, Group
Intangible assets	406,026	36,724	—	—	442,750
Financial assets	1,064	2,383	7,855	237	11,539
Property, plant and equipment	52,602	865	225	1,878	55,570
<b>Total</b>	<b>459,692</b>	<b>39,972</b>	<b>8,080</b>	<b>2,115</b>	<b>509,859</b>



## 6 Net sales

Revenue recognition occurs as follows:

Revenue is recognized for subscription contracts 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.

### Contractual assets and contractual liabilities

The Group has no contractual 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 commitments

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

	Group		Parent Company	
	2021	2020	2021	2020
Royalties	120,672	112,986	—	—
Other services	5,017	5,020	24,100	29,762
<b>Total</b>	<b>125,689</b>	<b>118,006</b>	<b>24,100</b>	<b>29,762</b>

## 7 Other operating income

	Group		Parent Company	
	2021	2020	2021	2020
Exchange rate gains	6,554	-5,623	6,772	-10,938
Net profit sale of shares in Subsidiaries	—	6,355	—	902
Other income	3,116	1,103	28,344	18,579
<b>Total</b>	<b>9,670</b>	<b>1,835</b>	<b>35,116</b>	<b>8,542</b>

## 8 Costs broken down by nature of expense

	Group		Parent Company	
	2021	2020	2021	2020
Capitalized development work	-111,488	-94,541	—	—
External services	38,609	43,857	12,357	23,748
Employee benefit expenses	131,874	112,064	28,597	29,961
Cost of premises	1,424	9,144	—	554
Other costs	68,672	—	—	—
Depreciation, amortization and impairments	59,988	38,442	387	260
<b>Total</b>	<b>189,079</b>	<b>108,966</b>	<b>41,341</b>	<b>54,523</b>

## 9 Remuneration of auditors

PwC	Group		Parent Company	
	2021	2020	2021	2020
Statutory audit	1,294	1,865	1,294	1,865
Audit activities in addition to the statutory audit	262	488	262	487
Tax advisory services	268	256	268	256
Other services	27	500	27	500
Other auditors				
Statutory audit	76	53	—	—
<b>Total</b>	<b>1,927</b>	<b>3,162</b>	<b>1,851</b>	<b>3,108</b>

Group: Of the amount for auditing activities other than the statutory audit, SEK 0.3 million (0.5) relates to PwC Sweden, of fees for tax advisory services, SEK 0.3 million (0.3) relates to PwC Sweden and of the amount for other services, SEK 0.0 million (0.5) 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 audit assignment relate to SEK 0.3 million (0.5) to PwC Sweden, of fees for tax advisory services, SEK 0.3 million (0.3) relates to PwC Sweden, and of the amount for other services, SEK 0.0 million (0.5) relates to PwC Sweden.





## 10 Rights of use

The Group applies IFRS 16. The contracts that fall under the standard relate to leases for premises in Sweden, the United States and Spain. 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.

During the year, both premises in the US were leased to third parties.

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, 2021	Dec. 31, 2020
Premises Stockholm	33,968	48,116
Premises Barcelona	—	750
<b>Total right-of-use assets</b>	<b>33,968</b>	<b>48,866</b>

Change of rights of use during the year	Dec. 31, 2021	Dec. 31, 2020
Opening right-of-use assets at Jan. 1, 2021	48,866	63,764
Exchange rate adjustments	14	-57
Depreciation for the year	-14,912	-14,841
<b>Carrying amount, Dec. 31, 2021</b>	<b>33,968</b>	<b>48,866</b>

Maturity analysis of the lease liability	Dec. 31, 2021	Dec. 31, 2020
Within one year	17,806	19,135
Later than one year but within five years	21,001	37,147
Later than five years	—	—
<b>Total</b>	<b>38,807</b>	<b>56,282</b>

Maturity analysis of lease receivables	Dec. 31, 2021	Dec. 31, 2020
Within one year	1,845	2,627
Later than one year but within five years	1,181	2,612
Later than five years	—	—
<b>Total</b>	<b>3,026</b>	<b>5,239</b>

## 11 Average number of employees

Average number of employees	2021		2020	
	Total	Of which men	Total	Of which men
Parent Company				
Sweden	12	6	12	6
Subsidiaries				
Sweden	105	85	88	77
France	12	11	9	8
USA	1	—	1	—
Spain	5	5	13	13
<b>Total</b>	<b>135</b>	<b>107</b>	<b>123</b>	<b>104</b>

Board directors and senior managers	2021		2020	
	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
<b>CEO and senior managers</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>2</b>
Parent Company				
Board directors	5	3	5	3
<b>CEO and senior managers</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>2</b>

## 12 Employee benefits expenses

### Board of Directors

The Board Chair and Board Directors receive fees as resolved by the AGM. The Board of Directors' fee for the period until the next AGM, as decided by the AGM on May 12, 2021, amounts to SEK 2,525 thousand (2,600). The Board Chair receives SEK 750 thousand (800), and the Board Directors receive SEK 225 thousand (250) each. In addition, the AGM set a fee of SEK 70 thousand for the Chair and SEK 60 thousand

for each of the other Board Directors. A fee of SEK 280 thousand for the Chair and SEK 120 thousand for the members of the Audit Committee was approved.

### Chief Executive Officer

The Board Chair negotiates with the CEO regarding the CEO's salary and other terms of employment. The Chairman reports the outcome of these negotiations to the entire Board prior to a final decision being made. Salaries and remunerations to the Board of Directors and CEO include salaries and benefits for the CEO during the year of SEK 3,001 thousand (8,512) and pension costs of SEK 645 thousand (250). The CEO is required to provide six months' notice of resignation, and the company is required to provide nine months' notice of termination. There are no agreements on severance pay.

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

### Senior managers

Remuneration of other managers is decided by the CEO.

### Employee benefits expenses

Total	Group		Parent Company	
	2021	2020	2021	2020
Salaries and other remuneration	88,073	79,766	18,408	22,180
Social security expenses	37,115	30,309	8,856	8,294
(Of which pension costs)	8,839	6,703	2,786	2,121
<b>Total</b>	<b>125,188</b>	<b>110,075</b>	<b>27,264</b>	<b>30,474</b>

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

Total	Board and CEO		Other employees	
	2021	2020	2021	2020
Group	5,411	11,194	82,662	68,572
Parent Company	5,411	11,194	12,997	10,986

During the year, the company has accounted for an accrual relating to the ongoing longterm incentive program, amounting to a total of SEK 7,200 thousand.

## 13 Remuneration of the Board and senior managers

### Principles

The principles for the remuneration of senior managers were adopted at the AGM in May 2021. The remuneration of 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 required to provide nine months' notice of termination. Other senior managers have a notice period of three to nine months. There are no severance agreements.

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 5,014 thousand (12,967) was paid to senior managers, including the CEO, to cover salary, variable remuneration and other benefits, and the CFO's invoiced fee was SEK 0 thousand (1,346). Defined contribution pension premiums are paid for senior managers, corresponding to the cost set out in the ITP plan.

### The Board and senior managers 2021

	Base pay/ director's fee	Variable remuneration and royalties	Other benefits	Pension expense	Total	Remaining warrants
Torgny Hellström, Board Chair	971	—	—	—	971	—
Jan Benjaminson, Director Jan. 1, 2021 – Nov. 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 May 12, 2021	152	—	—	—	152	—
Tobias Sjögren, CEO	3,001	—	—	645	3,646	—
Other senior managers, average 2 person, at year-end 2 person	1,563	250	200	389	2,402	—
<b>Total</b>	<b>6,974</b>	<b>250</b>	<b>200</b>	<b>1,034</b>	<b>8,458</b>	<b>—</b>

### The Board and senior managers 2020

	Base pay/ director's fee	Variable remuneration and royalties	Other benefits	Pension expense	Total	Remaining warrants
Torgny Hellström, Board Chair	1,089	—	—	—	1,089	—
Jan Benjaminson, Director	420	—	—	—	420	—
Kerstin Sundberg, Director	629	—	—	—	629	—
Tobias Sjögren, Director	282	—	—	—	282	—
Anna Lagerborg, Director May 13, 2020	159	—	—	—	159	—
Harold Kim, Director Jan. 1, 2020–May 13, 2020	102	—	—	—	102	—
Mikael Nermark, CEO Jan. 1, 2020 –October 26, 2020	7,868	5	156	250	8,279	100,000
Tobias Sjögren, CEO Oct. 27, 2020–Dec. 31, 2020	482	—	1	—	483	—
Other senior managers, average 2 person, at year-end 2 person	5,777	—	23	466	6,266	—
<b>Total</b>	<b>16,808</b>	<b>5</b>	<b>180</b>	<b>716</b>	<b>17,709</b>	<b>100,000</b>



**14 Other operating expenses**

	Group		Parent Company	
	2021	2020	2021	2020
Realization loss on disposal of an intangible asset	-68,672	—	—	—
<b>Total</b>	<b>-68,672</b>	<b>—</b>	<b>—</b>	<b>—</b>

**15 Finance income and expense**

	Group		Parent Company	
	2021	2020	2021	2020
Interest income	—	—	5,599	6,508
Other	82	628	—	—
<b>Total financial income</b>	<b>82</b>	<b>628</b>	<b>5,599</b>	<b>6,508</b>
Interest expenses	-1,035	-5,537	-578	-1,713
Interest expenses, convertible loan	-27,980	-22,766	-27,980	-22,766
Interest expenses, leasing	-1,116	-1,509	—	—
Renegotiation loss, convertible loan	—	-90,934	—	-90,934
Implicit interest	-21,450	-19,148	-21,450	-19,148
Other financial expenses	-57	30	—	—
<b>Total financial expenses</b>	<b>-51,638</b>	<b>-139,864</b>	<b>-50,008</b>	<b>-134,561</b>

**16 Appropriations**

There are no appropriations at December 31, 2021.

**17 Income tax and deferred tax**

The applicable tax rate is the Group income tax rate. The average weighted tax rate is 21.3%. 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 carry-forwards to the extent that it is probable that they can be utilized against future taxable profits and to the extent that they are offsettable against deferred tax liabilities on temporary differences.

As at December 31, 2021, no deferred tax asset relating to tax loss carry-forwards had been recognized. At the balance sheet date, the unrecognized tax loss carry-forward for the Parent Company and the Swedish subsidiaries amounted to SEK 599,5 million (513,5). Loss carry-forwards cannot be utilized between companies in different countries, and the remaining Swedish tax loss carryforward has 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 deficits can be utilized in 2026 at the earliest.

	Group		Parent Company	
	2021	2020	2021	2020
Recognized profit/loss before tax	-105,226	-130,473	-26,515	-144,272
Tax at applicable tax rate	21,413	48,625	5,462	35,228
Tax effect of other non-deductible costs	627	232	9,234	-10,594
Tax effect of other non-taxable income	9,262	-12,785	-6,561	59
Foreign withholding tax	-877	-1,013	—	—
Change in unrecognized tax assets relating to tax loss carryforwards	-25,772	-34,866	-8,135	-24,693
Adjustment of previous year's tax	-2,895	—	—	—
<b>Tax on profit for the year according to the income statement</b>	<b>1,758</b>	<b>193</b>	<b>—</b>	<b>—</b>
Distribution of income tax, Group			2021	2020
Current tax			-3,870	-1,418
Deferred tax			5,628	1,611
<b>Tax on profit for the year according to the income statement</b>			<b>1,758</b>	<b>193</b>

## &gt; NOTE 17 CONT.

Group	December 31, 2021	December 31, 2020
Opening balance, deferred tax liability/assets	161	-7,853
Change through the income statement in temporary differences for capitalized development work	242	-527
Change in temporary differences on surplus values in the Group	5,139	733
Reclassification of previously capitalized deficits	—	7,849
Change in previously capitalized deficits	-1,197	—
Lease IFRS16	-67	-41
<b>Closing balance, deferred tax liability/assets</b>	<b>4,278</b>	<b>161</b>
Specification, deferred tax liability/assets	December 31, 2021	December 31, 2020
Lease IFRS16	365	432
Temporary differences on surplus values in the Group	4,486	-653
Reclassification of previously capitalized deficits	6,652	7,849
Change in temporary differences for capitalized development work	-7,225	-7,467
<b>Total deferred tax liability/assets</b>	<b>4,278</b>	<b>161</b>

**18 Earnings per share**

Basic and diluted earnings per share are calculated by dividing profit attributable to equity holders of the Parent Company by the weighted average number of shares outstanding 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.

Group	2021	2020
Earnings per share		
Basic, SEK	-0.14	-0.28
Diluted, SEK	-0.14	-0.28
Number of shares at the end of the period		
Basic	724,609,266	724,609,266
Diluted <sup>1)</sup>	724,609,266	724,609,266
Average number of shares		
Basic	724,609,266	469,754,144
Diluted <sup>1)</sup>	724,609,266	469,754,144

<sup>1)</sup> The dilution effect relating to a potential conversion of the convertible loan held by Digital Bros has not been taken into account in the above calculation as it does not mature until December 2024. The company has issued 625,275 warrants which are not expected to be exercised due to the set exercise price substantially exceeding the share price. They have therefore not resulted in a dilutive effect.

**19 Dividend per share**

No dividend will be proposed.



## 20 Intangible assets

The 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 tests goodwill and other intangible assets in progress for impairment on an ongoing basis, in accordance with IAS 36. Impairment tests are performed on completed intangible assets that are being amortized if the Group obtains indications that the fair value may be less than the carrying amount.

The recoverable amounts of cash-generating units have been determined by calculating value in use. For these calculations, sales forecasts have been estimated both 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, 2021. The game development projects for which costs have been capitalized were tested separately. These tests have not resulted in any impairments in 2021. The remaining assets are mainly related to the core business of game development – the Starbreeze games segment.

The remaining goodwill of SEK 42.4 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 assets, 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's not the platform that counts, it's the IP itself that generates the cash flow. When assets are tested for impairment it is done from a CGU perspective. No impairment has been recorded during 2021.

### Remaining CGUs after impairment testing

CGU	Description of CGU	Goodwill	Other intangible assets	Capitalized development cost for own games and technology development	Investments in publishing projects	Total
PAYDAY	Game IP	42,445	199,903	201,569	—	443,917
Hype	Game IP	—	—	—	3,974	3,974
<b>Total</b>		<b>42,445</b>	<b>199,903</b>	<b>201,569</b>	<b>3,974</b>	<b>447,891</b>

### Goodwill

A traditional cash flow model was used to calculate value in use. A tax rate of 20.6% was used, which is assumed to correspond to the Group average. In addition, a pre-tax discount rate of 20–25% was applied. A sensitivity analysis shows that the margin would be maintained even with a 5 percent adjustment of the discount rate. The impairment test did not give rise to any impairment in 2021. 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 discount rate.

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

Segment	December 31, 2021	December 31, 2020
Starbreeze Games	42,445	38,827
<b>Total</b>	<b>42,445</b>	<b>38,827</b>

### Game and technology development projects

For game development projects, the impairment test has been 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 launched in 2023 and sales are expected to be strongest in the first months after launch. We have signed an agreement with a publishing partner for PAYDAY 3, and the assumption has been made that a publishing partner for PAYDAY: Crime War will be brought in during 2021 to contribute both capital and experience, and the value of the assets is dependent on such cooperation. Refer 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%. It has been assessed that the discount rate for the remaining assets is the same for all assets. This assumption is based, inter alia, on an external valuation of the assets. A sensitivity analysis shows that a margin remains even with an increased discount rate of 5% for proprietary games.

> NOTE 20 CONT.

Group

	Goodwill	IP/Technology	Capitalized development cost for own games and technology development	Investments in publishing projects	Other	Total
Opening cost at Jan. 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
<b>Closing cost at Dec. 31 2021</b>	<b>216,004</b>	<b>522,182</b>	<b>1,045,394</b>	<b>187,326</b>	<b>6,705</b>	<b>1,977,610</b>
Opening depreciation, amortization and impairment at Jan. 1, 2021	-170,258	-281,584	-833,049	-183,352	-6,705	-1,474,947
Depreciation/amortization for the year	—	-28,878	-10,579	—	—	-39,457
Exchange rate differences	-3,301	-11,817	-197	—	—	-15,315
<b>Closing depreciation, amortization and impairment at Dec. 31 2021</b>	<b>-173,559</b>	<b>-322,279</b>	<b>-843,825</b>	<b>-183,352</b>	<b>-6,705</b>	<b>-1,529,719</b>
<b>Total carrying amount at Dec. 31 2021</b>	<b>42,445</b>	<b>199,903</b>	<b>201,569</b>	<b>3,974</b>	<b>—</b>	<b>447,891</b>

> NOTE 20 CONT.

Group

	Goodwill	IP/Technology	Capitalized development cost for own games and technology development	Investments in publishing projects	Other	Total
Opening cost at Jan. 1, 2020	459,389	659,236	931,559	187,326	6,705	2,244,214
Divestment of subsidiaries	-239,955	-132,236	-21,413	—	—	-393,604
Ongoing development						
– Proprietary game development	—	—	94,541	—	—	94,541
– Proprietary technology development	—	309	-203	—	—	106
Exchange rate differences	-10,349	-17,211	—	—	—	-27,560
<b>Closing cost at Jan. 31, 2020</b>	<b>209,085</b>	<b>510,098</b>	<b>1,004,484</b>	<b>187,326</b>	<b>6,705</b>	<b>1,917,697</b>
Opening depreciation, amortization and impairment at Jan. 1, 2020	-415,788	-419,015	-850,041	-183,270	-6,705	-1,874,818
Depreciation for the year	—	-12,077	-4,468	-82	—	-16,627
Divestment of subsidiaries	239,955	132,083	20,578	—	—	392,616
Exchange rate differences	5,575	17,425	882	—	—	23,882
<b>Closing depreciation, amortization and impairment at Dec. 31, 2020</b>	<b>-170,258</b>	<b>-281,584</b>	<b>-833,049</b>	<b>-183,352</b>	<b>-6,705</b>	<b>-1,474,947</b>
<b>Total carrying amount at Dec. 31 2020</b>	<b>38,827</b>	<b>228,514</b>	<b>171,435</b>	<b>3,974</b>	<b>—</b>	<b>442,750</b>

**21 Property, plant and equipment**

Computers and other equipment	Group		Parent Company	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Opening cost	187,106	188,681	3,690	3,721
Purchases	993	944	121	74
Divestment of subsidiaries	—	-443	—	—
Retirements and disposals	-23,092	-276	-1,058	-105
Exchange rate differences	1,293	-1,800	—	—
<b>Closing accumulated cost</b>	<b>166,300</b>	<b>187,106</b>	<b>2,753</b>	<b>3,690</b>
Opening cost	-180,402	-175,831	-3,422	-3,301
Retirements and disposals	22,073	523	1,058	105
Planned depreciation for the year	-4,677	-6,923	-244	-226
Exchange rate differences	-1,249	1,829	—	—
<b>Closing balance accumulated depreciation</b>	<b>-164,255</b>	<b>-180,402</b>	<b>-2,608</b>	<b>-3,422</b>
<b>Closing balance planned residual value</b>	<b>2,045</b>	<b>6,704</b>	<b>145</b>	<b>268</b>

There were no impairments of the Group's property, plant and equipment during the year.

**22 Financial assets**

	Group		Parent Company	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Deposits, rent guarantees	5,976	5,662	585	573
Other financial assets	2,035	2,021	2,036	2,021
<b>Total</b>	<b>8,011</b>	<b>7,683</b>	<b>2,621</b>	<b>2,594</b>

Outstanding deposits relate essentially to deposit 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 the Group	Share of votes	Number of shares	Carrying amount in Parent Company	Equity excluding net result	Net profit/loss for the year	Total equity
Starbreeze Studios AB	Sweden	Game development	100.0%	100.0%	100.0%	10,000	16,948	34,042	3,215	37,256
Starbreeze Publishing AB	Sweden	Game development	100.0%	100.0%	100.0%	1,000	276,400	368,664	89,254	457,917
Starbreeze Production AB	Sweden	Game development	100.0%	100.0%	100.0%	1,000	5,586	114,725	47,957	162,682
Starbreeze USA Inc	USA	Game development	100.0%	100.0%	100.0%	100	—	-94,949	-687	-95,636
Starbreeze IP LUX	Luxembourg	Technology development	100.0%	100.0%	100.0%	12,500	—	-34,401	-2,620	-37,021
Starbreeze LA Inc	USA	Game development	0.0%	100.0%	100.0%	100	—	45,314	-571	44,743
Starbreeze VR AB	Sweden	Technology development	100.0%	100.0%	100.0%	50,000	—	39	-5	34
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	—	9,433	-1,954	7,479
Starbreeze Barcelona SL	Spain	Game development	100.0%	100.0%	100.0%	3,000	—	-3,612	-1,072	-4,684
New Starbreeze Publishing AB	Sweden	Game development	0.0%	100.0%	100.0%	2,360,777	—	415,672	-183,017	232,655
New Starbreeze Studios AB	Sweden	Game development	100.0%	100.0%	100.0%	500	26,990	4,843	-2,107	2,735
Enterspace AB	Sweden	Technology development	100.0%	100.0%	100.0%	50,000	—	-29,019	29,382	363
Enterspace International AB in liquidation	Sweden	Technology development	0.0%	100.0%	100.0%	1,733	—	34	-9	25
Starbreeze IP LUX II Sarl	Luxembourg	Investing activities	100.0%	100.0%	100.0%	230,000	—	-116,021	-18,411	-134,432
New Starbreeze Publishing PD IP AB	Sweden	Game development	0.0%	100.0%	100.0%	500	—	3,289	-2,912	377
							<b>325,924</b>	<b>702,459</b>	<b>-43,558</b>	<b>658,901</b>

	December 31, 2021	December 31, 2020
Opening cost	322,702	295,806
Shareholder contribution	3,239	26,940
Adjustment of earnouts	-17	-44
<b>Closing accumulated cost</b>	<b>325,924</b>	<b>322,702</b>

## 24 Financial instruments by category

### Group at December 31, 2021

Assets in the balance sheet	Amortized cost	Fair value through the income statement	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
<b>Total assets</b>	<b>152,773</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>152,773</b>

Liabilities in the balance sheet	Amortized cost	Fair value through the income statement	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
Current liabilities, earnouts	—	—	—	—	—
<b>Total liabilities</b>	<b>481,678</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>481,678</b>

### Group, December 31, 2020

Assets in the balance sheet	Amortized cost	Fair value through the income statement	Fair value through Other comprehensive income	Derivatives	Total
Financial assets	7,683	—	—	—	7,683
Trade and other receivables	4,061	—	—	—	4,061
Cash and cash equivalents	157,423	—	—	—	157,423
<b>Total assets</b>	<b>169,167</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>169,167</b>

Liabilities in the balance sheet	Amortized cost	Fair value through the income statement	Fair value through Other comprehensive income	Derivatives	Total
Other non-current liabilities	22,618	—	—	—	22,618
Convertible loan	160,002	—	—	—	160,002
Liability, renegotiation loss	110,082	—	—	—	110,082
Trade and other payables	103,345	—	—	—	103,345
Current liabilities, earnouts	—	18	—	—	18
<b>Total liabilities</b>	<b>396,047</b>	<b>18</b>	<b>—</b>	<b>—</b>	<b>396,065</b>

> NOTE 24 CONT.

Parent Company, December 31, 2021

Assets in the balance sheet	Amortized cost	Fair value through the income statement	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
<b>Total</b>	<b>1,358,157</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,358,157</b>

Liabilities in the balance sheet	Amortized cost	Fair value through the income statement	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
Current liabilities, earnouts	—	—	—	—	—
<b>Total</b>	<b>922,304</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>922,304</b>

Parent Company, December 31, 2020

Assets in the balance sheet	Amortized cost	Fair value through the income statement	Fair value through Other comprehensive income	Derivatives	Total
Financial assets	2,594	—	—	—	2,594
Trade and other receivables	1,333,321	—	—	—	1,333,321
Cash and cash equivalents	10,906	—	—	—	10,906
<b>Total</b>	<b>1,346,821</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,346,821</b>

Liabilities in the balance sheet	Amortized cost	Fair value through the income statement	Fair value through Other comprehensive income	Derivatives	Total
Liability, renegotiation loss	110,082	—	—	—	110,082
Convertible loan	160,002	—	—	—	160,002
Trade and other payables	612,534	—	—	—	612,534
Current liabilities, earnouts	—	18	—	—	18
<b>Total</b>	<b>882,618</b>	<b>18</b>	<b>—</b>	<b>—</b>	<b>882,636</b>

**25 Credit quality of financial assets**

	December 31, 2021	December 31, 2020
Group 1	12,237	283
Group 2	8,240	8,165
<b>Total</b>	<b>20,477</b>	<b>8,448</b>

At December 31, 2021, past due and unpaid trade receivables amount to SEK 8.2 million (8.2).

Group 1: Existing customers (more than 6 months) with no previous missed payments.

Group 2: Existing customers (more than 6 months) with some previous missed payments.

Bank deposits and short-term deposits, Group	December 31, 2021	December 31, 2020
Moody's rating Aa1	—	—
Moody's rating Aa2	456	76
Moody's rating Aa3	125,268	155,771
Moody's rating A	1,693	230
Moody's rating Baa1	1,155	1,347
<b>Total</b>	<b>128,572</b>	<b>157,423</b>

**26 Trade and other receivables**

	Group		Parent Company	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Trade receivables	20,477	8,448	—	9
Provision for doubtful receivables	-8,008	-7,589	—	—
Receivables from group companies	—	—	1,346,719	1,332,388
Other receivables	3,721	3,202	1,223	924
<b>Total</b>	<b>16,190</b>	<b>4,061</b>	<b>1,347,942</b>	<b>1,333,321</b>

Maturity analysis	December 31, 2021	December 31, 2020
Not due	12,237	244
1-90 days	108	—
3 to 6 months	—	39
More than 6 months	8,132	8,165
<b>Total</b>	<b>20,477</b>	<b>8,448</b>

Trade and other receivables by currency	December 31, 2021	December 31, 2020
SEK	15,647	3,238
EUR	417	675
USD	126	148
<b>Total</b>	<b>16,190</b>	<b>4,061</b>

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	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Other interim receivables	3,807	8,118	629	524
Accrued royalty income	25,226	26,618	—	—
<b>Total</b>	<b>29,033</b>	<b>34,736</b>	<b>629</b>	<b>524</b>

**28 Cash and cash equivalents**

	Group		Parent Company	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Cash and bank balances	128,572	157,423	7,594	10,906
<b>Total</b>	<b>128,572</b>	<b>157,423</b>	<b>7,594</b>	<b>10,906</b>

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 number of shares**

The share capital of 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 2021, a resolution was passed authorizing the Board of Directors to resolve, on one or more occasions until the end of the next AGM, with or without derogation from the shareholders' preferential rights, to issue new B shares, or convertible bonds or warrants granting entitlement to 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 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 at Dec. 31, 2019	276,365,857	53,001,992
New subscription through exercise of convertible bond	277,575,549	117,665,868
Conversion	1,346,312	-1,346,312
Number of shares at Dec. 31, 2020	555,287,718	169,321,548
Conversion	2,949,780	-2,949,780
<b>Number of shares at Dec. 31, 2021</b>	<b>558,237,498</b>	<b>166,371,768</b>

### 30 Share-based remuneration

As of December 31, 2021, there is no employee share warrant plan. The most recent share 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 management personnel and certain other key individuals aimed at managing new recruitments and promotions. A total of up to 3,000,000 share warrants, entitling the holder to subscribe for 3,000,000 Class B shares, may be issued under the special incentive scheme with a term of three

years, at an exercise price equal to 200% of the then current market price. As at December 31, 2019, 625,275 of these warrants had been issued, all with a maturity date of June 2021. The warrants were issued on market terms.

For the 2018/2021 warrant plan the weighted average fair value of options granted during the financial year, determined using the Black-Scholes valuation model, was SEK 22.73 per option. Key inputs to the model were the share price at allocation date, volatility of 48.6 percent, expected dividend yield of 0 percent, expected warrant life of 3 years and annual risk-free interest rate of –0.39 percent.

#### Share warrant plan 2018/2021 (4 years)

	December 31, 2021		December 31, 2020	
	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	16.48	625,275
Expired warrants		–625,275		—
<b>Closing balance</b>		<b>—</b>		<b>625,275</b>

### 31 Provisions

There are no provisions as of December 31, 2021.

### 32 Liability, earnout

	Group		Parent Company	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Liability, earnout, ePawn	—	18	—	18
<b>Total</b>	<b>—</b>	<b>18</b>	<b>—</b>	<b>18</b>

### 33 Trade and other payables

	Group		Parent Company	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Trade payables	6,747	9,514	1,531	1,013
Liabilities to group companies	—	—	598,807	576,994
Other liabilities	46,199	45,348	1,534	1,802
Social security contributions and similar fees	5,856	3,597	918	787
Current portion of earnout, ePawn	—	18	—	18
Current portion of bank loan	1,134	44,887	—	31,938
<b>Total</b>	<b>59,936</b>	<b>103,363</b>	<b>602,790</b>	<b>612,552</b>



**34** Accrued expenses and deferred income

	Group		Parent Company	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Accrued salaries	7,860	1,060	3,750	1,055
Accrued vacation pay	8,933	8,831	1,372	1,977
Accrued social security contributions, vacation pay	2,887	2,842	431	621
Accrued social security contributions, employee stock warrants	—	457	—	314
Accrued interest	—	2,369	—	905
Other accrued expenses	11,164	12,302	3,637	2,931
<b>Total</b>	<b>30,845</b>	<b>27,861</b>	<b>9,190</b>	<b>7,803</b>

**35** Pledged assets

	Group		Parent Company	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Pledged shares in subsidiaries for loan credit with Nordea	—	—	—	278,748
Deposits, rent guarantees	585	585	—	—
<b>Total</b>	<b>585</b>	<b>585</b>	<b>—</b>	<b>278,748</b>

**36** Contingent liabilities

The Group has no contingent liabilities.

**37** Divestment of subsidiaries**Net assets at the time of disposal of the companies**

No companies were divested in 2021.

In 2020, the shares in Parallaxter were divested. The transactions resulted in a total capital gain of SEK 5.5 million for the Group. The net assets of the subsidiaries at the date of disposal, the consolidated profit or loss on disposal and the cash flow effect of the transactions are shown in the tables below.

SEK thousand	January 31, 2020
Goodwill	—
Other intangible assets	-15
Capitalized development cost for own games and technology development	-192
Financial assets	343
Property, plant and equipment	199
Trade and other receivables	393
Cash and cash equivalents	480
<b>Total assets</b>	<b>1,208</b>
Other current interest-bearing liabilities	-1,596
Trade and other non-interest bearing payables	-2,166
<b>Total liabilities</b>	<b>-3,762</b>
Disposed net assets	-2,552
Net result incl. amortization of inter-company receivables	5,454
Sales price	1
Retired: Cash and cash equivalents of divested operations	-480
<b>Total cash flow impact</b>	<b>-479</b>

Parallaxter SEK thousand	2020 Jan.
Net sales	8
Direct costs	-373
<b>Gross profit/loss</b>	<b>-365</b>
Administrative expenses	—
Other income	—
Other costs	—
<b>Operating profit/loss</b>	<b>-365</b>
Financial income	—
Financial expenses	-2
<b>Profit/loss before tax</b>	<b>-367</b>
Income tax	321
<b>Earnings for the period from operations</b>	<b>-46</b>
Profit/loss including sales costs	—
<b>Earnings for the period</b>	<b>-46</b>
Attributable to: Parent Company's shareholders	-46
Non-controlling interests	—

### 38 Related-party transactions

The Parent Company Starbreeze AB, which is the ultimate parent company in the Group, has invoiced SEK 29.8 million (SEK 59.0 million) to Group companies for costs related to game development and part of common costs. Billing by other Group companies to Group companies is shown in the table below. The Parent Company, Starbreeze AB, purchased services for SEK 1.0 million (SEK 3.8 million) 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	December 31, 2021	December 31, 2020
Receivables		
Parent Company Starbreeze AB	1,346,719	1,332,388
Liabilities		
Parent Company Starbreeze AB	592,124	576,994

Group company billing	2021	2020
Starbreeze AB	24,100	29,762
Starbreeze Studios AB	312	1,335
Starbreeze Paris SAS	14,295	11,480
Starbreeze Barcelona	7,211	12,410
Starbreeze LA	2,809	6,362
New Starbreeze Publishing AB	57,616	—
New Starbreeze Studios AB	116,013	89,031
New Starbreeze Publishing PD IP	6,857	—
<b>Total</b>	<b>229,213</b>	<b>150,381</b>

Total	2021	2020
Starbreeze AB	245	954
Starbreeze Production AB	—	262
Starbreeze Publishing AB	—	693
Starbreeze Studios AB	—	344
Starbreeze Paris SAS	586	544
Starbreeze IP LUX II	—	-2
Starbreeze Barcelona	245	901
Starbreeze LA	47	63
New Starbreeze Publishing AB	164,988	139,843
New Starbreeze Studios AB	5,504	6,780
New Starbreeze Publishing PD IP	57,597	—
<b>Total</b>	<b>229,213</b>	<b>150,381</b>

### 39 Adjustment of items not included in cash flow

	Group		Parent Company	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Amortization of intangible assets	39,457	16,627	—	—
Depreciation of property, plant and equipment	20,532	21,794	244	226
Impairment of financial assets	-1,258	—	-3,238	—
Profit/loss on sale of assets	68,700	-51	—	-38
Change in provisions	64	—	—	-31,230
Dividend	—	—	19	—
Other unrealized exchange rate losses	-5,885	-1,317	—	1,324
<b>Total</b>	<b>121,610</b>	<b>37,053</b>	<b>-2,975</b>	<b>-29,718</b>

	Group	Parent Company
	2021	2021
Paid interest		
Credit cost including interest on resolved loan	-3,228	1,392
Interest of overdraft facility	-166	—
<b>Total paid interest</b>	<b>-3,394</b>	<b>-1,392</b>

### 40 Events after the balance sheet date

There are no significant events after the balance sheet date.

## 41 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 was brought forward to December 2024, the original maturity date being February 2020. The interest rate remains unchanged at 2%. The conversion price was set at SEK 2.25 (13.49) per share, and after the completed issues in 2020 the conversion price was SEK 1.63 per share. The carrying amount of the convertible loan, measured at amortized cost, amounted to SEK 188.0 million (SEK 160.0 million) as at December 31, 2021. 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 in 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 non-current liability, discounted to present value at SEK 131.5 million with an interest rate of zero (0) percent.

The repayment of the convertible 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	December 31, 2021			December 31, 2020		
	Non-current portion	Current portion included in current liabilities	Total	Non-current portion	Current portion included in current liabilities	Total
Convertible loan	187,982	—	187,982	160,002	—	160,002
Liability, renegotiation loss	131,532	—	131,532	110,082	—	110,082
Overdraft facility, Nordea	—	1,134	1,134	—	—	—
Loan, Nordea	—	—	—	11,000	44,887	55,887
Financing game development	91,019	—	91,019	—	—	—
Other non-current liabilities	11,208	—	11,208	11,618	—	11,618
<b>Total</b>	<b>421,742</b>	<b>1,134</b>	<b>422,876</b>	<b>292,702</b>	<b>44,887</b>	<b>337,589</b>

Parent Company	December 31, 2021			December 31, 2020		
	Non-current portion	Current portion included in current liabilities	Total	Non-current portion	Current portion included in current liabilities	Total
Convertible loan	187,982	—	187,982	160,002	—	160,002
Liability, renegotiation loss	131,532	—	131,532	110,082	—	110,082
Loan, Nordea	—	—	—	—	31,938	31,938
<b>Total</b>	<b>319,514</b>	<b>—</b>	<b>319,514</b>	<b>270,084</b>	<b>31,938</b>	<b>302,022</b>



## 42 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	1,083

The company's joint venture with Acer, StarV R 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 StarV R while Acer manufactures the product. R&D and reference design work for the StarVR headset is performed by Starbreeze and Acer jointly. StarV R Corporation bears all marketing and sales costs of StarV R, but for 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	December 31, 2021	December 31, 2020
Reconciliation against carrying amounts:		
Opening net assets, Jan. 1	3,282	9,681
Profit/loss for the period	-154	-18,180
Exchange rate differences	306	11,781
<b>Closing net assets</b>	<b>3,434</b>	<b>3,282</b>
Group share	33%	33%
Group share in SEK	1,133	1,083
Carrying amount	1,133	1,083

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.

	December 31, 2021	December 31, 2020
Condensed balance sheet:		
Current assets	11,241	10,867
Non-current assets	65	59
Current liabilities	-7,872	-7,644
<b>Net assets</b>	<b>3,434</b>	<b>3,282</b>
Condensed statement of comprehensive income:		
Revenue	602	-2,130
Earnings for the period	-154	-18,180
<b>Total comprehensive income</b>	<b>-154</b>	<b>-18,180</b>

**43 Net debt**

Group	Other assets		Liabilities relating to financing activities					Total
	Cash and cash equivalents	Convertible loan	Derivatives	Recognition loss and other non-current liabilities	Other current liabilities	Total financing activities		
Opening balance at Jan. 1, 2021	157,423	-160,002	—	-169,847	-44,887	-374,736	-217,313	
Cash flow	-28,966	—	—	-79,797	43,772	-36,025	-64,991	
Exchange rate differences	115	—	—	—	—	—	115	
Reclassification	—	—	—	1,258	—	1,258	1,258	
Other non-cash items	—	-27,980	—	-6,375	-20	-34,375	-34,375	
<b>Closing balance at Dec. 31, 2021</b>	<b>128,572</b>	<b>-187,982</b>	<b>—</b>	<b>-254,762</b>	<b>-1,135</b>	<b>-443,878</b>	<b>-315,306</b>	

Group	Other assets		Liabilities relating to financing activities					Total
	Cash and cash equivalents	Convertible loan	Derivatives	Recognition loss and other non-current liabilities	Other current liabilities	Total financing activities		
Opening balance at Jan. 1, 2020	82,787	-213,928	—	-176,281	-15,000	-405,209	-322,422	
Cash flow	74,744	—	—	—	—	—	74,744	
Exchange rate differences	-108	—	—	—	—	—	-108	
Reclassification	—	—	—	—	-29,887	-29,887	-29,887	
Other non-cash items	—	53,927	—	6,434	—	60,360	60,360	
<b>Closing balance at Dec. 31, 2020</b>	<b>157,423</b>	<b>-160,002</b>	<b>—</b>	<b>-169,847</b>	<b>-44,887</b>	<b>-374,736</b>	<b>-217,313</b>	

Net debt	December 31, 2021	December 31, 2020
Cash and cash equivalents	128,572	157,423
Current loan liabilities	-1,135	-44,887
Non-current loan liabilities	-442,743	-329,849
<b>Net debt</b>	<b>-315,306</b>	<b>-217,313</b>



The income statements and balance sheets will be submitted to the AGM on May 12, 2022 for approval.

The Board of Directors and the Chief Executive Officer declare that the consolidated financial statements 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 report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the Parent Company's position and earnings.

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

Stockholm, April 14, 2022 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 April 14, 2022

Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg  
Authorized Public Accountant



# Auditor's report

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 2021. The annual accounts and consolidated accounts of the company are included on pages 49-99 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 2021 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 2021 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 as set out in the table below. 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 assets including capitalized expenditure for game and technology development amounted to SEK 448 M in the Group as of December 31, 2021. About 97% of the value is related to Payday. In the Parent Company, shares in subsidiaries amounted to SEK 326 M, a large amount of which is also related to value in Payday. The company tested the impairment requirements in connection with the closing of the accounts. Significant assumptions in the impairment tests are set out in Note 20 of the Annual Report and include, among other things, estimates of future cash flows. Due to the degree of estimates, we have assessed that the valuation of goodwill and other intangible assets is a key audit matter.

The Company's impairment test did not lead to any impairment.

As stated in the Annual report, the launch of Payday 3 is scheduled for 2023. As stated in note 4 valuation of shares in subsidiaries, goodwill and other intangible assets presume a successful launch. If the game were not to meet expectations, it could result in the impairment of shares in subsidiaries, goodwill and other intangible assets.

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

As stated in the Directors' Report and in Note 20, Starbreeze invests significant amounts in game and technology development. Note 20 states that SEK 111 M was capitalized in 2021, and capitalized expenditure for game and technology development and investments in publishing projects totaled SEK 1,233 M and the carrying amount was SEK 205 M. Most of this amount comprises investments in the game Payday 3. This is a key audit matter due to the size of the amount and that capitalized expenditure for game and technology development includes assessments made by management regarding whether the expenditure satisfies the capitalization criteria, for example, if it is possible to reliably measure the expenses attributable to the asset and it can be demonstrated that the asset will generate future economic benefits.

As stated in the Annual report, the launch of Payday 3 is scheduled for 2023. As stated in note 4 recognition of capitalized expenditure for game and technology development and investments in publishing projects presume a successful launch. If the game were not to meet expectations, it could result in the impairment of capitalized expenditure for game and technology development and investments in publishing projects.

## How our audit addressed the key audit matter

We studied management's testing of whether any impairment requirement exists for shares in subsidiaries, goodwill and other intangible assets. We evaluated the company's process for preparing forecast cash flows and the mathematical accuracy of the models used. We have also assessed material assumptions in impairment testing, mainly future income, growth and cost of capital by assessing the reasonableness of the Company's forecasts. We have focused in particular on the sensitivity of the calculations. Finally, we assessed whether the disclosures provided in the notes of the Annual Report were consistent with IFRS. We found that the company's methods and assumptions had been applied consistently.

We studied management's specification of ongoing development projects that were capitalized as intangible assets during the financial year. We made random checks in the projects and tested the accuracy of capitalizing the expenditure based on the criteria of IAS 38, for example, by assessing the procedures for ensuring that the expenses are recognized for the correct project and, on a test basis, examining the underlying expenses against supporting documentation. We also examined the calculation of future economic 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 1-48. The Board of Directors and the Managing Director are responsible for this other information.

The information in the "2021 remuneration report" and the "2021 sustainability report," which are published on the website at the same time as this report, also comprise other information. Such other information comprises a document that does not include the annual accounts. The other information comprises a remuneration report and a sustainability report that we obtained before the date of this auditor's report. The Board of Directors and the CEO are responsible for this 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 conclusion 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](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

## Report on other legal and regulatory requirements

#### 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 2021 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 Director's 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' 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](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.



## The auditor's examination of the ESEF report

### Opinion

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 2021.

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

In our opinion, the Esef report #[1dbabd8c31ef96313524c75989691b6c3d1b805355b3ff103e3dd2e642830805] 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 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 2021 and has been the company's auditor since the 25 September 2000.

Stockholm 14 April 2022

Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg  
Authorized Public Accountant



STARBREEZE  
STUDIOS

[starbreeze.com](http://starbreeze.com)