STARBREEZE
ENTERTAINMENT

Annual Report 2023

STARBREEZE

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STARBREEZE

Building Community by Making Games

Starbreeze is an independent developer, publisher and distributor of PC and console games targeting a global market. With offices and employees across Europe, we have been a force in the global games industry for more than 25 years.

We are the creators of PAYDAY™ – the world's premier robbery simulator.

We are developing a new cooperative multiplayer game based on the world's leading role play game – Dungeons & Dragons®.

We are publishers for external developers and publishers of e.g. Roboquest and The Tribe Must Survive.

We believe in games as a social experience that unites people. That's why our focus is on building, maintaining and promoting relationships with our players. Through our Starbreeze Nebula platform, we strive to create an active and engaged community around our games.

Net sales 2023 (SEKm)

634

EBITDA (SEKm)

439

No. of employees (FTEs on December 31st)

194

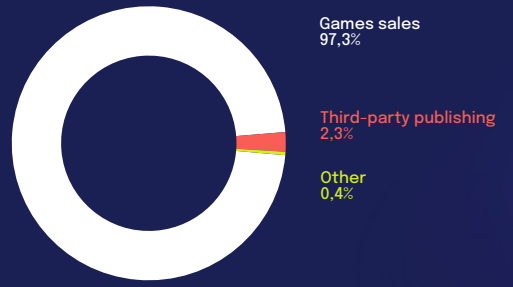
No. of active projects (own and third party publishing)

6

The year in brief

- New issue to finance, among other things, our next project and our third-party placement. In connection with the new issue, a historical loan and a convertible loan were amortized for a total amount of SEK 380 million.
- Launch of PAYDAY™ 3 on Xbox Game Pass, Xbox X|S, Playstation®5, Epic Games Store and Steam®.
- Licensing the world's leading role-playing IP – Dungeons & Dragons® – for use in the upcoming Project Baxter.
- Expansion of third-party publishing, which at the end of 2023 included the games Roboquest, The Tribe Must Survive, Turtle vs Turtle and GodsTV.

Net sales, distribution in percent



Net sales and results, SEKm



Key figures

SEK	2023	2022
Net sales	633,510	127,602
EBITDA	439,340	66,380
Profit/loss before tax	207,656	-54,403
Earnings per share	0.19	-0.08
Cash and cash equivalents	347,752	108,217

The Board of Directors proposes to the AGM that no dividend be distributed for the 2023 financial year

Message from the CEO

We continue to develop Starbreeze



We have continued to develop Starbreeze in accordance with our strategy during the year; to build a stronger and more diversified company through a combination of own projects and a few selected titles in our publishing business. Our focus is to create growth and value for our players and our shareholders. We do this by developing action-packed games with a long lifetime. In industry terms, these types of games are often called "live service" or "Games as a Service"-games, a niche that Starbreeze has both innovated and popularized.

In the past year, we have taken great strides, both operationally and financially, to set the foundation to continue delivering on our strategy. We launched PAYDAY 3, licensed Dungeons & Dragons® for Project Baxter, expanded our publishing business, and greatly improved our financial position in terms of both debt and cash.

A mix of own and external brands
The strategy for games developed by Starbreeze is to utilize a mix of own and licensed IPs. This strategy comes with a balanced risk profile for us as a company. Developing games on own IPs can provide greater financial upside but requires the ability to nurture, strengthen and expand both the IP and community over time. With a licensed IP, the financial upside can be lower, as the licensor usually receives a portion of the revenue, but a strong IP also comes with an established customer base and an existing community to address.

We currently have two large internal projects and IPs that we work with; the PAYDAY-series in the form of PAYDAY 3, and Baxter.

Making PAYDAY 3 a long-term success
The launch of PAYDAY 3 was a milestone for Starbreeze. After many years, we finally got to show what we had been working on. Both interest and initial sales before, and in connection with, the launch in September exceeded our expectations and it was noticeable that many had waited a long time to rob virtual banks again. Our biggest focus now, and going forward, is PAYDAY 3. We know what needs to be done to make the game a success over time, and we have the financial muscle, the skills, and the community and brand in PAYDAY to make the game a long-term success like its predecessor. Our ambition is for PAYDAY 3 to be a long-term profitable game for the years to come.

A new adventure
With Baxter, which is based on the iconic Dungeons & Dragons® brand, we will create a cooperative experience that will both feel completely new in relation to PAYDAY but that also leverages our collective experience and expertise in cooperative multiplayer games. The game will be launched in 2026, and our long-term goal is to have three own titles on the market by 2028, with the Games as a Service-model; PAYDAY 3, Baxter and a new, yet unannounced, game.

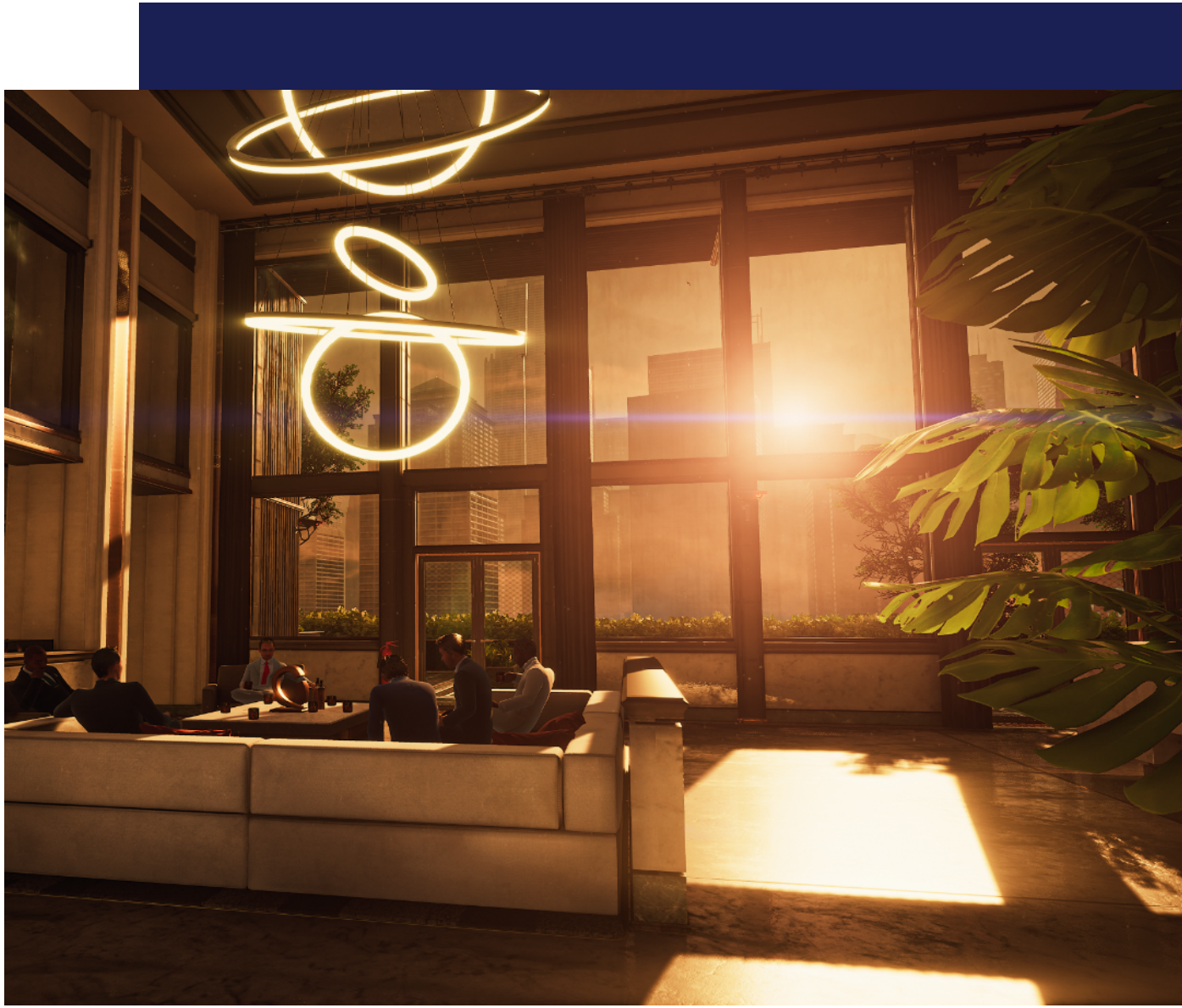
Third-party publishing
Our publishing business is an important pillar in our strategy for growth and

diversification. By publishing very few and thoroughly selected external games, we broaden our product portfolio, open up new revenue streams and leverage knowledge in our organization. The games we look at must have clear potential and at the same time fit our overall criteria for what a Starbreeze game should be and contain. We do not see ourselves as competitors to the more regular publishers in the industry but are convinced that the experience and competence we possess as game developer and publisher can help many smaller studios realize their visions.

Organization
During the year, we continued to invest in talent. Particular focus has been on key competence for the development of Baxter and on strengthening the internal development organization. We will continue to work establishing Starbreeze as an attractive employer where our employees are given the opportunity to grow. Even if the industry has been temporarily affected by a downturn, over time, competency is in short supply both in Sweden and internationally. It is also then extra pleasing that we have attracted competence from more than 30 countries to Starbreeze.

Closing words
Overall, Starbreeze has had a busy year, and the team has worked incredibly hard. By sticking to our strategy and our core values, we have made great strides forward. We launched PAYDAY 3 and licensed Dungeons & Dragons® for the upcoming project Baxter, giving Starbreeze two iconic and strong brands to work with. The recruitment process for a permanent CEO who, together with management, can ensure execution of our strategy continues. Starbreeze will continue to deliver games and content to a growing community and create value for both players and our owners.

JUERGEN GUELDER, INTERIM CEO



STARBREEZE



Market & Strategy

02

Market

The global games market continues to show strong long-term growth, with close to 3.5 billion players at the end of 2023. In total, the market amounted to USD 184 billion in 2023, divided between PC, console and mobile games.

Market overview

In 2023, the global games market continued to grow as demand for interactive entertainment experiences increased. The market for PC games increased by 5.3 percent and the market for console games grew by 1.7 percent. For the second year in a row, the mobile games market was shrinking, but still accounts for 49 percent of the market's total revenue.

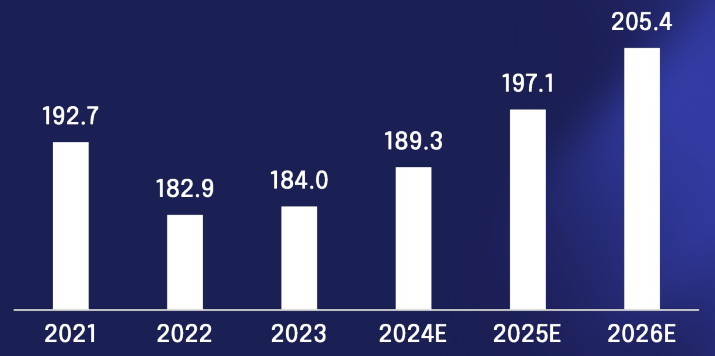
Growth

The analysis company Newzoo estimates that the market will continue to grow with a CAGR of just over 4 percent between 2023 and 2026, and the market value is then expected to amount to USD 205.4 billion.

Starbreeze products are sold via digital platforms such as Steam, Playstation Store, Xbox Game Store and Epic Games Store, and via physical retailers. Geographically, North America and Europe are the largest markets for our games and together account for just over 70 percent of Starbreeze's revenue.

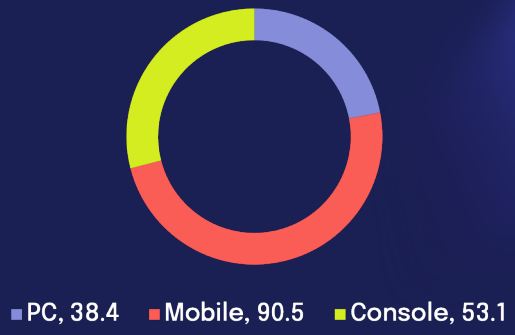
Overview of the global games market, 2021-2026

USD billion



Overview of the global games market by segment

USD billion



Source: Newzoo Global Games Market Report April 2024

Trends

The games industry and market are expansive and rapidly changing. The driving market trends are evolving and are continuously influenced by technological advances, changing consumer games habits and structural changes in the industry's structure.

A selection of the market trends affecting our business are presented here.

Generative AI

Generative AI is used today in the games industry in everything from pre-production processes, to generating textures and content, creating dynamic and varied games environments, as well as character design and animation. According to surveys, generative AI is expected to increase the overall quality of games and shorten production times, but not to the same extent reduce costs or alleviate the industry's talent shortage.

For Starbreeze

Today, we use generative AI primarily in the pre-production work for our various projects. The ability to quickly visualize and communicate a visual direction or design track shortens the time between pre-production and production. Starbreeze is investigating the possibility of using generative AI in the future for the processual generation of both commercial and user-generated content.

Industry consolidation

For many years, the games industry has been characterized by a consolidation trend, where larger and larger Groups concentrate the number of studios, publishers and distributors under one owner. One example of this trend is the Swedish entertainment Group Embracer and Microsoft's acquisition of Bethesda Softworks and the games Group ActivisionBlizzard, and thereby global brands such as Fallout, Call of Duty, Warcraft and Candy Crush.

For Starbreeze

A concentration of brands and larger studios with a few players can contribute to reducing the games space from smaller, stand-alone studios. Being both a game developer and publisher gives Starbreeze the opportunity to help studios reach a wider audience and community with their games through our third-party publishing, including through Starbreeze Nebula.

Co-op[1] & UGC[2]

Games that encourage players to play together – by solving problems, building or creating – are becoming increasingly popular. Minecraft and Roblox let players build their own worlds or even create their own games from scratch, and in 2023 Fornite creator Epic Games released a special version of their game engine Unreal Engine to let players create tracks and design entire games based on the Fortnite brand.

For Starbreeze

We believe in games as a social experience that unites people. Starbreeze niche lies within cooperative multiplayer games, with a strong connection to the community. Historically, user-generated content (UGC) has been a significant part of driving the success of our titles, and we will continue to be involved in developing and pushing the boundaries of user-generated content.

[1] "Co-op", is a form of game where players cooperate to reach a common goal
[2] "UGC" ("User Generated Content")

Strategy & business model

We will develop and publish games that create value and revenue streams beyond the games experience – and offer more Starbreeze, to more players. By moving higher up in the value chain for game development, while expanding experiences beyond game products, we will create both short-term and long-term value for our stakeholders.

Starbreeze's strategy revolves around what we are best at: cooperative games experiences with a strong focus on community. Our operations are divided into three main areas to build value and growth: Studio (builds games on our own or licensed brands), Publishing (acts as publisher for our own and externally developed games) and Franchise to build, strengthen and lift our brands.

We have a successful history of developing games with strong brands in close collaboration with our player base. For us, it is key to build long-term, strong player engagement by continuously delivering new, high-quality content in close collaboration with our players, as well as facilitating co-created content.

Our strategy is based on four key pillars;

Developing Games, IP and Beyond

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

A Co-Creating Community

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

Games as a Service

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

The Place to Be

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



Our business, strategic pillars, cornerstones for game development and the values we strive for in the organization are closely interlinked and together form the foundations for a strong and successful organization. We have a clear framework and model for both achieving our goals and creating a sustainable and motivating working environment.

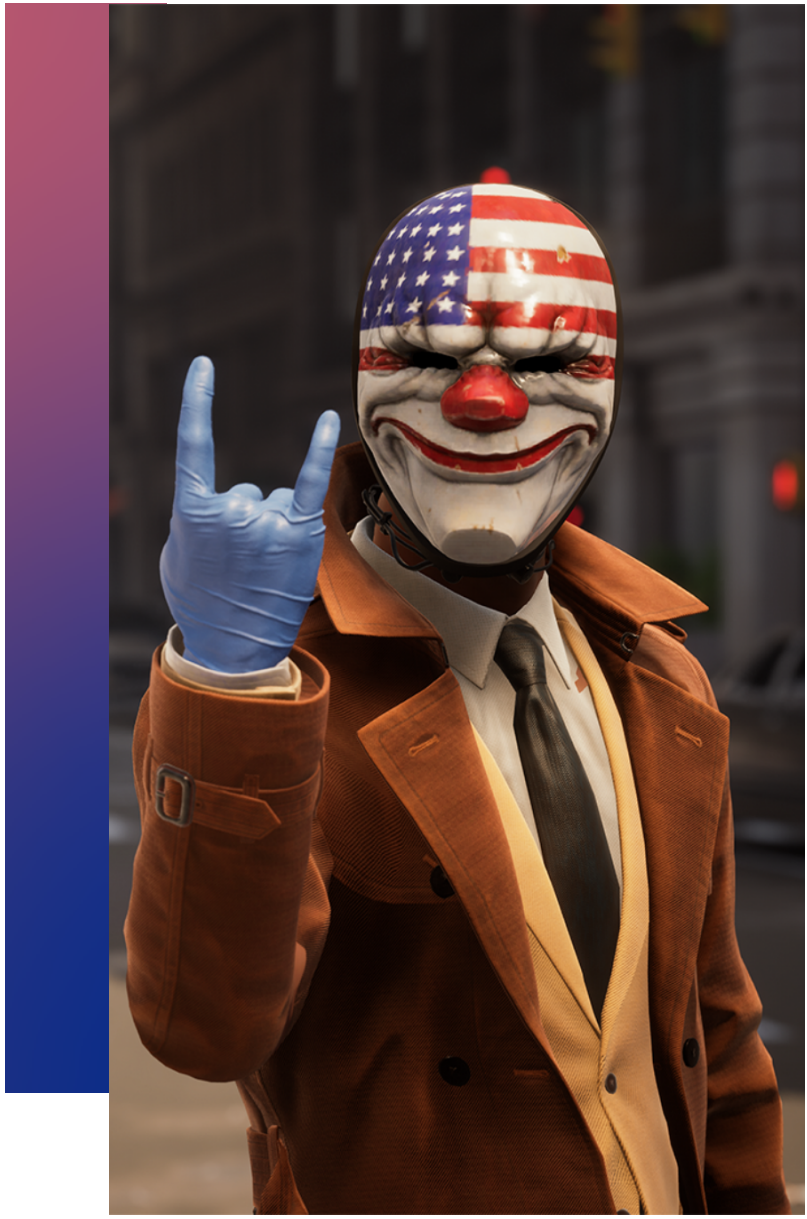
Clear strategic focus

We will expand our games portfolio with more titles based on strong brands; either proprietary like PAYDAY, acquired or licensed like Dungeons & Dragons® for our upcoming game with the code name Baxter. The combination of brands provides an advantageous risk profile for each title, and through our Games as a Service model, we deliver continuous updates of content and functionality over a long period of time. The goal is to have three separate titles on the market by 2028, all with the same basic business model.

For a couple of years now, Starbreeze has been restarting the publishing business that has historically been a success. By publishing a few selected games that follow our cornerstones, we can leverage our internal expertise and benefit from the accumulated player base and community that exist around Starbreeze games. At the end of the year, four external titles were contracted for publishing services.

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

	Building Community by Making Games			
Business	Studio	Publishing	Franchise	
Strategic pillars	Developing Games, IP and Beyond	A Co-Creating Community	Games as a Service	The Place to Be
Game cornerstones	Experience Together	Community Engagement	Lifetime Commitment	"Larger than life" experience
Behaviors	Smarter Together	Enabling Creativity	Learn & Develop	Accountability



Value chain for games

IP OWNERS

IP owners are the entities that own the intellectual property rights to the trademarks used in games.

Starbreeze owns all rights to the PAYDAY trademark.

DEVELOPERS

Work on creating and developing games. The composition and size of teams vary greatly depending on the type of game and phase.

Starbreeze has around 150 game developers in different roles, distributed on the development of PAYDAY 3, Project Baxter and pitches for future game titles and brands.

PUBLISHER

The publisher's role varies, but may include, for example, financing game development, quality control of production, and primary distribution and marketing of the game to retailers and end customers.

Starbreeze is a publisher for PAYDAY 2 on PC, has shared responsibility for PAYDAY 3 together with Plaion, and is a publisher for other studios through third-party publishing - at the end of the year, four games were contracted.

PHYSICAL DISTRIBUTORS

Physical distributors serve as intermediaries between game developers and consumers by managing the storage, transportation and distribution of physical game products to the retail stage.

RETAILERS

Retailers of predominantly physical game products.

(e.g. Amazon, Walmart, GameStop, Elgiganten)

DIGITAL DISTRIBUTORS

(e.g. Steam, Xbox Game Pass, Epic Games Store, Playstation Store)

Physical products to gamers ->

Digital download to gamers ->

Digitally streamed games to gamers ->

3.3

BILLION GAMERS GLOBALLY

PLATFORM

Platform owner

(PC, consoles, mobile phones/tablets, Smart TVs, media boxes)

STARBREEZE

Our operations

03



Our operations

Studio

Starbreeze Studios consists of around 150 employees in different production disciplines. In 2023, most employees worked on the development of PAYDAY 3 and the development of the Dungeons & Dragons® project, Baxter. A small number of employees are working on sales materials for future potential games and brands.

Game development at Starbreeze is based on a clear allocation of roles in the development process, where delivery goals are set for each role in each phase. Creativity is encouraged in the context of the goals in each development cycle through a holistic approach to development work, where all processes are based on the player and the game experience. Starbreeze's approach has always been, and still is, dynamic, involving cross-functional teams where a high level of interaction and collaboration is required. Setting clear goals for delivery at all stages of game development across all teams creates a focused work environment in which each role has greater ownership and the opportunity to work on what they enjoy doing and do best. Strategic leadership keep projects on track and the game concept intact.

Publishing

The Starbreeze Publishing department consists of approximately 20 employees with a focus on the game publishing and the publishing process. In 2023, most employees worked on the launch of PAYDAY 3, preparatory work for Project Baxter, and in the role of third-party publisher for Roboquest and The Tribe Must Survive, among others.

The department plays a central role in ensuring and managing various aspects of a game's launch and distribution, with product managers for each game title. Working closely with Studio production and partners, the team is responsible for strategic and creative planning and execution of marketing campaigns and data analysis. Publishing includes the Community team, which plays a crucial role in shaping the games experience beyond the game itself. By promoting and contributing to a positive and engaged community, it leads to the long-term success of the games and serves as a link between the development that takes place in Studio and our community.

Franchising

At Starbreeze we are passionate about telling stories in many different ways. We always strive to innovate and improve the experience through different formats and partnerships. By licensing our brands, and integrating others into our games, we can satisfy our community with more of what they love.

The Starbreeze Franchise department is responsible for nurturing, strengthening, and expanding our brands to new areas of experience, including film and TV, new game genres and collaborations with partners for merchandise production and brand building activities. Business development managers identify and negotiate new opportunities and partnerships to increase the reach and audience of our brands. The Franchise team collaborates with other corporate functions to make decisions and initiate projects that strengthen our brands in the long term.

Cornerstones for our games

Experience Together

- Cooperative multiplayer games – where the focus is on experiencing together!
- Player-to-Computer (PvE) or Player-to-Player (PvP) can both be right – if it's a cooperative experience
- Always with a focus on community and belonging – through modding, community, streaming, etc.

Lifetime commitment

- Create a foundation for long-term engagement; grow and expand our community over time
- Replayability and variety are an absolute key to our games
- Undeniable value, added over time – through revenue models that are fair for all
- A mix of free and paid content for our games, ensuring *everyone gets more*

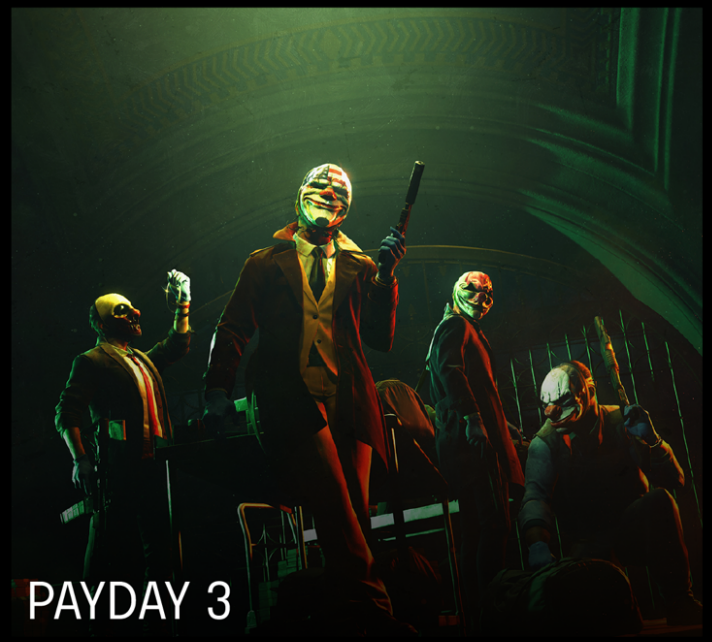
Community engagement

- Co-creating the gameplay experience
- Co-creation in the game development process
- Modding and user-generated content in games (UGC)
- Commitment and integration with the community where it exists, in an open and honest way

"Larger than Life" Experience

- Focus on gameplay and embodying iconic characters
- Being part of something bigger – a group or a journey – together
- Evolution in the experience – there is always a way forward and to develop
- Our games suit different play styles, but always with a feeling of tension

Our games



PAYDAY 3

PAYDAY 3 is the much anticipated sequel to one of the most popular co-op shooters ever. Since its release, PAYDAY-players have been reveling in the thrill of a perfectly planned and executed heist. That's what makes PAYDAY a high-octane, co-op FPS experience without equal.

DEVELOPED BY
STARBREEZE ENTERTAINMENT

PUBLISHED BY
PLAION

RELEASED
2023

AVAILABLE ON



PAYDAY 2

PAYDAY 2 is an action-packed, four-player co-op shooter that once again lets gamers don the masks of the original PAYDAY crew - Dallas, Hoxton, Wolf and Chains - as they descend on Washington DC for an epic crime spree.

DEVELOPED BY
STARBREEZE ENTERTAINMENT

PUBLISHED BY
STARBREEZE ENTERTAINMENT / 505 GAMES

RELEASED
2013

AVAILABLE ON



Project Baxter

"Baxter" is Starbreeze next internal project. Set in the world of Dungeons & Dragons®, the game will feature the signature game cornerstones of Starbreeze' productions; co-operative multiplayer, lifetime commitment through a Games as a Service-model, community engagement and a larger than life experience. Project Baxter is set to launch on all major platforms in 2026 and will be produced in Unreal Engine

DEVELOPED BY
STARBREEZE ENTERTAINMENT

RELEASE DATE
2026

Third Party Publishing



ROBOQUEST

The year is 2700. Humans live scattered through the desert, struggling to survive. Roboquest is a lightning-fast FPS with roguelite mechanics, playable in single-player or two-player co-op. Shoot and run your way through randomly generated and lush biomes, pick-up upgrades along the way and blast the powerful big bad bosses you encounter.

DEVELOPED BY RyseUp

PUBLISHED BY STARBREEZE ENTERTAINMENT

RELEASED 2023

AVAILABLE ON

PS5 | XBOX SERIES X|S | STEAM | GAME PASS | GEFORCE NOW | EPIC GAMES



GODS TV

GodsTV is a multi-player "cartoon punk", top down action title, stylized, irreverent and frantic, set for release in early 2026. Players are contestants in a deranged TV- show, a mashup of action, humor, and bizarre characters. Alien corporations, who present themselves as "Gods", offer players unique abilities and products (guaranteed lethal!) to fight for ultimate stardom.

DEVELOPED BY MELBOT STUDIO

PUBLISHED BY STARBREEZE ENTERTAINMENT

RELEASE DATE 2026



THE TRIBE MUST SURVIVE

Set in a gloomy lovecraftian stone age The Tribe Must Survive is about finding ways to grow and to protect your tribe from what lurks in the shadows around it. All your tribe members have their own personality and AI-will and generally only do what they want. Fortunately you can manipulate them with rituals, buildings, upgrades and other difficult decisions to get things done.

DEVELOPED BY Walking Tree

PUBLISHED BY STARBREEZE ENTERTAINMENT

RELEASED 2024

AVAILABLE ON

STEAM



TURTLE VS. TURTLE

Two giant moving battle platforms set the stage for an epic conflict! The game is played in two teams (1v1 to 8v8) and players need to gather resources around the map to fund the building of turrets and defenses, and in order to take out their opponents' platform while protecting their own. Are you ready to become the hero?

DEVELOPED BY TORUS GAMES

PUBLISHED BY STARBREEZE ENTERTAINMENT

RELEASED 2023

AVAILABLE ON

FORTNITE

STARBREEZE



Sustainability 04

Sustainability

The online computer games sector is growing rapidly, and as a game developer we have a responsibility for how our products and the company's operations affect the environment, climate, people, and society in general. We are committed to ensuring a responsible approach and behavior both within our own operations and in the value chain.

Sustainability for Starbreeze

As one of Sweden's oldest game development companies, our ambition is to contribute to sustainable digital growth and digital innovation. Starbreeze has grown to become a leading player in the industry and has built up a strong community within the games world, which makes it our responsibility to run a sound and responsible business. The work is based on a transparent and honest dialog with both internal and external stakeholders, where trust is crucial in everything we do. Our ambition is to operate a business that is aware of its impact on the environment and people, and to constantly strive for improvement.

Our behaviors

Engagement comes from freedom, creativity, and involvement. To grow as a company, we must support each individual employee and allow them to grow and develop at Starbreeze. Action creates culture. At Starbreeze, we work based according to the following behaviors:

Smarter Together

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

Learn & Develop

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

Accountability

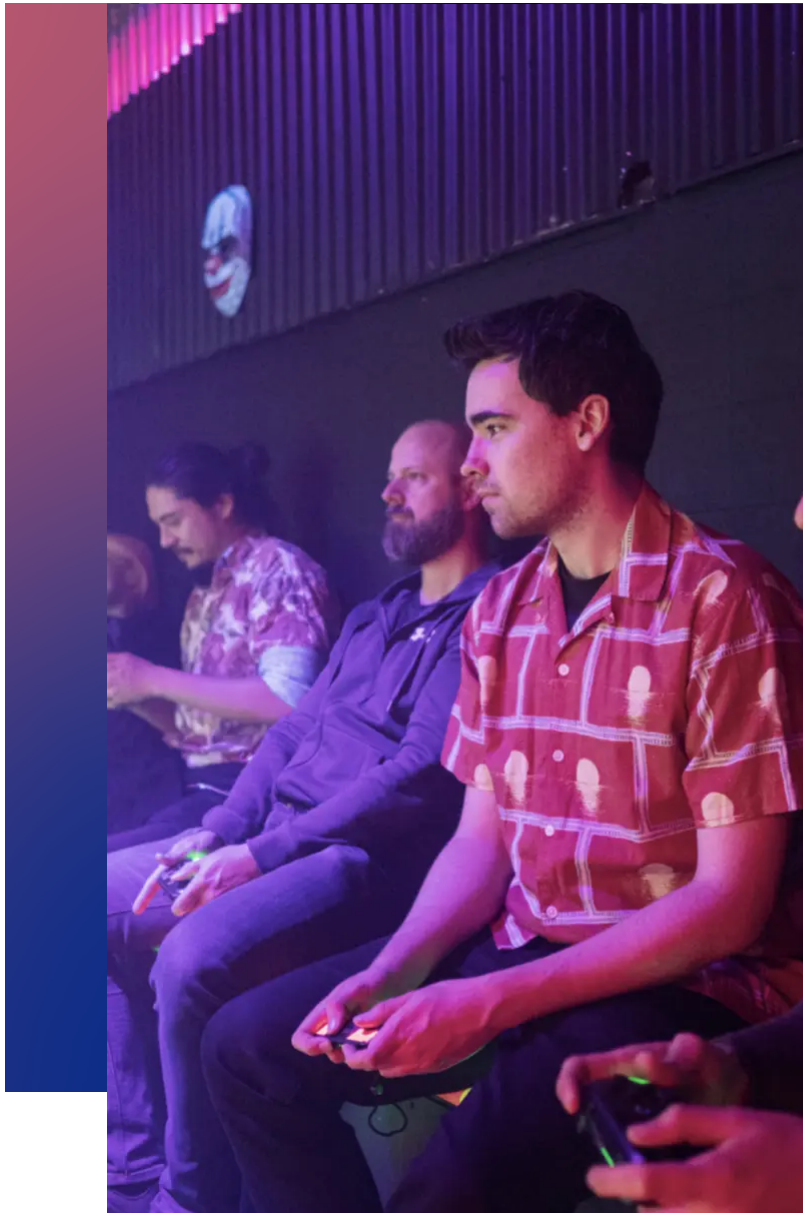
We are committed and hold ourselves and others accountable for delivering fantastic results.

Enabling Creativity

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

Our contribution

Starbreeze supports Agenda 2030 and its holistic approach to sustainable development. Six global sustainable development goals have been identified for our business, where we see that we have a great responsibility, but also the opportunity to contribute. The goals give us a good indicator of how our work can be part of positive development, also from a global perspective.



Our contribution

MILJÖ OCH KLIMAT



Goal 12 aims to ensure sustainable consumption and production patterns. Among other things, the goal highlights sustainable management and the efficient use of natural resources, as well as reducing the amount of waste.

Goal 12: Most of Starbreeze's game distribution is digital, which reduces the extent of the physical distribution link and thereby the need for transport and plastic packaging. The ambition is to minimize the company's ecological footprint, so that Starbreeze is working towards this goal by following the development of climate-smart alternatives for all parts of its operations.

MEDARBETARE OCH SAMHÄLLE



Goal 4 aims to ensure inclusive and equal education of good quality and promote lifelong learning for all.

Goal 5 aims to increase gender equality and reduce all forms of discrimination, violence and oppression.

Goal 10 focuses on reducing inequality and the importance of working for a society where no one is left behind.

Goal 4: To contribute to a stronger supply of skills, Starbreeze has close practical collaborations with universities and colleges in Sweden. The company's CEO and employees are active lecturers on most labor market days and at Swedish higher education institutions.

Goal 5: All employees, regardless of gender, must have the same conditions at Starbreeze. To increase gender equality in the games industry, Starbreeze is actively working on the issue and runs several initiatives for increased inclusion.

Goal 10: For Starbreeze, equal rights for everyone, regardless of background and circumstances, are of utmost importance. Starbreeze ensures protection under labor law by only operating in countries with such a national function and sets requirements for partners in the value chain using the company's code of conduct.

AFFÄRSETIK OCH STYRNING



Goal 8 focuses on decent working conditions and sustainable economic growth.

Goal 17 aims to strengthen the implementation of global partnerships for sustainable development.

Goal 8: Starbreeze intends to create the right conditions for innovation and at the same time ensure decent working conditions by offering employees a developing and sustainable workplace. To create a stimulating working atmosphere in which employees can thrive, career opportunities and scope for development are offered within the company. Routine employee surveys are conducted to engage all parts of the business.

Goal 17: Starbreeze works according to international guidelines and engages in global partnerships to ensure relevance in its sustainability work and contribute to strengthened cooperation within the industry.

Governance

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

In 2023, work began for Starbreeze to establish a framework to prioritize the most relevant environmental, social, and corporate governance issues. The work will take account of established international principles, regulations, standards, and guidelines. Examples include the UN Global Compact, the EU Taxonomy, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

Main policies

Starbreeze has a set of policies that support the sustainability work in our operations. Our most important policies are our Code of Conduct, HR policies, IP data protection and data integrity policies. The Code of Conduct includes how we must work within business ethics, anti-corruption, corporate governance, and the environment, and how we act towards our colleagues and business partners.

All policy documents are prepared by the person responsible in accordance with Starbreeze's internal control guidelines and are updated at least annually, or when necessary. The central documents are approved annually by the Board of Directors, and each new employee must have access to them.

Policy Documents

Starbreeze works on the basis of the following policy documents to, among other things, ensure that laws and values are complied with and communicated to the entire company. Selected policies are;

- Code of Conduct for employees and suppliers
- Information Security Policy
- IP Privacy Policy
- Corporate Governance Policy
- Communication and Insider Policy
- Health and Safety Policy
- Data Protection Policy
- Non-Discrimination and Harassment Policy



Environment and climate

The game industry has a relatively low impact on the environment and climate, since most operations are carried out digitally, and games are distributed primarily through digital channels. Our greatest environmental and climate impact comes from the energy consumption of server rooms and business travel by air.

Server operation and digital distribution

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

Business travel

We aim wherever possible to replace physical travel and gatherings with digital alternatives, such as digital conferences and meetings. In 2022, we produced a Business Travel Policy to ensure that our employees use the most sustainable travel solution available. Among other things, the policy states that means of transport with the least possible climate impact should be prioritized and that public transport should be chosen as it is usually the most efficient option, from both a financial and environmental perspective. The challenge for us lies mainly in flights to the USA, where most global trade fairs and game development conferences take place.

Premises

Starbreeze rents all its premises, which means limited opportunities for influence and control over things such as the proportion of renewable electricity, waste management and recycling options. We engage in active dialog with our landlords to ensure that our premises with associated services are as environmentally- and climate-friendly as possible. We have offices all over the world, with the largest office in Stockholm, where over 80 percent of our employees work.

Energy consumption and emissions

Starbreeze is working to continuously reduce its environmental impact and in 2023 began to survey the company's energy consumption and carbon emissions. In this year's report, the company's premises, where more than 80 percent of the company's employees are based, are included in the calculations. In total, Starbreeze's energy consumption amounted to 507,033 kWh, equivalent to 992 kg of carbon[3] emissions. All electricity purchased for the property is produced by wind power and is therefore 100 percent fossil-free.

ENERGY CONSUMPTION[1]	2023
Total energy consumption, kWh	507,033
- Of which electricity	488,655
- Of which heating	18,378
- Of which cooling	-
Proportion of non-renewable electricity, %	-
Share of renewable electricity, %	100

1 For 2023, refers only to the company's head office in Stockholm, Sweden

[3] Data on energy consumption and carbon emissions is provided by the property owner and is calculated on the basis of the number of square meters that Starbreeze rents.

Employees and society

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

Employees in several countries

We have employees in four countries, with a total of around 30 nationalities, and it is of the utmost importance to conduct our business fairly and clearly with respect for all employees and the local conditions. Our governance documents apply to all employees, and we comply with applicable laws and regulations in the countries in which we operate.

Health and safety

The goal of Starbreeze's health and safety efforts is to create a safe and health-promoting workplace. Active measures are in place to prevent risks of physical and psychosocial occupational illnesses. Continuous evaluations of implemented initiatives are carried out to improve the day-to-day work. The game development industry is characterized largely by sedentary work and often by a high level of stress. We launched several different initiatives in 2023 that are designed to increase physical activity and reduce the risk of work-related stress. This has included: working environment training, wellness allowances, company-wide sports, and continued work on focus time.

In 2023, a review of the company's existing policy documents was carried out, which means that they have been consistently updated and apply to all employees, regardless of geographical location. We continuously monitor the sick leave statistics for our employees and are observant in cases where there is a risk of a negative trend arising.

Diversity, equality, and inclusion

We value all our colleagues and prospective colleagues equally, regardless of gender, transgender identity or expression, ethnic origin, religion or other belief, disability, sexual orientation, or age. Starbreeze has zero tolerance of all forms of discrimination, harassment, and threats. It is therefore important that all employees feel safe at their workplace and thus dare to raise any incidents with their manager, colleagues, or the HR department.

Our diversity and equity work aims to create an inclusive and informed culture, both among employees and in the business relationships and activities that we initiate and conduct. We have employed more women in the company in recent years as a result of our systematic work. In 2023, 13 women were employed, which is an increase from the previous year. Starbreeze carries out a number of different types of initiatives and activities in this area. For example, when conferences are organized, we seek as far as possible to ensure a broad palette of speakers, including on the basis of gender, and support and participation in Valkyrie Jam and Planet Play, and through RFSL certification for a group of the company's employees.

Attract and retain talent

There is a shortage of game developers in Sweden, which means that the ability to attract and retain talent is a key issue for Starbreeze. In order to attract new expertise, we worked actively in 2023 to ensure a well-

HEALTH AND WELL-BEING, %	2023
ABSENCE	1.91

OWN WORKFORCE	2023
Total number of employees (FTE)	194[1]
Average total number of employees (FTE)	184.1
Number of countries with a local presence	4
Number of languages spoken	30

TYPE OF EMPLOYMENT, NUMBER OF EMPLOYEES	2023
Permanent employees	194[1]
Temporary employees	0
Temporary employment with hourly salary	0
Full-time employees	194
Part-time employees	0

AGE DISTRIBUTION, NUMBER OF EMPLOYEES	2023
<30	35
30-50	148
>50	11

1 Including remote employees and excluding consultants.

functioning recruitment and onboarding process. This resulted in a greater number and wider range of applicants. In 2023, 49 new employees were hired.

To ensure that talented employees stay with us, we focus on offering good career opportunities and scope for personal development, regardless of where in the organization the employee works. Employee surveys are conducted twice a year to measure and monitor employee commitment over time. The average result for the year was 20.25, which is a decrease. This fall's (2023) employee survey returned a high score for the commitment KPI eNPS, showing a high level of employee commitment.

Skills development

The technical skills of Starbreeze's game developers are ensured through various skills development training courses. Good leadership is key to ensuring that the business functions optimally, and that employees' well-being and engagement are maximized.

Community engagement

Taking social responsibility and contributing to the positive development of society where it can is important to Starbreeze. Our strongest game brand, PAYDAY, has an age limit of 18, which means that we are unable to take on interns aged below 18. Consequently, we have no close partnerships with high schools or secondary schools, but we do have partnerships with universities and colleges in Sweden. Starbreeze, and specifically the CEO, regularly speaks at various labor market days and other events linked to Swedish universities and colleges. In 2023, several employees visited and lectured in e.g. Sweden, Croatia, Bosnia and Herzegovina, the UK and South Korea.

GENDER DISTRIBUTION, %	2023
The entire organization	
- Women	18
- Men	82
- Non-binary	-
- Not specified	-
Management	
- Women	33
- Men	67
Board of directors	
- Women	33
- Men	67

EMPLOYEES PER REGION, %	2023
Sweden	83.5
UK	2.1
Spain	1.5
USA	1.0
Ireland	0.5
Germany	0.5
Switzerland	0.5
France	10.8
Total	**100.0**

HIRING AND TURNOVER	2023
New hires	49
Staff turnover, %	13.5

Business ethics and governance

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

Anti-corruption and fair competition

Our Code of Conduct sets out the basic principles for how the company should do business. This Code provides an ethical compass for employees, the organization and its partners and suppliers. It describes how we and our partners/suppliers should act with regards to corruption and bribery and promote fair competition.

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

Whistleblower function

Starbreeze implements a whistleblower function through a web-based reporting system where information is collected and handled securely. In accordance with the EU Whistleblower Directive, anyone who comes into contact with Starbreeze has the opportunity to anonymously report the occurrence of behavior or situations that are not in line with the Code of Conduct, and/or applicable laws. There are no requirements to provide personal data and the possibility of anonymity ensures the privacy of the whistleblower. The purpose of the whistleblower unction is to encourage all stakeholders, internal and external, to report suspicions of potential or actual misconduct. This is to maintain the company's cultural values and comply with high professional and ethical standards in our everyday activities.

Information and IT security

Information and IT security are critical to maintaining the long-term success of Starbreeze's operations. The company works continuously to develop robust systems and processes to ensure that everyone who encounters Starbreeze receives personal data protection. To guarantee confidentiality and integrity in the company, guidelines have been designed based on frameworks such as ISO 27001, CIS, and GDPR. All strategic decisions linked to information security must be taken by the management team to maintain relevant information management and at the same time minimize the risk of errors occurring. Training to increase awareness of information security must be carried out on an ongoing basis with Starbreeze employees so that everyone is confident about the risks that exist and the regulations that apply.

IT security is an integral part of Starbreeze's work and it must ensure appropriate protection of IT systems and infrastructure to successfully minimize risks. All information must be processed by appropriate people and classified based on the security level deemed to be correct. Sensitive information must be encrypted and processed according to the company's policies and, if necessary, Starbreeze must be able to remotely



control and delete all information on the company's various devices. At a minimum, Starbreeze must comply with the laws and regulations that are linked to data protection and privacy in all the countries in which the company operates.

Personal data and user privacy

Everyone who comes into contact with Starbreeze's activities must feel confident about how their personal data is handled. Starbreeze handles a large amount of personal data concerning employees and customers, which is why user privacy takes high priority. The company has processes for how information is collected and personal data is processed in accordance with the guidelines and requirements set out in the General Data Protection Regulation (GDPR). Starbreeze's Data Protection Officer is responsible for checking that the company complies with the regulations. The Starbreeze website presents the company's privacy policy, including separate policies for different games.

Fair marketing

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

Human rights

Supporting and protecting human rights is seen as a matter of course, both in Starbreeze's own operations and in the value chain. We consider the risk of infringement of human rights in our own operations to be low, given that we actively follow a Code of Conduct and adhere to core values, and that we consciously avoid risk geographies. We only conduct our own operations in countries where employees have good protection under national labor law, which includes the working environment.

There is always a risk that our partners and suppliers operate in risk geographies. In order to avoid any possible risk of parties in the supply chain violating human rights, we impose contractual requirements which are based on the Code of Conduct and national laws and regulations.

Risks

Our risks relating to operations are presented in the Risk section on page 29.

About the Sustainability Report

The Sustainability Report concerns the financial year January 1 – December 31, 2023 and concerns Starbreeze AB and all the subsidiaries within the Group. The Board of Directors is responsible for ensuring that the Sustainability Report has been prepared in accordance with the provisions in Chapter 6 of the Swedish Annual Accounts Act.

The Sustainability Report is included in this document, which also includes the company's statutory financial statements for 2023.

Auditor's report on the statutory sustainability report

To the AGM of the shareholders in Starbreeze AB (publ), corporate identity number 556551-8932.

Engagement and responsibility
It is the board of directors who is responsible for the statutory sustainability report for the year 2023 on pages 19-26 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion
A statutory sustainability report has been prepared.

Stockholm, April 11, 2024

Öhrlings PricewaterhouseCoopers AB

Aleksander Lyckow
Authorised Public Accountant

STARBREEZE

For Investors

05

The Share

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.

For up-to-date information on share capital development, shareholders, allocation and insider trading, please visit corporate.starbreeze.com.

Multi-market trading

Starbreeze has two share classes (A and B shares) that have been included in the small cap list on Nasdaq Stockholm since 2017. Starbreeze shares are traded in several marketplaces, with most trading on Nasdaq Stockholm. In 2023, shares were traded for an average value of SEK 9 million per trading day.

Ownership

As at December 31, Starbreeze had 36,278 shareholders. Of the outstanding shares, 30.61% were owned by foreign owners and 69.4% by Swedish owners, of which 55.2 percent were Swedish private individuals.

2024 AGM

The Annual General Meeting will be held on May 15, 2024 in Stockholm.



Risk

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

Risks related to external developers
Starbreeze's publishing activities are dependent on the studios that produce the contracted work honoring the agreements entered into.

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

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

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

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

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

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

Risk of impairment of goodwill and other intangible assets
The consolidated balance sheet consists largely of goodwill and other intangible assets totaling SEK 554.8 million as of December 31, 2023. 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.

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

Companies applying the Code are not obliged to comply with every one of the Code's rules at all times. If the company finds that a particular rule is not appropriate in that company's particular circumstances, the company may choose an alternative solution, provided that the company then discloses the deviation and the alternative solution (in accordance with the "comply or explain" principle). Starbreeze has applied the Code since October 2, 2017, when the company was listed on Nasdaq Stockholm.

General Meeting of Shareholders

Shareholders exercise their influence in the company at the General Meeting of Shareholders, which is the company's highest decision-making body. Any shareholder who, on the record date for the General Meeting, is entered in the share register kept by Euroclear Sweden AB and registered in a CSD register or CSD account is entitled to attend, in person or by proxy. The general meeting of shareholders may pass resolutions on all matters concerning the company which do not expressly fall within the exclusive competence of another corporate body under the Companies Act or the Articles of Association. The meeting may, for example, pass a resolution 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 (Swedish Official Gazette) and on the company's website. At the time of convening the meeting, information that the meeting has been convened is published in the Dagens Industri newspaper. Notice of AGMs and EGMs at which amendments to the Articles of Association are to be considered are issued no earlier than six (6) and no later than four (4) weeks before the General Meeting. Notice of other EGMs are issued no earlier than six (6) weeks and no later than three (3) weeks before the General Meeting. The meeting minutes will be available on the company's website no later than two weeks after the general meeting.

The AGM for the 2023 financial year was held on May 11, 2023. The next AGM is scheduled to take place on May 15, 2024

Nomination Committee

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

According to this procedure, the Nomination Committee shall consist of the Board Chair and a maximum of four members, who shall be appointed by the largest shareholders or groups of shareholders in terms of voting rights. The four largest shareholders in terms of voting rights based on the company's list of registered shareholders as at the last business day in August, provided by Euroclear, will be contacted. Shareholders who are not registered with Euroclear and who wish to be represented on the Nomination Committee must notify the Board Chair no later than September 1, and provide proof of ownership. For the purposes of determining who constitutes the four largest shareholders in terms of voting rights, a group of shareholders shall be deemed to constitute one shareholder if they (i) have

been grouped together in the Euroclear system or (ii) have publicly disclosed and notified the company in writing that they have reached a written agreement to adopt a long-term common approach to the company's governance through the coordinated exercise of voting rights. As soon as possible after the last business day in August, the Board Chair shall convene the four largest shareholders of the company in terms of voting rights to form the Nomination Committee. If any of the four largest shareholders in terms of voting rights waives their right to appoint a member of the Nomination Committee, the next largest shareholder will be given the opportunity to appoint a member, but no more than ten shareholders need be consulted. The Nomination Committee's Chair is the member representing the largest shareholder, unless the members agree otherwise. The names of the committee members and the names of the shareholders who appointed them, as well as how to contact the Nomination Committee, must 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 of office runs until a new Nomination Committee has been appointed. Fees are not paid to Nomination Committee members. However, the company is responsible for reasonable costs associated with the performance of the Nomination Committee's duties.

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

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

The company's Nomination Committee for the 2023 AGM and for the period until a new Nomination Committee is appointed comprises: Christoffer Saidac, (Digital Bros), Michael Hjort, (Indian Nation) and Anna Magnusson, (First AP Fund), while Torgny Hellström (Chairman of the Board) is co-opted to the Nomination Committee.

Board of Directors

The Board of Directors' duties

The Board of Directors holds 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 members, 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 extraordinary general meeting.

At the time of publication of this Annual Report, the Board of Directors consists of five ordinary Directors: Torgny Hellström (Chairman), Christine Rankin, Juergen Goeldner, Jon Gillard, Thomas Lindgren and Anna Lagerborg.

At the 2023 AGM, members Torgny Hellström, Anna Lagerborg and Thomas Lindgren were re-elected. Christine Rankin was newly elected. Juergen Goeldner and Jon Guillard were elected as members in connection with an extraordinary general meeting on September 27, 2023.

All Directors are elected to serve until the end of the next AGM, which will be held on May 15, 2024. However, each Director is entitled to step down at any time.

The Nomination Committee has made the assessment that Torgny Hellström, Christine Rankin, Jon Guillard, Juergen Goeldner, 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 table on page 35 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.

Chair of the Board of Directors

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.

26 minuted meetings were held during the 2023 financial year. Each Director's attendance at Board and Committee meetings is shown in the table on page 35.

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

Board committees

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

Audit Committee

The Audit Committee's task is to prepare the Board's work with regard to quality assuring the company's financial reporting. In

addition, the Audit Committee establishes guidelines for any services other than auditing that the company may procure from its auditors. The Audit Committee is also responsible for submitting its evaluation of the audit work to the Nomination Committee in preparation of the Nomination Committee's proposal to the AGM for the election of auditors and the audit fee. During the 2023 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 2023 AGM, the Audit Committee has comprised: Christine Rankin (Chair), Torgny Hellström and Thomas Lindgren.

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

Since the inaugural Board meeting after the 2023 AGM, the Remuneration Committee has comprised: Torgny Hellström (Chairman) and Anna Lagerborg.

Remuneration paid to Directors Remuneration paid to Directors elected by the General Meeting is decided by the General Meeting. At the AGM in 2023, it was resolved that a fee of SEK 700,000 would be paid to the Board Chair and SEK 260,000 to each of the other Directors who are not company employees.

In addition, the Annual General Meeting adopted a fee of SEK 175,000 for the Chair and SEK 65,000 for a member of the Audit Committee, and a fee of SEK 50,000 for the Chair and SEK 40,000 for a member of the Remuneration Committee. Auditor's fees are paid according to approved invoices.

See page 35 for the fees paid to the members of the Board of Directors in 2022.

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

During 2023, an evaluation of the Board's work was conducted and presented to the Nomination Committee. The Nomination Committee discussed the experience and skills needed on the Board, particularly in the light of the now completed corporate restructuring and the core business defined by the company.

The CEO and other senior managers

Duties of the CEO and other Group 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 13,870 thousand (11,203) was paid to senior managers, including the CEO, to cover salary, variable remuneration and other benefits in 2023. 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.

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 at any time. 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 durability.

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

Starbreeze's main activity is the development of proprietary video and computer games, which are wholly or partly financed by the company. The majority of the company's employees are primarily engaged in the development of the company's products. The games are then distributed, mainly via digital platforms such as Steam, or in partnership with other companies for retail distribution. The company's end customers are the consumers who purchase the games via the various game platforms or retailers.

To find out more about the company's business strategy, see www.starbreeze.com / corporate.starbreeze.com.

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

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

Forms of remuneration, etc.
Remuneration to the management team may consist of a fixed salary, variable remuneration, pension and other customary benefits. In addition, the Board of Directors shall evaluate whether share-based or share price-based incentive programs should be proposed to the Annual General Meeting on an annual basis. Such share-based or share-price based incentive schemes

are determined by the Annual Meeting and are therefore not covered by these guidelines.

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

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

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

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

Termination of employment
The CEO is required to give six months' notice on resigning, and the company is required to give the CEO six months' notice of termination of employment, with the addition of six months' severance pay. Other senior managers have a notice period of three to nine months.

Remuneration may be paid for a non-compete obligation. This is designed to compensate for any loss of income and is only payable when the former manager is not entitled to severance pay. This remuneration may not exceed 60 percent of the fixed cash salary at the time of termination, subject to any mandatory provisions in the collective agreement, and is paid for the duration of the non-competition 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 considered by including data on the total remuneration of employees, the components of this remuneration and the increase and rate of increase in 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 this and a departure is necessary to meet the long-term interests of the company, including its durability, or to ensure the financial viability of the company. As stated above, the Remuneration Committee is responsible for preparing the Board's decisions on remuneration matters, including decisions on departures from the guidelines.

Auditing and control

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

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

At the AGM on May 11, 2023, audit firm Öhrlings PricewaterhouseCoopers AB, (Torsgatan 21, 113 21 Stockholm) was re-appointed as the company's auditors until the end of the AGM to be held in 2024. Öhrlings PricewaterhouseCoopers AB has been the company's auditor for the years 2015-2023 and up to the end of the AGM in 2024. The auditor in charge is Aleksander Lyckow, Authorized Public Accountant.

Aleksander Lyckow is a member of FAR. The auditor's report is signed by Aleksander Lyckow.

Remuneration of auditors
The auditor's remuneration is decided by the General Meeting, following a proposal from the Nomination Committee. At the AGM on May 11, 2023, it was decided that the auditor's fee would be paid according to the approved invoice.

Internal control
The Board's responsibility for internal control is governed by the Swedish Companies Act and the Swedish Annual Accounts Act, which require that information on the key elements of Starbreeze's systems for internal control and risk management in connection with financial reporting be included in the Corporate Governance Report each year. The Board's responsibility for internal control is also governed by the Code.

The Board of Director's duties include ensuring that Starbreeze has good internal control and formalized procedures that ensure compliance with established principles for financial reporting and internal control, and that there are appropriate systems for monitoring and controlling the company's operations and the risks associated with the company and its operations. The overall objective of internal control is to provide reasonable assurance that the company's operational strategies and objectives are followed up and that the shareholders' investment is protected. In addition, internal control ensures that external financial reporting is reliable with reasonable assurance and prepared in accordance with generally accepted accounting principles, that disclosed requirements are met in accordance with internal policies, and that applicable laws and regulations and requirements for listed companies are complied with.

Control environment
Internal control at Starbreeze is based on a control environment that includes organization, decision paths, powers and responsibilities. The Board has written rules of procedure that

clarify its responsibilities and regulate the division of labor. The rules of procedure also specify the issues to be submitted to the Board for decision. The division of roles between the Board and the CEO is communicated in the Board's rules of procedure and in its instructions to the CEO. In addition, the CEO manages the business based on the Swedish Companies Act, other laws and regulations, regulations for stock market companies, the Swedish Code of Corporate Governance, etc. The Board monitors compliance with established financial reporting and internal control principles and maintains appropriate relations with the 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 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 to maintain good internal control and thus prevent and detect risks.

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

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

Follow-up
The Board continuously evaluates the information presented by the management team and the Audit Committee. The Board's work also includes ensuring that action is taken on any deficiencies or measures recommended in connection with the external audit and the internal monitoring of internal control implemented by the company. After the Board has received the internal control analysis, the Audit Committee prepares proposals for adoption by the Board to remedy the deficiencies and weaknesses identified.

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

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 monthly. 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.

Composition of the Board of Directors

Name	Audit and Remuneration Committee	Position held since	Independent of company/shareholders	Attendance of Board meetings	Attendance of Audit Committee	Attendance of Remuneration Committee
Torgny Hellström	Audit and Remuneration Committee	2019	Yes/Yes	26/26	6/6	3/3
Anna Lagerborg	Remuneration Committee	2020	Yes/Yes	24/26	-	3/3
Thomas Lindgren	Audit Committee	2021	Yes/Yes	24/26	6/6	-
Christine Rankin	Audit Committee(chair)	2023	Yes/Yes	14/14	3/3	-
Juergen Goeldner		2023	Yes/Yes	5/5	-	-
Jon Gillard		2023	Yes/Yes	5/5	-	-

Remuneration of the Board of Directors

2023 (SEK thousand)	Basic salary/director's fee	Variable remuneration	Other benefits	Pension expense	Total
Torgny Hellström, Chairman of the Board	730	-	-	-	730
Anna Lagerborg	307	-	-	-	307
Thomas Lindgren	325	-	-	-	325
Christine Rankin	279	-	-	-	279
Juergen Goeldner	65	-	-	-	65
Jon Gillard	65	-	-	-	65
Tobias Sjögren, CEO	3,050	-	-	559	3,609
Other senior managers, on average 6 people, at year-end 5 people	8,975	-	124	1,162	10,261
Total	**13,796**	**-**	**124**	**1,721**	**15,641**

Board of Directors and auditor

Torgny Hellström

Chair of the Board since 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 senior positions as Chairman of DDM Holding AG and MagComp AB, Board Director of True Heading AB and Seapilot AB, within Anoto Group, and most recently as CEO and previously as COO and lead legal counsel. Torgny's previous experience also includes positions such as Vice President Litigation at Ericsson Group, and positions within IBM Europe and IBM Nordic.

Other appointments: Chairman of Terranet AB, Precise Biometrics AB, Drupps Group AB and Swipp AB.

Holdings in the company: For updated ownership, see this link.

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

Anna Lagerborg

Director since 2020

Born: 1966

Education: Bachelor of Science in Systems Science.

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: For updated ownership, see this link.

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

Thomas Lindgren

Director since 2021

Born: 1971

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

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

Other appointments: Chair of the Board Wanderword, Ecobloom and Boden Intressenter Fastighets AB. Member of the Boards of Northify, Rahms Städ and TNTX.

Holdings in the company: For updated ownership, see this link.

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

Christine Rankin

Director since 2023

Born: 1964

Education: Master of Business Administration from Stockholm University

Principal occupation: Christine has previously been an authorized auditor and co-owner at PwC and has held senior positions in several companies' finance departments since 2014, most recently as Senior VP Corporate Control at Veoneer Inc.

Other appointments: Board member of Coinshares International Ltd, Orexo AB, 4C Group AB (publ) and Bonesupport AB (publ).

Holdings in the company: For updated ownership, see this link.

Christine Rankin is independent in relation to the company, its management and the major shareholders.

Jon Gillard

Director since 2023

Born: 1966

Education: Education in Physics, Chemistry and Maths at Oxford Brookes University

Principal occupation: Jon is a British citizen and has spent 36 years in the games industry, where he has held several senior positions within Games Workshop Group Plc. Jon is now a business consultant, investor and mentor.

Other appointments: No other assignments.

Holdings in the company: For updated ownership, see this link.

Jon Gillard is independent in relation to the company, its management and the major shareholders

Juergen Goeldner

Director since 2023 / interim CEO since 2024

Born: 1953

Education: Studies in education and psychology at German University in Darmstadt

Principal occupation: Juergen is a German citizen and has spent 40 years in the games industry and held several senior positions. His most recent position was as CEO of Focus Home Interactive. Juergen is currently a business consultant and investor.

Other appointments: No other assignments.

Holdings in the company: For updated ownership, see this link.

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

Auditor

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

Aleksander Lyckow

Chief Auditor Auditor of Starbreeze AB (publ) since 2022.

Born in 1980

Authorized Public Accountant

Management team

Juergen Goeldner

Interim CEO since 2024

Born: 1953

See presentation under Board of Directors above.

Mats Juhl

CFO since 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 Enea AB (publ.)

Holdings in the company: For updated ownership, see this link.

Egil Strunke

CSO since 2024.

Born: 1965

Education: Studies in Economics, Law, Language at Stockholm University.

Background: Former founder and CEO of Strunke Games, Chief Operating Officer of Embracer Group AB (publ.), Nordic Sales Director at 20th Century Fox, several senior roles at Nordic Games, Business Area Manager for Games at Pan Vision and Country Manager at Electronic Arts Sweden.

Holdings in the company: For updated ownership, see this link.

Fredrik Malmqvist

VP Studio since 2021

Born: 1979

Education: Bachelor of Science – Computer Science, Karlstad University

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

Holdings in the company: For updated ownership, see this link.

Staffan Nyström

VP of Publishing since 2021

Born: 1978

Education: Master of Science in Engineering - Industrial Economics, Luleå University of Technology.

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: For updated ownership, see this link.

Hanna Falk

Deputy VP Human Resources

Born: 1977

Education: Human Resources Management, Stockholm University.

Background: Interim Chief People Officer, Qliro AB, CHRO Iver AB, Global HR roles in Electrolux and Ericsson, Head of HR BU Technology Solution, Telia, VP HR BA Apoteket Partner, Apoteket AB.

Holdings in the company: For updated ownership, see this link.


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Directors' Report

07

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, 2023, Starbreeze's twenty-sixth financial year. Unless otherwise stated, the information given in the Annual Report refers to the Group. All amounts, unless otherwise stated, are reported in thousand SEK. Figures in brackets refer to the previous year.

General information about the business

Starbreeze 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 game developer and publisher of computer and video games with offices in several countries around the world and its main business in Stockholm. In 2023, the business mainly consisted of in-house game development and publishing activities with a focus on the in-house IPs PAYDAY and Baxter, as well as third-party publishing.

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

The Starbreeze Group comprises the Parent Company Starbreeze AB (publ) and the subsidiaries Starbreeze AB (publ), subsidiaries Starbreeze Production AB, Starbreeze Studio AB, Starbreeze Publishing AB, New Starbreeze Publishing PD IP AB, Starbreeze VR AB, Starbreeze USA Inc, Starbreeze LA Inc, Starbreeze IP LUX, Starbreeze IP LUX II Sarl, Starbreeze Barcelona SL, Starbreeze Paris SAS, New Starbreeze Studios AB, New Starbreeze Publishing AB, Enterspace AB, Starbreeze IP AB, and Starbreeze Studios UK Ltd. Enterspace International AB and Starbreeze Ventures AB were liquidated during the year. The Group also owns 33.3 percent of the joint venture company StarVR Corporation.

Significant events during the year

On April 28, Starbreeze adopted a preferential rights issue to accelerate growth initiatives and strengthen the balance sheet, and published preliminary financial information for the first quarter of 2023. The issue was oversubscribed and Starbreeze received approximately SEK 453 million before transaction costs.

On July 19, Digital Bros initiated the conversion of its convertible loan of SEK 215 million at a conversion rate of SEK 1.45 per share.

The worldwide launch of PAYDAY 3 took place on September 21, when players could start planning and executing the perfect heists together with their friends.

At the Extraordinary General Meeting held on September 27, 2023, it was decided, in accordance with the Nomination Committee's proposal, to elect Jon Gillard and Juergen Goeldner as new Board members.

On November 7, Roboquest 1.0 was launched on Steam®, Xbox Series X|S, Xbox Game Pass and Epic Games Store.

Warrant programs

As at December 31, 2023, there are no outstanding employee stock options or allocated outstanding warrants.

Significant events after the end of the financial year

On January 9, Starbreeze announced changes in group management to further strengthen strategic and commercial focus.

On March 12, current board member Juergen Goeldner was appointed acting CEO of Starbreeze.

For detailed information on significant events during the year and after the end of the financial year, see corporate.starbreeze.com

Net sales and earnings

The financial year covers 12 months (January-December 2023).

Net sales amounted to SEK 633.5 million (127.6). The increase is attributable to the launch of PAYDAY 3 in September 2023. Game sales amounted to SEK 616.7 million (122.8), third-party publishing to SEK 14.9 million (0) and licensing to SEK 1.7 million (4.7).

Starbreeze's reported revenue attributable to PAYDAY 3 amounted to SEK 477.0 million (0). Of the sales, SEK 259.6 million is revenue related to previously received game financing and SEK 217.4 million is revenue sharing under the co-publishing agreement with Plaion. All revenue is related to sales on Steam, Xbox Game Pass, Xbox X|S, Playstation 5, and Epic Games Store platforms. Sales consists of sales of different editions of the base game and license versions, including one-off revenue from platform owners and sales of DLC.

PAYDAY 2 sales amounted to SEK 139.1 million (121.9) and relate to sales on Steam and Epic Games Store.

Direct costs amounted to SEK 309.3 million (60.5) and consist of costs linked to game production and game development. Direct costs include depreciation of SEK 231.6 million (44.2), server costs of SEK 41.5 million (1.3), personnel-related costs of SEK 130.2 million (102.7), and revenue sharing linked to third-party placement of SEK 10.8 million (6.4). The increased costs are explained by scheduled depreciation of the PAYDAY 3 asset and initially higher matchmaking and server costs in connection with the launch of PAYDAY 3 of approximately SEK 30 million.

Capitalized development expenditure reduced the direct costs by SEK 143.7 million (112.5) and relates to the games PAYDAY 2, PAYDAY 3 and Baxter, and development of other IP.

Sales and marketing costs amounted to SEK 46.8 million (15.8) and relate to marketing activities and personnel costs. The increase is mainly attributable to the impairment of doubtful accounts receivable related to re-invoiced marketing costs of SEK 8.1 million, higher costs relating to personnel of SEK 7.4 million and more completed marketing activities related to PAYDAY 3 of SEK 6.6 million.

Administrative expenses amounted to SEK 79.4 million (64.1) and include office expenses and salaries for personnel who do not

work in game production or marketing, as well as other external costs. The higher costs are mainly attributable to costs relating to personnel, the majority of which are payroll costs, costs relating to personnel changes, reserved payroll costs related to the company's long-term incentive program for PAYDAY 3, and external costs, such as IT-related costs and legal expenses.

Administrative expenses include depreciation of SEK 15.6 million (15.4). Capitalized development expenditure reduced administrative expenses by SEK 36.8 million (30.6) and relates to the games PAYDAY 2, PAYDAY 3, Baxter and other IP.

Other revenue amounted to SEK 13.7 million (19.5). The item consists mainly of re-invoiced costs relating to PAYDAY 3 of SEK 9.9 (12.9) million, and rental income of SEK 3.5 million (3.0).

Other expenses amounted to SEK 21.4 million (0) and relate to exchange rate effects relating to the revaluation of assets and liabilities denominated in foreign currency. The corresponding expense in the previous year amounted to SEK 4.1 million and was reported under other income.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) amounted to SEK 439.3 million (66.4). The increase is due to the launch of PAYDAY 3.

Net financial income/expense amounted to SEK 17.4 million (-61.1). The income is mainly attributable to the renegotiation of the company's convertible loan and related debt of SEK 28.3 million. Taking account of the cost of the loan, the net effect amounted to SEK 13.0 million (-58.5). The convertible loan was converted into shares in July and the debt was amortized.

During the period, the company purchased currency derivatives to hedge the game financing that it expects to receive for the development of PAYDAY 3. The future derivatives are subject to a monthly market valuation, and during the year this valuation had a positive impact on profit/loss through an unrealized value adjustment of SEK 2.1 million (-2.1). There are no outstanding derivatives as at December 31.

During the year, interest expenses on lease liabilities of SEK -0.4 (-0.7) million were charged to net financial income/expense.

Profit/loss before taxes for the year amounted to SEK 207.7 million (-54.4).

Profit/loss for the year amounted to SEK 207.6 million (-59.8).

Basic and diluted earnings per share amounted to SEK 0.19 (-0.08).

Current assets

Goodwill at the end of the year amounted to SEK 46.7 million (48.3). The decrease in goodwill is attributable to the revaluation of assets in foreign currency.

Licenses amount to SEK 11.1 million (0) and consist of rights to use IP rights.

Intangible assets, consisting mainly of IP rights, amounted to SEK 141.9 million (174.3).

Capitalized expenditure for proprietary game and technology development amounted to SEK 312.0 million (328.2).

Investments in publishing projects amounted to SEK 6.8 million (4.0).

Depreciation and write-downs of intangible assets amounted to SEK 233.6 million (44.1) during the period. The increase is due to the depreciation of PAYDAY 3.

Current assets

Trade and other receivables amounted to SEK 164.2 million (11.6), of which trade receivables linked to PAYDAY 3 amounted to SEK 157.1 million. Starbreeze receives cash only after Plaion receives cash, and Starbreeze has issued an invoice for the share to which Starbreeze is entitled according to the terms of the revenue sharing agreement.

Prepaid expenses and accrued income at the end of the year amounted to SEK 62.0 million (40.6), of which SEK 17.1 million (16.8) relates to receivables for PAYDAY 2 and PAYDAY 3 sales.

Equity

Group equity at the balance sheet date amounted to SEK 894.7 million (56.8). The increase in equity is a result of the preferential rights issue carried out in the second quarter of 2023 and the conversion of the company's convertible loan in the third quarter of 2023.

Non-current liabilities

Non-current liabilities amounted to SEK 2.0 million (386.5). Conversion of convertible loan to shares, SEK 215.1 million, and amortization of the related debt of SEK -147.5 million took place in July 2023. The corresponding debt in the fourth quarter of 2022 was SEK 378.0 million. Non-current lease liabilities amounted to SEK 0.2 million (5.4) and deferred tax liabilities amounted to SEK 1.3 million (1.4).

Current liabilities

Current liabilities amounted to SEK 214.8 million (303.2). Trade payables and other liabilities at the end of the year amounted to SEK 100.2 million (245.7). Current lease liabilities amounted to SEK 6.5 million (16.2). Accrued expenses and deferred income at the end of the year was SEK 108.1 million (39.2).

The convertible loan was converted to shares and final amortization of related debt was carried out during the year. SEK 247.1 million was credited to liabilities in connection with the release of PAYDAY 3. Crediting does not affect cash flow.

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 190.0 million (65.4), with positive operating profit amounting to SEK 190.3 million (6.7) and adjustments for items not included in cash flow amounting to SEK -2.5 million (59.9). Adjustments for items not included in cash flow consist of the depreciation of assets of SEK 249.0 million (59.6) and exchange rate effects of SEK 5.9 million (1.1). The item also includes the payment made in relation to financing for game development previously received from Plaion. This amounted to SEK -259.6 million. The debt was settled in conjunction with the launch of PAYDAY 3 and previously received financing for game development was recognized as income without any impact on cash flow. The cash flow effect has already occurred as the game financing was received on an ongoing basis during the PAYDAY 3 development phase.

Cash flow from operating activities after changes in working capital amounted to SEK 114.6 million (57.8). The receivable linked to PAYDAY 3 sales had a negative effect on working capital. Starbreeze receives cash only after Plaion receives cash, and Starbreeze has issued an invoice for the share to which

Starbreeze is entitled according to the terms of the revenue sharing agreement.

Cash flow from investing activities amounted to SEK -202.4 million (-143.9), of which investments in proprietary game development accounted for SEK -173.9 million (-143.1). Investments in publishing projects amounted to SEK -13.9 million (0.0) and licenses to SEK -11.1 million (0).

Cash flow from financing activities amounted to SEK 327.4 million (65.5) and is a result of the preferential rights issue carried out in the second quarter of 2023, which had a positive effect on cash flow of SEK 414.2 million. The company's financial debt of SEK -147.5 million was amortized in July 2023. During the year, the company received game financing from Plaion of SEK 77.9 million (86.1). Leasing expenses amounted to SEK -15.3 million (-19.1).

Total cash flow for the year was SEK 239.6 million (-20.6). Cash and cash equivalents at the end of the year amounted to SEK 347.8 million (108.2).

Investments

During the year, the Group's investments in property, plant and equipment amounted to SEK -3.5 million (-1.3). Investments in proprietary game and technology development amounted to SEK -173.9 million (-143.1).

Impairment

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

Research and development

The Group conducts R&D in game development. The majority of the company's R&D expenditure is spent on developing and updating games and associated development 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 development phase, i.e. until it is technically possible to complete the product and make it commercially viable. When the project reaches this level and moves into a development phase, the expenses are capitalized and recognized as an intangible asset. Once the asset is completed, it is amortized on a straight-line basis over the useful life of the asset.

Environmental impact

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

Sustainability

Starbreeze's sustainability report can be found on pages 19-26 of this annual report. Ensuring a safe and healthy working environment is an important sustainability issue for Starbreeze. The goal of Starbreeze's health and safety efforts is to create a workplace that is physically, mentally, and socially healthy and stimulating for all its employees.

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

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

Employees

The number of employees at the end of the year was 194 (165), with 159 men and 35 women. The average age at December 31, 2023 was 34 (43). For more information, see Notes 11 and 12 and the Group Sustainability Report on pages 19-26 of this annual report.

Remuneration of the Board of Directors and senior managers

The guidelines for remuneration of the Board of Directors and senior managers adopted and proposed to the 2023 AGM can be found in the Corporate Governance Report on pages 30-34. Expenses in 2023 for remuneration to senior managers are shown in Note 13 and in the Remuneration Report for 2023.

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 2023 amounted to SEK 32.4 million (28.8) and profit before tax amounted to SEK -597.6 million (-52.9). The Parent Company wrote down internal receivables of SEK -513.6 million in connection with the completion of the final parts of the restructuring during the year, i.e. conversion of convertible loan and amortization of related debt. The impairment was made due to updated assessments and to harmonize book values in the parent company with the Group. The impairment has no impact on the Group as it relates solely to internal receivables.

Shares in subsidiaries amounted to SEK 336.1 million (331.4).

At the end of the period, cash and cash equivalents amounted to SEK 161.8 million (2.8) and the Parent Company's equity was SEK 736.8 million (705.1).

Non-current liabilities, the parent company has no non-current liabilities 0 (378.0). All liabilities were settled during the year.

Shares and ownership structure

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

At the end of the year, the total market capitalization was approximately SEK 696 million, compared to approximately SEK 1,140 million for the previous year.

Under the company's conversion program, 153,812,821 class A shares were converted to class B shares during the year.

Starbreeze had 36,278 shareholders (32,299 shareholders) at the end of the year. The three largest shareholders at year-end were Digital Bros S.P.A with 21.02 percent of the share capital and 38.77 percent of the votes, Avanza Pension with 7.15 percent of the share capital and 6.62 per cent of the votes, and Första AP-fonden with 5.15 percent of the share capital and 2.69 percent of the votes. More information about the share and owners can be found at corporate.starbreeze.com.

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

Risks related to external developers
Starbreeze's publishing activities are dependent on the studios that produce the contracted work honoring the agreements entered into.

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

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

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

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

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

It is therefore of great importance that the assets developed within the Group remain the property of Starbreeze.

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

Currency risks
Starbreeze operates in an international market. A large percentage of Starbreeze's revenue is earned in USD and EUR, 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 518.4 million as at December 31, 2023. 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 in the future require the company to record impairment losses on goodwill and other intangible assets.

Proposed appropriation of profits
The Board of Directors proposes that the retained earnings of SEK 707,226,226 be carried forward.

	Parent Company
SEK	**2023-12-31**
Retained earnings	-1,221,520,307
Share premium reserve	2,526,378,620
Net profit/loss for the year	-597,632,087
Carried forward	**707,226,226**

Dividend
The Board of Directors proposes that no dividend (0) be distributed for the 2023 financial year.

Annual General Meeting (AGM)
The Annual General Meeting of Starbreeze AB (publ), 556551 8932, will be held on Thursday, May 15, 2024.

Financial overview

Condensed consolidated statement of comprehensive income

SEK thousand	2023	2022	2021	2020
Operating revenue				
Net sales	633,510	127,602	125,689	118,006
Operating expenses	-443,207	-120,856	-179,409	-107,131
Operating profit/loss (EBIT)	190,303	6,746	-53,720	10,875
Net financial income/expense	17,353	-61,149	-51,506	-141,348
Profit/loss before tax	**207,656**	**-54,403**	**-105,226**	**-130,473**
Income tax	-24	-5,405	1,758	193
Earnings for the period	**207,632**	**-59,808**	**-103,468**	**-130,280**

Condensed consolidated balance sheet

SEK thousand	2023-12-31	2022-12-31	2021-12-31	2020-12-31
Assets				
Non-current assets				
Intangible assets	526,864	563,406	462,494	454,289
Property, plant and equipment	10,592	22,520	36,013	55,570
Total non-current assets	**537,456**	**585,926**	**498,507**	**509,859**
Current assets	**574,037**	**160,479**	**175,640**	**198,847**
Total assets	**1,111,493**	**746,405**	**674,147**	**708,706**
Equity and liabilities				
Equity	894,652	56,786	122,817	228,498
Liabilities				
Non-current liabilites	1,992	386,462	442,743	329,849
Current liabilities	214,849	303,157	108,587	150,359
Total liabilities	**216,841**	**689,619**	**551,330**	**480,208**
Total equity and liabilities	**1,111,493**	**746,405**	**674,147**	**708,706**

Condensed consolidated statement of cash flows

SEK thousand	2023	2022	2021	2020
Cash flow from operating activities	114,575	57,825	73,868	-24,640
Cash flow from investing activities	-202,379	-143,936	-109,006	-96,215
Cash flow from financing activities	327,445	65,522	6,172	195,599
Cash flow for the period	**239,641**	**-20,589**	**-28,966**	**74,744**
Cash and cash equivalents at the start of the period	108,217	128,572	157,423	82,787
Exchange rate difference in cash and cash equivalents	-106	234	115	-108
Cash and cash equivalents at the end of the period	**347,752**	**108,217**	**128,572**	**157,423**

Group key figures

SEK thousand	2023	2022	2021	2020
EBITDA margin, %	69.4	52.0	5.0	41.8
EBITDA margin, % adjusted[1]	69.4	52.0	59.6	41.8
Profit margin, %	32.8	-42.6	-83.7	-110.6
Basic earnings per share, SEK	0.19	-0.08	-0.14	-0.28
Diluted earnings per share, SEK	0.19	-0.08	-0.14	-0.28
Equity/assets ratio, %	80.5	7.6	18.2	32.2
Number of shares at the end of the period before dilution	1,476,762,040	724,609,266	724,609,266	724,609,266
Number of shares at the end of the period after dilution	1,476,762,040	724,609,266	724,609,266	724,609,266
Average number of shares before dilution	1,097,076,815	724,609,266	724,609,266	469,754,144
Average number of shares after dilution	1,097,076,815	724,609,266	724,609,266	469,754,144
Average number of employees	184	154	135	123
Number of employees at the end of the period	194	165	138	124

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

STARBREEZE



Financial Information

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Financial information

Definitions for the Group key figures

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

EBITDA
Earnings before interest, tax, depreciation and amortization.

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

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

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

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

Earnings per share
Profit or loss after taxes 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	2023	2022
	2,4,11		
Net sales	5.6	633,510	127,602
Direct costs	5.8	-309,271	-60,527
Gross profit (-loss)	5	**324,239**	**67,075**
Selling and marketing costs	8,10,12,13	-46,824	-15,795
Administrative expenses	8,9,10,12,13	-79,406	-64,074
Other revenue	7	13,707	19,540
Other expenses	14	-21,413	-
Operating profit (-loss), EBIT		**190,303**	**6,746**
Financial income	15	3,098	39
Financial expenses	15	14,319	-61,356
Share of profit or loss from holdings recognized using the equity method of accounting	38	-64	168
Profit (-loss) before tax		**207,656**	**-54,403**
Income tax	17	-24	-5,405
Net profit (-loss) for the year		**207,632**	**-59,808**
Net income attributable to:			
Parent Company's shareholders		207,632	-59,808
Other comprehensive income that may subsequently be reclassified to profit and loss:			
Exchange differences		940	-6,223
Total comprehensive income for the year		**208,572**	**-66,031**
Total comprehensive income attributable to:			
Capitalize Owners		208,572	-66,031
Earnings per share attributable to owners of the parent during the period (SEK)			
Basic earnings per share, SEK	18	0.19	-0.08
Diluted earnings per share, SEK	18	0.19	-0.08

Consolidated statement of financial position

SEK thousand	Note	2023-12-31	2022-12-31
Assets	1,2,3,4		
Non-current assets			
Intangible assets			
Goodwill	20	46,666	48,339
Licenses	20	11,121	-
Other intangible assets	20	141,852	174,310
Capitalized expenditure for own games and technology development	20	311,976	328,190
Investments in publishing projects	20	6,758	3,974
	24.25		
Financial assets			
Financial assets	22	7,253	7,291
Investments in joint ventures	38	1,238	1,302
Property, plant and equipment			
Computers and other equipment	21	4,428	2,157
Right-of-use asset - buildings	10	6,164	20,363
Total non-current assets		**537,456**	**585,926**
Current assets	25		
Trade and other receivables	24.26	164,244	11,622
Prepaid expenses and accrued income	27	62,041	40,640
Cash and cash equivalents	24,28,39	347,752	108,217
Total current assets		**574,037**	**160,479**
Total assets		**1,111,493**	**746,405**

SEK thousand	Note	2023-12-31	2022-12-31
Equity and liabilities			
Equity attributable to Parent Company's shareholders	19.29		
Share capital		29,535	14,492
Other capital contributions		2,593,362	1,979,111
Reserves		14,150	13,210
Retained earnings including profit or loss for the year		-1,742,395	-1,950,027
Total equity		**894,652**	**56,786**
	39		
Non-current liabilities			
Deferred tax liabilities	17	1,345	1,383
Non-current lease liability	10	158	5,432
Other non-current liabilities	24.37	489	379,647
Total non-current liabilities		**1,992**	**386,462**
Current liabilities			
Trade and other payables	24,30,37,39	100,202	245,708
Derivatives		-	2,102
Current lease liability	10	6,534	16,187
Accrued expenses and deferred income	31	108,113	39,160
Total current liabilities		**214,849**	**303,157**
Total liabilities		**216,841**	**689,619**
Total equity and liabilities		**1,111,493**	**746,405**

Consolidated statement of changes in equity

SEK thousand	Share capital	Other capital contributions	Reserves	Retained earnings (-loss)	Total equity
Balance at January 1 2023	**14,492**	**1,979,111**	**13,210**	**-1,950,027**	**56,786**
Net profit (-loss) for the year	-	-	-	207,632	207,632
Other comprehensive income for the year					
Exchange differences	-	-	940	-	940
Total comprehensive income	**-**	**-**	**940**	**207,632**	**208,572**
Transactions with shareholders					
New share issue	12,077	440,804	-	-	452,881
Issue costs recognized in equity	-	-38,638	-	-	-38,638
Conversion convertible loan	2,966	212,086	-	-	215,052
Total contribution from and value transfers to shareholders, recognized directly in equity	**15,043**	**614,252**	**-**	**-**	**629,295**
Balance at 31 December 2023	**29,535**	**2,593,362**	**14,150**	**-1,742,395**	**894,652**

SEK thousand	Share capital	Other capital contributions	Reserves	Retained earnings (-loss)	Total equity
Balance at January 1 2022	**14,492**	**1,979,111**	**19,433**	**-1,890,219**	**122,817**
Net profit (-loss) for the year	-	-	-	-59,808	-59,808
Other comprehensive income for the year					
Exchange differences	-	-	-6,223	-	-6,223
Total comprehensive income	**-**	**-**	**-6,223**	**-59,808**	**-66,031**
Balance at 31 December 2022	**14,492**	**1,979,111**	**13,210**	**-1,950,027**	**56,786**

Consolidated statement of cash flows

SEK thousand	Note	2023	2022
Operating activities			
Cash flow from operations		190,303	6,746
Adjustment for non-cash items	35	-2,522	59,945
Interest received		3,098	-
Income taxes paid		-902	-1,268
Cash flow from (-used in) operating activities before changes in working capital		**189,977**	**65,423**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating receivables		-164,423	-15,925
Increase (+)/decrease (-) in operating liabilities		89,021	8,327
Cash flow from (-used in) operating activities after changes in working capital		**114,575**	**57,825**
Investing activities			
Purchase of property, plant and equipment		-3,506	-1,271
Purchase of intangible assets	20	-11,121	-1,771
Change in other financial assets		-	2,224
Investments in own games and technology	20	-173,852	-143,118
Investments in publishing projects		-13,900	-
Cash flow from (-used in) investing activities		**-202,379**	**-143,936**
Financing activities			
New issue		452,881	-
Costs related to new issues		-38,638	-
Repayment of loans	39	-149,370	-673
Financing game development		77,857	86,119
Overdraft facility		-	-860
Effect of financial lease		-15,285	-19,064
Cash flow from financing activities		**327,445**	**65,522**
Cash flow from (-used in) the year		**239,641**	**-20,589**
Cash and cash equivalents at the beginning of the year		108,217	128,572
Exchange differences in cash and cash equivalents		-106	234
Cash and cash equivalents at the end of the year	**28**	**347,752**	**108,217**

Parent Company income statement

KSEK	Note	2023	2022
	1,2,3,4		
Net sales	5.6	32,381	28,773
Other operating revenue	7	-2,826	17,181
Total revenue		**29,555**	**45,954**
Other external expenses	8.9	-16,901	-12,910
Employee benefits expenses	8,11,12,13	-42,220	-35,265
Depreciation of property, plant and equipment	8.21	-26	-112
Operating profit (-loss)		**-29,592**	**-2,333**
Profit from holdings in group companies	34	-594,846	-
Other financial income	15	13,841	7,917
Financial expenses	15	12,965	-58,502
Profit (-loss) after net financial income (-expense)		**-597,632**	**-52,918**
Appropriations	16	-	-
Profit (-loss) before tax		**-597,632**	**-52,918**
Income tax	17	-	-
Net profit (-loss) for the year		**-597,632**	**-52,918**

Parent Company balance sheet

KSEK	Note	2023-12-31	2022-12-31
Assets	1,2,3,4		
Non-current assets			
Property, plant and equipment			
Computers and other equipment	21	7	33
Financial assets	24		
Investments in group companies	23	336,059	331,373
Investments in joint venture	38	4,656	4,656
Other financial assets	22	2,208	2,215
Total non-current assets		**342,930**	**338,277**
Current assets			
Trade and other receivables	24.26	956	1,094
Receivables from group companies	26.34	740,139	1,210,094
Prepaid expenses and accrued income	27	622	516
Cash and cash equivalents	24.28	161,826	2,782
Total current assets		**903,543**	**1,214,486**
Total assets		**1,246,473**	**1,552,763**

KSEK		2023-12-31	2022-12-31
Equity and liabilities			
Equity	19.29		
Share capital		29,535	14,492
Non-restricted equity			
Share premium reserve		2,526,379	1,912,128
Retained earnings (-loss)		-1,221,521	-1,168,603
Net profit (-loss) for the year		-597,632	-52,918
Total equity		**736,761**	**705,099**
Non-current liabilities			
Other non-current liabilities, convertible bonds	37	-	220,855
Other non-current liabilities	37	-	157,161
Total non-current liabilities		**-**	**378,016**
Current liabilities			
Trade payables	24.30	1,400	756
Liabilities to group companies	24,30,34	480,753	448,771
Other liabilities	24.30	2,788	2,508
Accrued expenses and deferred income	31	24,771	17,613
Total current liabilities		**509,712**	**469,648**
Total equity and liabilities		**1,246,473**	**1,552,763**

Parent company statement of changes in equity

	Restricted reserves		Non-restricted reserves		
SEK thousand	**Share capital**	**Fair value reserve**	**Share premium reserve**	**Retained earnings (-loss)**	**Total equity**
Balance at January 1 2023	14,492	-	1,912,128	-1,221,521	705,099
New share issue	12,077	-	440,804	-	452,881
Issue costs recognized in equity	-	-	-38,638	-	-38,638
Conversion of convertible loan	2,966	-	212,086	-	215,052
Net profit (-loss) for the year	-	-	-	-597,632	-597,632
Issue costs recognized in equity	**29,535**	**-**	**2,526,379**	**-1,819,153**	**736,761**

	Restricted reserves		Non-restricted reserves		
SEK thousand	**Share capital**	**Fair value reserve**	**Share premium reserve**	**Retained earnings (-loss)**	**Total equity**
Balance at January 1 2022	14,492	-	1,912,128	-1,168,603	758,017
Net profit (-loss) for the year	-	-	-	-52,918	-52,918
Balance at 31 December 2022	**14,492**	**-**	**1,912,128**	**-1,221,521**	**705,099**

Parent company statement of cash flows

SEK thousand	Note	2023	2022
Operating activities			
Cash flow from operations		-29,592	-2,333
Adjustment for non-cash items	35	26	112
Interest received		2,428	-
Cash flow from (-used in) operating activities before changes in working capital		**-27,138**	**-2,221**
Cash flow from changes in working capital			
Increase (+)/decrease (-) in operating liabilities		-12,042	-11,685
Cash flow from (-used in) operating activities		-68,501	8,738
Cash flow from (-used in) operating activities		**-107,681**	**-5,168**
Investing activities			
Investments in subsidiaries		-	-50
Increase (-) / decrease (+) in Short-term deposits		-	406
Cash flow from (-used in) investing activities		**-**	**356**
Financing activities			
New issue		452,881	-
Costs related to new issues		-38,638	-
Repayment of loans		-147,518	-
Cash flow from (-used in) financing activities		**266,725**	**-**
Cash flow for (-used in) the year		**159,044**	**-4,812**
Cash and cash equivalents at the beginning of the year		**2,782**	**7,594**
Cash and cash equivalents at the end of the year		161,826	2,782
Total available cash and cash equivalents	**28**	**161,826**	**2,782**

Notes

Note 1 General information

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

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 11, 2024.

Note 2 Summary of key accounting policies

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

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

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

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

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

2.2 Changes to accounting policies and disclosures

A. New and amended standards applied by the Group
No IFRS or IFRIC interpretations that became mandatory for the first time for the financial year beginning on January 1, 2023 have had a material impact on the Group.

B. New standards, amendments and interpretations of existing standards that are not yet effective and for which the Group has not chosen early application.
A number of new standards and interpretations are effective for financial years beginning on or after January 1, 2023. These standards have not been applied in the preparation of this financial statement. These are not expected to have a material impact on the Group's financial statements.

2.3 Consolidated financial statements

Subsidiaries are all companies over which the Group has a controlling influence.

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

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

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

Acquisition-related costs are recognized as they arise.

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

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

2.4 Segment reporting

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

Starbreeze's core business mainly consists of game development, game sales, third-party publishing and licensing. Any income and expenses that are not related to the core business are classified as other income and expenses. The Starbreeze Game Sales segment consists of Starbreeze's proprietary games. Revenue for the year relates mainly to sales revenue and royalties for the rights to PAYDAY.

2.5 Foreign currency translation

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

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

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

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

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

2.6 Property, plant and equipment

Property, plant and equipment are measured at cost less depreciation. Cost includes expenses directly attributable to the acquisition of the asset. Incremental expenses are added to the carrying amount of the asset or are recognized as a separate asset, depending on which is most suitable, only when it is probable that the future economic benefits associated with the asset will benefit the Group and the cost of the asset can be reliably measured. All other forms of repairs and maintenance are recognized as an expense in the period in which they arise.

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

- Computers – 3 years
- Other inventory – 5 years

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

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

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

2.7 Intangible assets

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

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

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

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

- it is technically possible to complete the software so that it can be used

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

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

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

Capitalization is recognized net in the income statement, which means that the costs capitalized reduce the costs in the income statement on the line where the original cost was recognized. An updated principle relating to the depreciation of intangible assets was applied during the period. Finished proprietary game development is depreciated in accordance with the principle of degressive depreciation, i.e. the amount of depreciation decreases over the useful life. Intangible assets with a determinable useful life are depreciated from the date on which they are available for use. The estimated useful life for proprietary game development is five years. Depreciation is performed at 2/3 in year 1, 33% in month 1 and 33% in months 2-12, 15% in year 2 and 6% in each of years 3-5.

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

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

D. Licenses and other rights
Licenses and other rights acquired separately are stated at cost. Licenses acquired in business combinations are stated at fair value at the acquisition date. In the event that there is a variable remuneration based on future revenues, these are recognised in connection with the actual outcome at fair value. Licenses and rights have a determinable useful life and are stated at cost less accumulated amortization. Amortization is used to allocate the cost of licenses over their estimated useful life of 3-10 years.

2.8 Impairment of non-financial assets

Assets with an indefinite useful life are not written off but are tested annually for impairment. Assets that are being written off are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized at the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use. During the year, the Group wrote off non-financial assets of SEK 0 million (0).

2.9 Financial instruments

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

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

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

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

The Group has no financial assets in the fair value through profit or loss or fair value through other comprehensive income categories in 2023. The classification is determined by both:

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

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

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

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

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

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

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

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

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method, except for

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

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

2.10 Impairment of financial assets

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

2.11 Accounts receivable

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

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

2.12 Cash and cash equivalents

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

2.13 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.

2.14 Trade payables

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

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

2.15 Borrowings

As at the balance sheet date, the company has no external borrowing.

2.16 Current and deferred tax

Tax expenses for the year include current and deferred tax. Tax is recognized in the income statement. The current tax expense is calculated on the basis of the tax regulations that have been adopted or substantively adopted on the balance sheet date in the countries where the Parent Company and its subsidiaries operate and generate taxable revenue. The management team regularly evaluates the claims made in self-assessments for situations where applicable tax regulations are subject to interpretation. Where appropriate, it makes provisions for amounts that are likely to be payable to the tax authorities.

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

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

Deficits cannot be utilized between companies in different countries. For losses generated up to and including 2019, there is a Group contribution restriction relating to New Starbreeze Studios AB and New Starbreeze Publishing AB. These carryforwards cannot be utilized until 2026 at the earliest. For deficits generated up to and including the end of 2021, there is a Group contribution restriction relating to a subsidiary in the Group, New Starbreeze Publishing PD IP AB, and such deficits therefore cannot be utilized before 2028. For deficits generated up to and including the end of 2022, there is also a Group contribution restriction relating to a subsidiary in the Group, Starbreeze IP AB, and such deficits therefore cannot be utilized before 2029.

2.17 Employee benefits

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

Post-employment benefits
Post-employment benefits are paid when an employee's employment is terminated by the Group before the standard retirement date or when the employee accepts voluntary redundancy in exchange for such benefits. Severance pay is not recognized until the Group has offered voluntary redundancy or when a formal plan that cannot be withdrawn has been established.

Profit sharing and bonus plans
The Group recognizes a liability and an expense for bonus plans and variable remuneration. The cost and liability for variable remuneration are based on estimates of expected outcomes.

2.18 Share-based remuneration

As at December 31, 2023, the Group has no outstanding share-related remuneration programs.

2.19 Provisions

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

Provisions are measured at the present value of the amount expected to be required to settle the obligation. For this purpose, a pre-tax discount rate is used that reflects a current market assessment of the time-dependent monetary value and the risks associated with the provision. The increase in the provision due to time passing is reported as an interest expense. As at December 31 2023, there are no provisions in the Group.

2.20 Revenue recognition

The Group's current revenue comes mainly from revenue sharing via the co-publishing partner Plaion with regard to PAYDAY 3. The Group's recurring revenue comes mainly from end customers who pay a one-off price for games and from the sale of DLCs, i.e. add-on packs. These models are described in more detail on page 12. Revenue from Plaion and platforms like 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 45 days from the invoice date.

Revenue from customers who buy games is often shared among more than one party, depending on the role of the party in the transaction. According to whether a party is a distributor, publisher, developer or owns the game rights, it receives different shares of the gross revenue from the customer. For each contract entered into by the Group, the role and the accounting implications of acting as principal or agent in the revenue stream are analyzed. Where the Group is assessed as the principal for a revenue flow, the revenue is recognized gross as net sales, and the revenue shares passed on to other parties are recognized as costs in the income statement. At present, the Group is classified as the agent in all contracts and thus recognizes the net of revenues and shares passed on to the principal as net sales.

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

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

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

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

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

2.21 Leases

The company applies IFRS 16 Leases.

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

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

As at the balance sheet date, the Group's carrying amount of right-of-use assets was SEK 6.2 million (20.4). In terms of liabilities, the Group recognized a non-current liability of SEK 0.2 million (5.4) and a current liability of SEK 6.5 million (16.2). The value of right-of-use assets decreased by SEK 14.2 million (14.2) as a direct consequence of the amortization of right-of-use assets during the year. Net financial income was negatively impacted by SEK 0.4 million (0.7). The deposit paid for the premises in Stockholm is recorded as a financial fixed asset in the balance sheet.

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

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

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

2.22 Statement of cash flows

The statement of cash flows has been prepared using the indirect method. Reported cash flows include transactions involving cash receipts or payments only. The company's cash

and cash equivalents consist of cash and bank balances at the balance sheet date.

2.23 Earnings per share

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

Diluted
To calculate diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted for the dilutive effect of all potential ordinary shares. There was no such dilutive effect for the 2023 financial year.

2.24 Joint ventures

Under IFRS 11, an interest in a collaborative arrangement shall be classified as either a joint operation or a joint venture, depending on the contractual rights and obligations of each investor. The Group only has joint ventures. Joint ventures are accounted for using the equity method.

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

2.25 Earnouts

Earnouts are measured at fair value and at the closing day rate. The revaluation is charged to the income statement and recognized in net financial income/expense. See Note 4.

2.26 Available-for-sale assets and liabilities

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

2.27 Parent Company accounting policies

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

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

Accordingly, the Parent Company applies the principles set out in Note 2 to the consolidated financial statements, with the exceptions indicated below. The policies have been consistently applied for all years presented, unless otherwise stated. The same accounting policies were applied as in the previous year.

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

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

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

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

Group contributions
Group contributions are recognized as appropriations.

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

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

Note 3 Financial risk management

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

A. Market risk
Currency risk
The Group operates internationally and is exposed to currency risks from various currency exposures. Currency risk arises from future business transactions, recognized assets and liabilities and net investments in foreign operations. In order to manage the foreign exchange risk arising from future business transactions, recognized assets and liabilities, the Group has the option to use forward contracts. Before entering into foreign currency contracts, the CEO or CFO discusses possible hedging with the Board of Directors and the Board decides whether hedging should take place. The Group matches, as far as possible, cash inflows and outflows in the different currencies, thereby obtaining a natural form of hedging. Currency flows are continuously monitored and followed up by the Finance Department. In 2022 and 2023, the company used currency derivatives linked to expected future game financing from Plaion. Currency derivatives are used to hedge the foreign exchange risk for the expected future financing. Derivatives are reported at fair value through profit or loss, and as at December 31, 2023, this valuation had a positive impact on profit or loss through an unrealized change in value of SEK 2.1 million (-2.1).

The Group receives royalties on games sold and other revenues in USD and EUR.

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

If the USD exchange rate had been 10 percent higher against SEK, with all other variables held constant, revenue for the year ending December 31, 2023 would have been SEK 15.2 million (12.2) higher and expenses for the year would have been SEK 8.7 million (2.6) higher.

If the USD exchange rate had been 10 percent lower against SEK, with all other variables held constant, revenue for the year ending December 31, 2023 would have been SEK 15.2 million (12,2) lower and expenses for the year would have been SEK 8.7 million (2.6) lower.

If the EUR exchange rate had been 10 percent higher against SEK, with all other variables held constant, revenue for the year ending December 31, 2023 would have been SEK 47.3 million (0.4) higher and expenses for the year would have been SEK 4.6 million (1.7) higher.

If the EUR exchange rate had been 10 percent lower against SEK, with all other variables held constant, revenue for the year ending December 31, 2023 would have been SEK 47.3 million (0.4) lower and expenses for the year would have been SEK 4.6 million (1.7) lower.

Of the net assets denominated in foreign currencies at the balance sheet date of December 31, 2023, approximately SEK 24.7 million (12.7) were denominated in USD. If the USD exchange rate had been 10 percent higher/lower than the exchange rate prevailing at December 31, 2023, the Group's result/equity after tax would have been positively/negatively impacted by approximately SEK 2.5 million (1.6).

Of the net assets denominated in foreign currencies at the balance sheet date of December, 31 2023, approximately SEK 214.7 million (-172.0) was denominated in EUR. If the EUR exchange rate had been 10 percent higher/lower than the exchange rate prevailing at December 31, 2023, the Group's result/equity after tax would have been negatively/positively impacted by approximately SEK 21.5 million (17.2).

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, 2023 would have been SEK 42.7 million (0.3) 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, 2023 would have been SEK 6.5 million (0.1) lower/higher.

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

Interest rate risk relating to cash flow and fair values
The company currently has no interest-bearing liabilities. An increase in interest rates therefore has a limited impact on the company's cost side. However, as the company has a positive cash position, a higher interest rate means that the company receives interest income. A lower interest rate consequently results in lower interest income.

Price risk
The Group is exposed to price risk if investments, which are classified as assets at fair value through profit or loss, are held by the Group. As at December 31, 2023, the company had no short-term investments.

B. Credit risk
Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions and credit exposures to customers, including outstanding 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" awarded by independent assessors are accepted and the approved financial institutions are named in the company's finance 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 2.10 Impairment of financial assets.

Remaining intra-Group liabilities are expected to be paid as the Group generates a positive cash flow.

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

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

The table below shows the Group's financial liabilities broken down by the time remaining on the balance sheet until the

maturity date. The amounts shown in the table are the contractual, undiscounted cash flows. In 2023, the convertible loan of SEK 215 million was converted and the external loan from Digital Bros (which took over the receivable from Smilegate in March 2020) was amortized by SEK 147.5 million.

SEK thousand	1-6 mo	7-12 mo	1-2 yrs	3-5 yrs	>5 yrs
At 31 December 2023					
Trade and other payables	37,123	-	-	-	-
Lease liability	6,352	181	158	-	-
Other liabilities	6,373	56,706	1,834	-	-
Total	**49,848**	**56,887**	**1,992**	**-**	**-**

SEK thousand	1-6 mo	7-12 mo	1-2 yrs	3-5 yrs	>5 yrs
At 31 December 2022					
Trade and other payables	15,816	-	-	-	-
Lease liability	7,418	8,769	5,263	169	-
Convertible bond	-	-	215,000	-	-
Non current liability, Renegotion loss convertible bond	-	-	165,000	-	-
Other liabilities	4,732	48,222	3,012	-	-
Total	**27,966**	**56,991**	**388,275**	**169**	**-**

D. Capital risk
The CFO continuously monitors the Group's liquidity and capital requirements for the year ahead. Following the completion of the rights issue in 2023, the company's liquidity needs have been secured.

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

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

The table on the next page shows the Group's financial assets and liabilities measured at fair value as at December 31, 2023. 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.

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 probability-adjusted revenues.

Fair value calculation, Group 2023	Level 2	Level 3
Financial assets and liabilities measured at fair value through profit or loss as of 31 December 2023		
Financial liabilities		
Derivatives on convertible bond	-	-

Fair value calculation, Group 2022	Level 2	Level 3
Financial assets and liabilities measured at fair value through profit or loss as of 31 December 2022		
Financial liabilities		
Derivatives on convertible bond	2,102	-

Note 4 Key accounting estimates and assessments for accounting purposes

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

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

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

Since the company's future estimated profits cannot be calculated satisfactorily, as at December 31, 2023 the Group has no reported tax assets linked to loss carryforwards. Deficits cannot be utilized between companies in different countries. Losses generated up to and including 2019 are subject to a Group contribution restriction relating to New Starbreeze Publishing AB and New Starbreeze Studios AB. For deficits generated up to and including the end of 2021, there is a Group contribution restriction relating to a subsidiary in the Group, New Starbreeze Publishing PD IP AB, and such deficits therefore cannot be utilized before 2028. For deficits generated up to and including the end of 2022, there is also a Group contribution restriction relating to a subsidiary in the Group, Starbreeze IP AB, and such deficits therefore cannot be utilized before 2029.

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

Revenue recognition
Proprietary games are sold digitally and physically via external distributors for PC as well as game consoles, such as PS4, Xbox Live and Nintendo Switch. In all cases, the gross payment stream goes through the platform distributor. Starbreeze has determined that agreements concerning the sale of proprietary games should be classified as revenue-sharing agreements, meaning that Starbreeze only recognizes its share of the revenue, its royalties, in its income statement. For agreements where Starbreeze is instead deemed to be a party to the end customer, the company is required to account for the entire revenue on a gross basis and the publisher's share of the revenue is accounted for as a deductible cost item, which means the same net profit or loss as with the current accounting. Net

sales also include sales of licenses, game franchises or other similar rights, where such transactions are of a recurring nature for the company.

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.

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

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

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

Valuation of subsidiary shares and receivables from subsidiaries
The Parent Company assesses each year whether there is any need for impairment of shares in subsidiaries and receivables from subsidiaries.

The Parent Company wrote down internal receivables of SEK -513.6 million in connection with the completion of the final parts of the restructuring during the year, i.e. conversion of convertible loan and amortization of related debt. The impairment was made due to updated assessments and to harmonize book values in the parent company with the Group. The impairment has no impact on the Group as it relates solely to internal receivables.

Note 5 Segment information

During the financial year, Starbreeze reported by segment: game sales, 3rd party publishing, licenses 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 four segments.

	2023	2022
Starbreeze Games		
Net sales	616,681	122,842
Direct costs	-296,514	-60,322
Gross profit	**320,167**	**62,520**
Operating costs	-93,407	-43,379
Operating profit (-loss)	**226,760**	**19,141**
3rd party publishing		
Net sales	14,885	-
Direct costs	-6,404	-
Gross profit	**8,481**	**-**
Operating costs	-4,788	-
Operating profit (-loss)	**3,693**	**-**
Licenses		
Net sales	1,682	4,721
Direct costs	-	-
Gross profit	**1,682**	**4,721**
Operating costs	-	-
Operating profit (-loss)	**1,682**	**4,721**
Other		
Net sales	262	39
Direct costs	-6,353	-205
Gross profit	**-6,091**	**-166**
Operating costs	-35,741	-16,950
Operating profit (-loss)	**-41,832**	**-17,116**
Total		
Net sales	633,510	127,602
Direct costs	-309,271	-60,527
Gross profit	**324,239**	**67,075**
Operating costs	-133,936	-60,329
Operating profit (-loss)	**190,303**	**6,746**

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

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:

	2023	2022
Starbreeze Games	226,760	19,141
3rd party publishing	3,693	-
Licenses	1,682	4,721
Other	-41,832	-17,116
Total	**190,303**	**6,746**
Net financial income or expense	17,353	-61,149
Profit/loss before tax	**207,656**	**-54,403**

Assets and investments, distribution at December 31, 2023.

SEK thousand 2023-12-31	Share capital	Other capital contributions	Share capital	Other capital contributions	Reserves
Intangible assets	474,900	43,473	-	-	518,373
Financial assets	6,282	779	1,170	259	8,491
Property, plant and equipment	10,447	-	145	-	10,592
Total	**491,629**	**44,253**	**1,315**	**259**	**537,456**

Assets and investments, distribution at December 31, 2022.

SEK thousand 2022-12-31	Share capital	Other capital contributions	Share capital	Other capital contributions	Reserves
Intangible assets	509,283	45,530	-	-	554,813
Financial assets	7,516	810	7	260	8,593
Property, plant and equipment	22,492	-	26	2	22,520
Total	**539,291**	**46,340**	**33**	**262**	**585,926**

Note 6 Net sales

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

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

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

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

	Group		Parent company	
SEK thousand	**2023**	**2022**	**2023**	**2022**
Royalties	616,681	122,794	-	-
3rd party publishing	14,885	-	-	-
Licenses	1,682	-	-	-
Other services	262	4,808	32,381	28,773
Total	**633,510**	**127,602**	**32,381**	**28,773**

Note 7 Other operating income

	Group		Parent company	
SEK thousand	**2023**	**2022**	**2023**	**2022**
Exchange differences	-	4,137	-2,874	17,178
Reinvoicing of publishing costs	9,906	3,596	-	-
Other income	3,801	11,807	48	3
Total	**13,707**	**19,540**	**-2,826**	**17,181**

Note 8 Costs broken down by cost type

	Group		Parent company	
SEK thousand	**2023**	**2022**	**2023**	**2022**
Capitalized development	-184,974	-143,118	-	-
External services	155,655	56,195	16,901	12,910
Employee benefits expenses	207,361	160,996	42,220	35,265
Cost of premises	8,422	6,689	-	-
Depreciation, amortization and impairments	249,037	59,634	26	112
Total	**435,501**	**140,396**	**59,147**	**48,287**

Note 9 Remuneration of auditors

	Group		Parent company	
PwC, KSEK	**2023**	**2022**	**2023**	**2022**
Statutory audit	1,414	1,202	1,414	1,202
Auditing services in addition to statutory audit	283	160	283	160
Tax advisory services	389	205	389	205
Other services	2	131	2	131
Other				
Statutory audit	77	70	-	-
Total	**2,165**	**1,768**	**2,088**	**1,698**

Group: Of the amount for auditing activities other than the statutory audit, SEK 0.3 million (0.2) relates to PwC Sweden. Of fees for tax advisory services, SEK 0.4 million (0.2) relates to PwC Sweden and of the amount for other services, SEK 0.0 million (0.1) relates to PwC Sweden.

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

Parent Company: In the Parent Company, audit activities other than the statutory audit relate to SEK 0.3 million (0.2) to PwC Sweden. Of fees for tax advisory services, SEK 0.4 million (0.2) relates to PwC Sweden, and of the amount for other services, SEK 0.0 million (0.1) relates to PwC Sweden.

Note 10 Right-of-use assets

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

When discounting future lease payments, Starbreeze uses the marginal lending facility rate per country as the discount rate. The marginal borrowing rate is based on the lessee's financial strength, the country, and the length of the current lease. For more information, see Note 2.21.

Right-of-use assets in the balance sheet	**2023-12-31**	**2022-12-31**
Development contracts	6,164	20,363
Total	**6,164**	**20,363**

Change in right-of-use assets during the year	**2023-12-31**	**2022-12-31**
Opening right-of-use assets, January 1, 2023	20,363	33,968
Additional right-of-use assets	-	557
Depreciation for the year	-14,199	-14,162
Carrying amount, december 31, 2023	**6,164**	**20,363**

Maturity analysis of lease liability	**2023-12-31**	**2022-12-31**
Within one year	6,534	16,187
Later than one year but within five years	158	5,432
Later than five years	-	-
Total	**6,692**	**21,619**

Note 11 Average number of employees

	2023		2022	
Average number of employees	Total	Of whom, men	Total	Of whom, men
Parent company				
Sweden	14	6	12	5
Subsidiaries				
Sweden	145	125	123	101
France	19	17	15	14
USA	-	-	-	-
Spain	3	3	4	4
England	3	2	-	-
Total	**184**	**153**	**154**	**124**

	2023		2022	
Directors and senior management personnel	Total	Of whom, men	Total	Of whom, men
Group				
Directors	6	4	5	3
CEO and senior management personnel	6	4	6	4
Parent company				
Directors	6	4	5	3
CEO and senior management personnel	6	4	6	4

Note 12 Employee benefits expenses

Board of Directors
The Board Chair and Board Directors receive fees in accordance with a resolution passed by the AGM. The Board of Directors' fees for the period up to the next AGM, as adopted by the AGM on May 11, 2023, is SEK 2,435 thousand (2,085). The Board Chair receives SEK 700 thousand (650) and members of the Board of Directors receive SEK 260 thousand (260) each. In addition, the AGM set a fee of SEK 50 thousand (50) for the Chair of the Remuneration Committee and SEK 40 thousand (40) for each of the other committee members. A fee of SEK 175 thousand (175) for the Chair of the Audit Committee and SEK 65 thousand (65) for the committee member was approved.

Chief Executive Officer
The Board Chair negotiates with the CEO regarding the CEO's salary and other terms of employment. The Chair then reports the outcome of these negotiations to the whole Board prior to a final decision being made. Salaries and remuneration for the Board of Directors and CEO include salaries and benefits for the CEO during the year of SEK 3,050 thousand (3,038) and pension expenses of SEK 559 thousand (530). The CEO is required to provide six months' notice of resignation and the company is required to provide six months' notice in the event of termination. According to the agreement, the severance pay is for 6 months.

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

Senior managers
Remuneration of other senior managers is decided by the CEO.

Employee benefits expenses

	Group		Parent company	
Total	2023	2022	2023	2022
Salaries and other remuneration	139,447	108,227	26,421	24,055
Social insurance costs	59,160	46,449	11,261	10,056
(of which, pension expenses)	14,765	11,165	3,326	2,802
Total	**198,607**	**154,676**	**37,682**	**34,111**

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

	Group		Parent company	
Total	2023	2022	2023	2022
Group	5,238	5,209	134,209	103,018
Parent company	5,238	5,209	21,183	18,846

During the year, the company accounted for an accrual relating to the ongoing long-term incentive program amounting to a total of SEK 17,709 thousand (15,064).

Note 13 Remuneration of the Board of Directors and senior managers

Principles
The principles for the remuneration of senior managers were adopted at the AGM in May 2023. The remuneration to the CEO and other senior managers is composed of a fixed salary. The Board of Directors is also authorized to decide on variable remuneration in the form of a cash bonus in an amount not exceeding, on an annual basis, 75 percent of the fixed annual salary for the CEO and 50 percent of the fixed annual salary for other senior managers.

Defined contribution pension premiums are paid for the CEO and senior managers, corresponding to the cost set out in the ITP plan. The CEO is required to give six months' notice of resignation and the company is required to provide six months' notice of termination. Other senior managers have a notice period of three to nine months. There is an agreement on severance pay for 6 months for the CEO.

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

Remuneration and other benefits during the financial year
A total of SEK 13,870 thousand (11,203) was paid to senior managers, including the CEO, to cover salary, variable remuneration and other benefits. Senior managers, including the CEO, on average amounted to 7 people in 2023, compared to 6 people in 2022. Defined contribution pension premiums are paid for senior managers, corresponding to the cost set out in the ITP plan.

Board and senior management 2023	Base pay/director's fee	Variable pay and royalties	Other benefits	Pension expenses	Total
Torgny Hellström, chairman	730	-	-	-	730
Kerstin Sundberg, director 2023-01-01 -- 2023-05-11	157	-	-	-	157
Anna Lagerborg, director	307	-	-	-	307
Mike Gamble, director 2023-01-01 -- 2023-05-11	260	-	-	-	260
Thomas Lindgren, director	325	-	-	-	325
Christine Rankin, director 2023-05-11	279	-	-	-	279
Jon Gillard, director 2023-05-11	65	-	-	-	65
Jürgen Goeldner, director 2023-05-11	65	-	-	-	65
Tobias Sjögren, CEO	3,050	-	-	559	3,609
Other senior management personnel; average of 6 individuals, 5 individuals at year-end	8,975	-	124	1,162	10,261
Total	**14,213**	**-**	**124**	**1,721**	**16,058**

Board and senior management 2022	Base pay/director's fee	Variable pay and royalties	Other benefits	Pension expenses	Total
Torgny Hellström, chairman	833	-	-	-	833
Kerstin Sundberg, director	461	-	-	-	461
Anna Lagerborg, director	295	-	-	-	295
Mike Gamble, director	250	-	-	-	250
Thomas Lindgren, director	332	-	-	-	332
Tobias Sjögren, CEO	3,038	-	-	530	3,568
Other senior management personnel; average of 5 individuals, 5 individuals at year-end	6,400	-	143	1,092	7,635
Total	**11,609**	**-**	**143**	**1,622**	**13,374**

Note 14 Other operating expenses

	Group		Parent company	
	2023	2022	2023	2022
Currency loss	21,413	-	-	-
Total	**21,413**	**-**	**-**	**-**

Note 15 Financial income and expenses

	Group		Parent company	
	2023	2022	2023	2022
Interest income	3,098	-	13,841	7,917
Other	-	39	-	-
Total financial income	**3,098**	**39**	**13,841**	**7,917**

	Group		Parent company	
	2023	2022	2023	2022
Interest expenses, convertible bonds	5,803	-32,873	5,803	-32,873
Iinterest expenses lease	-359	-723	-	-
Unrealized change in value of derivatives	2,102	-2,102	-	-
Implicit interest	7,130	-25,653	7,130	-25,629
Other financial expenses	-357	-5	32	-
Total financial expenses	**14,319**	**-61,356**	**12,965**	**-58,502**

Note 16 Appropriations

The company has no appropriations as at December 31, 2023.

Note 17 Income tax and deferred tax

The applicable tax rate is the Group income tax rate. The average weighted tax rate is 21.5 percent. Temporary differences occur in cases where the respective tax bases of assets or liabilities differ. Temporary differences at Starbreeze have mainly arisen through tax losses. Deferred tax assets are recognized in respect of tax loss carryforwards to the extent that it is probable that they can be utilized against future taxable profits and to the extent that they can be offset against deferred tax liabilities on temporary differences.

As at December 31, 2023, no deferred tax assets relating to loss carryforwards had been recognized. As at the balance sheet date, the unrecognized loss carryforwards for the parent company and the Swedish subsidiaries amount to SEK 874.3 million (653.3). Deficits cannot be utilized between companies in different countries. Group contributions to New Starbreeze Publishing AB and New Starbreeze Studios AB are blocked for losses generated up to and including 2019. For deficits generated up to and including the end of 2021, there is a Group contribution restriction relating to a subsidiary in the Group, New Starbreeze Publishing PD IP AB, and such deficits therefore cannot be utilized before 2028. For deficits generated up to and including the end of 2022, there is also a Group contribution restriction relating to a subsidiary in the Group, Starbreeze IP AB, and such deficits therefore cannot be utilized before 2029.

	Group		Parent company	
	2023	2022	2023	2022
Recognized profit (-loss) before tax	207,656	-54,403	-597,632	-52,918
Tax at applicable tax rate	40,727	24,367	21,476	10,901
Tax effect of other non-deductible costs	-105,745	-11,920	-104,089	-10,497
Tax effect of other non-taxable income	2,740	2,737	17	14
Tax effect of costs for issue of equity instruments	7,977	-	7,977	-
Foreign withholding tax	-340	-861	-	-
Change of unrecognized tax assets related to loss carryforwards	54,617	-19,728	74,619	-418
Tax on profit for the year according to income statement	**-24**	**-5,405**	**-**	**-**

Distribution of income tax, Group	**2023**	**2022**
Current tax	-34	-1,300
Deferred tax	10	-4,105
Tax on profit for the year according to income statement	**-24**	**-5,405**

Group	**2023-12-31**	**2022-12-31**
Balance at 1 January, deferred tax assets	-1,383	4,278
Change of value of loss carryforwards through profit or loss	173	-19
Change in previously capitalized deficits	-4	-5,485
Lease IFRS16	-131	-157
Balance at December 31, deferred tax liabilities/assets	**-1,345**	**-1,383**

Specification of deferred tax liabilities/assets	**2023-12-31**	**2022-12-31**
Lease IFRS16	77	208
Temporary differences in surplus values in the Group	4,486	4,486
Reclassification of previously capitalized deficits	1,163	1,167
Change of temporary differences in capitalized development costs	-7,071	-7,243
Total deferred tax liabilities/asset	**-1,345**	**-1,382**

Note 18 Earnings per share

Group	**2023**	**2022**
Earnings per share		
Basic, SEK	0.19	-0.08
Diluted, SEK	0.19	-0.08
Number of shares at the end of the period		
Basic	1,476,762,040	724,609,266
Diluted*	1,476,762,040	724,609,266
Average number of shares		
Basic	1,097,076,815	724,609,266
Diluted*	1,097,076,815	724,609,266

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

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

Note 19 Dividend per share

No dividend will be proposed to the AGM.

Note 20 Intangible assets

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

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

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

Impairment tests were performed on goodwill and shares in subsidiaries for the period ending December 31, 2023. The game development project for which costs have been capitalized were tested separately. These tests have not resulted in any impairment losses in 2023. However, depreciation has been made on projects that the company has decided not to continue. Total impairment for 2023 amounts to SEK 6.7 million. The remaining assets relate mainly to the core business of game development, i.e. the Starbreeze Games segment.

The remaining goodwill of SEK 46.7 million is in the Starbreeze Games segment. The recoverable amount consists mainly of cash flows related to PAYDAY.

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

The assets have been divided into different cash-generating units (CGUs). The classification of CGUs is based on their commercialization rather than on the platform to which they belong. For example, PAYDAY is its own CGU. The PAYDAY CGU includes PAYDAY, PAYDAY 2 and PAYDAY 3. In other words, it is not the platform that counts, but the IP itself that generates the cash flow. When assets are tested for impairment, this is done from a CGU perspective. No impairment losses were recorded in 2023.

CGU	Base pay/director's fee	Variable pay and royalties	Licences	Other benefits	Pension expenses	Share-based payments	Total
Payday	Game IP	46,666	-	134,759	266,644	-	448,069
Baxter	Game IP	-	11,121	-	36,830	-	47,951
Roboquest	3rd party Publishing	-	-	-	-	3,529	3,529
Tribe must survive	3rd party Publishing	-	-	-	-	3,229	3,229
Other	Game IP	-	-	7,093	8,502	-	15,595
Total		**46,666**	**11,121**	**141,852**	**311,976**	**6,758**	**518,373**

Goodwill

A traditional cash flow model was used to calculate value in use. A tax rate of 20.6 percent was used, which is assumed to correspond to the Group average. In addition, a pre-tax discount rate of 16 percent was applied. A sensitivity analysis shows that margin would be maintained even with a five percent adjustment of the discount rate. The impairment test did not give rise to any impairment losses in 2023. The average EBITDA margin for the forecast period was 34 percent.

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

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

Segment	2023-12-31	2022-12-31
Starbreeze Games	46,666	48,339
Other	-	-
Total	**46,666**	**48,339**

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

Group	Goodwill	IP/Technology	Licenses	Capitalized game and technology development costs	Investments in publishing projects	Other	Total
Cost at 1 January 2023	232,215	548,888	-	1,189,454	187,326	6,705	2,164,588
Acquisition of publishing rights	-	-	-	-	8,580	-	8,580
Acquisition of licenses	-	-	11,121	-	-	-	11,121
Development in progress							
Own development	-	5,320	-	173,852	-	-	179,172
Exchange differences	-2,740	-5,044	-	-34	-	-	-7,818
Sales and disposals	-	-	-	-	-4,904	-	-4,904
Cost at 31 December 2023	**229,475**	**549,164**	**11,121**	**1,363,272**	**191,002**	**6,705**	**2,350,739**
Depreciation, amortization and impairments at 1 January 2023	-183,876	-374,578	-	-861,264	-183,352	-6,705	-1,609,775
Depreciation and amortization for the year	-	-37,745	-	-189,170	-	-	-226,915
Impairments for the year	-	-	-	-896	-5,796	-	-6,692
Sales and disposals	-	-	-	-	4,904	-	4,904
Exchange differences	1,067	5,011	-	34	-	-	6,112
Depreciation, amortization and impairments at 31 December 2023	**-182,809**	**-407,312**	**-**	**-1,051,296**	**-184,244**	**-6,705**	**-1,832,366**
Total carrying amount at 31 December 2023	**46,666**	**141,852**	**11,121**	**311,976**	**6,758**	**-**	**518,373**

Group	Goodwill	IP/Technology	Licenses	Capitalized game and technology development costs	Investments in publishing projects	Other	Total
Cost at 1 January 2022	216,004	522,182	-	1,045,394	187,326	6,705	1,977,611
Development in progress							
Own development	-	1,771	-	143,118	-	-	144,889
Exchange differences	16,211	24,935	-	942	-	-	42,088
Cost at 31 December 2022	**232,215**	**548,888**	**-**	**1,189,454**	**187,326**	**6,705**	**2,164,588**
Depreciation, amortization and impairments at 1 January 2022	-173,559	-322,279	-	-843,825	-183,352	-6,705	-1,529,720
Depreciation and amortization for the year	-	-27,584	-	-16,497	-	-	-44,081
Exchange differences	-10,317	-24,715	-	-942	-	-	-35,974
Depreciation, amortization and impairments at 31 December 2022	**-183,876**	**-374,578**	**-**	**-861,264**	**-183,352**	**-6,705**	**-1,609,775**
Total carrying amount at 31 December 2022	**48,339**	**174,310**	**-**	**328,190**	**3,974**	**-**	**554,813**

Note 21 Property, plant and equipment

	Group		Parent company	
Computers and other equipment	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Cost at 1 January	132,463	166,300	2,753	2,753
Purchases	3,602	1,631	-	-
Retirements and disposals	-90	-37,154	-	-
Exchange differences	-15	1,686	-	-
Accumulated cost at 31 December	**135,960**	**132,463**	**2,753**	**2,753**
Depreciation at 1 January	-130,306	-164,255	-2,720	-2,608
Retirements and disposals	10	36,988	-	-
Planned depreciation for the year	-1,244	-1,396	-26	-112
Exchange differences	8	-1,643	-	-
Closing balance accumulated depreciation	**-131,532**	**-130,306**	**-2,746**	**-2,720**
Planned residual value at 31 December	**4,428**	**2,157**	**7**	**33**

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

Note 22 Financial assets

	Group		Parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Deposits, rent guarantees	4,000	5,076	-	-
Other financial assets	3,253	2,215	2,208	2,215
Total	**7,253**	**7,291**	**2,208**	**2,215**

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

Note 23 Shares in Group companies

	Country of registration and operation	Business		Share of equity	Share of votes	Number of shares	Carrying amount in parent company	Equity excluding net result	Net result	Total Equity
Starbreeze Studios AB	Sverige	Spelutveckling	100.0%	100.0%	100.0%	10,000	16,947	42,705	3,828	46,533
Starbreeze Publishing AB	Sverige	Spelutveckling	100.0%	100.0%	100.0%	1,000	276,400	546,415	89,241	635,656
Starbreeze Production AB	Sverige	Spelutveckling	100.0%	100.0%	100.0%	1,000	15,171	165,867	-438	165,429
Starbreeze USA Inc.	USA	Spelutveckling	100.0%	100.0%	100.0%	100	-	-107,208	-2,255	-109,463
Starbreeze IP LUX	Luxemburg	Teknikutveckling	100.0%	100.0%	100.0%	12,500	-	-41,614	-3,071	-44,685
Starbreeze LA Inc	USA	Spelutveckling	-	100.0%	100.0%	100	-	49,373	687	50,060
Starbreeze VR AB	Sverige	Teknikutveckling	100.0%	100.0%	100.0%	50,000	-	30	262	292
Starbreeze Ventures AB in liquidation	Sverige	Investeringsverksamhet	100.0%	100.0%	100.0%	50,000	-	111	-111	-
Starbreeze Paris SAS	Frankrike	Teknikutveckling	100.0%	100.0%	100.0%	58,281	-	6,225	1,953	8,178
Starbreeze Barcelona SL	Spanien	Spelutveckling	100.0%	100.0%	100.0%	3,000	-	-4,835	-205	-5,040
New Starbreeze Publishing AB	Sverige	Spelutveckling	-	100.0%	100.0%	2,360,777	-	408,039	-177,676	230,363
New Starbreeze Studios AB	Sverige	Spelutveckling	100.0%	100.0%	100.0%	500	26,990	6,610	741	7,351
Enterspace AB	Sverige	Teknikutveckling	100.0%	100.0%	100.0%	50,000	-	223	4,587	4,810
Enterspace International AB in liquidation	Sverige	Teknikutveckling	-	100.0%	100.0%	1,733	-	82	-69	13
Starbreeze IP LUX II Sarl	Luxemburg	Investeringsverksamhet	100.0%	100.0%	100.0%	230,000	-	-146,317	-3,153	-149,470
New Starbreeze Publishing PD IP AB	Sverige	Spelutveckling	-	100.0%	100.0%	500	-	5,000	-4,950	50
Starbreeze IP AB	Sverige	Spelutveckling	100.0%	100.0%	100.0%	500	550	530	-193	338
Starbreeze Studios UK Ltd	Storbritannien	Spelutveckling	100.0%	100.0%	100.0%	100	1	7	28	35
							336,059	**931,243**	**-90,792**	**840,451**

Parent company, shares in subsidiaries	2023-12-31	2022-12-31
Cost at 1 January	331,373	325,924
Shareholder contribution	4,686	5,449
Accumulated cost at 31 December	**336,059**	**331,373**

Note 24 Financial instruments by category

Group, 31 December 2023

Assets on the balance sheet	Accrued acquisition value	Fair value through profit and loss	Fair value through comprehensive income	Derivative	Total
Financial assets	7,253	-	-	-	7,253
Trade and other receivables	164,244	-	-	-	164,244
Cash and cash equivalents	347,752	-	-	-	347,752
Total assets	**519,249**	**-**	**-**	**-**	**519,249**

Liabilities in the balance sheet	Accrued acquisition value	Fair value through profit and loss	Fair value through comprehensive income	Derivative	Total
Other non-current liabilities	489	-	-	-	489
Convertible bond	-	-	-	-	-
Non-current liability, renegotion loss convertible bond	-	-	-	-	-
Trade and other payables	100,202	-	-	-	100,202
Total liabilities	**100,691**	**-**	**-**	**-**	**100,691**

Group, 31 December 2022

Assets on the balance sheet	Accrued acquisition value	Fair value through profit and loss	Fair value through comprehensive income	Derivative	Total
Financial assets	7,291	-	-	-	7,291
Trade and other receivables	11,622	-	-	-	11,622
Cash and cash equivalents	108,217	-	-	-	108,217
Total assets	**127,130**	**-**	**-**	**-**	**127,130**

Liabilities in the balance sheet	Accrued acquisition value	Fair value through profit and loss	Fair value through comprehensive income	Derivative	Total
Other non-current liabilities	1,631	-	-	-	1,631
Convertible bond	220,855	-	-	-	220,855
Non-current liability, renegotion loss convertible bond	157,161	-	-	-	157,161
Trade and other payables	245,708	2,102	-	-	247,810
Total liabilities	**625,355**	**2,102**	**-**	**-**	**627,457**

Parent company at December 31 2023

Assets on the balance sheet	Accrued acquisition value	Fair value through profit and loss	Fair value through comprehensive income	Derivative	Total
Financial assets	2,208	-	-	-	2,208
Trade and other receivables	741,095	-	-	-	741,095
Cash and cash equivalents	161,826	-	-	-	161,826
Total assets	**905,129**	**-**	**-**	**-**	**905,129**

Liabilities in the balance sheet	Accrued acquisition value	Fair value through profit and loss	Fair value through comprehensive income	Derivative	Total
Convertible bond	-	-	-	-	-
Non-current liability, renegotion loss convertible bond	-	-	-	-	-
Trade and other payables	484,941	-	-	-	484,941
Total liabilities	**484,941**	**-**	**-**	**-**	**484,941**

Parent company at December 31 2022

Assets on the balance sheet	Accrued acquisition value	Fair value through profit and loss	Fair value through comprehensive income	Derivative	Total
Financial assets	2,215	-	-	-	2,215
Trade and other receivables	1,211,188	-	-	-	1,211,188
Cash and cash equivalents	2,782	-	-	-	2,782
Total assets	**1,216,185**	**-**	**-**	**-**	**1,216,185**

Liabilities in the balance sheet	Accrued acquisition value	Fair value through profit and loss	Fair value through comprehensive income	Derivative	Total
Convertible bond	220,855	-	-	-	220,855
Non-current liability, renegotion loss convertible bond	157,161	-	-	-	157,161
Trade and other payables	452,035	-	-	-	452,035
Total liabilities	**830,051**	**-**	**-**	**-**	**830,051**

Note 25 Credit quality of financial assets

	2023-12-31	2022-12-31
Group 1	160,591	196
Group 2	4,511	9,946
Total	**165,102**	**10,142**

As at December 31, 2023, past due and unpaid trade receivables amounted to SEK 120.5 million (9.9).

Group 1: Existing customers (more than six months) with no previous missed payments. Group 2: Existing customers (more than six months) with some previous missed payments.

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

Note 26 Trade and other receivables

	Group		Parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Trade receivables	165,102	10,142	-	-
Provision for doubtful receivables	-12,094	-8,948	-	-
Receivables from group companies	-	-	740,139	1,210,094
Other receivables	11,236	10,428	956	1,094
Total	**164,244**	**11,622**	**741,095**	**1,211,188**

	Group	
Aging report	2023-12-31	2022-12-31
Not due	44,568	196
1-90 days	104,432	900
3-6 months	2,632	-
> 6 months	13,470	9,046
Total	**165,102**	**10,142**

	Group	
Trade and other receivables per currency	2023-12-31	2022-12-31
SEK	13,012	10,463
EUR	145,301	1,019
USD	5,928	140
GBP	3	-
Total	**164,244**	**11,622**

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 2.10 Impairment of financial assets.

Note 27 Prepaid expenses and accrued income

	Group		Parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Other accrued receivables	44,598	7,105	622	516
Accrued royalty income	17,443	33,535	-	-
Total	**62,041**	**40,640**	**622**	**516**

Note 28 Cash and cash equivalents

	Group		Parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Cash and bank deposits	347,752	108,217	161,826	2,782
Total	**347,752**	**108,217**	**161,826**	**2,782**

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.

Note 29 Change in the number of shares

The share capital, SEK 29,535 thousand, is divided into 1,476,762,040 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.

On April 28, 2023, Starbreeze adopted a preferential rights issue. The issue was oversubscribed and generated 603,841,050 new shares, of which 466,917,220 B shares and 136,923,830 A shares.

On July 19, 2023, in accordance with the conversion commitment entered into, Digital Bros requested the conversion of the total outstanding loan amount under the Convertible Loan, corresponding to SEK 215,052,000, to new Series B shares in Starbreeze. In accordance with the terms and conditions for the Convertible Loan, the conversion rate was set at SEK 1.45 per share after conversion in connection with the completed preferential rights issue, of which the outcome was published on June 21, 2023.

As a result of the conversion, the number of Series B shares increased by 148,311,724, corresponding to a dilution of approximately 10 percent of the total number of shares and approximately 4 percent of the total number of votes in Starbreeze after the conversion.

Number of shares	**Class B shares**	**Class A shares**
Number of shares 31 Dec 2021	**558,237,498**	**166,371,768**
New issue	-	-
Conversion	110,424	-110,424
Number of shares 31 Dec 2022	**558,347,922**	**166,261,344**
New subscription through exercise of convertible bond	148,311,724	-
New issue	466,917,220	136,923,830
Conversion	153,812,821	-153,812,821
Number of shares 31 Dec 2023	**1,327,389,687**	**149,372,353**

Note 30 Trade and other payables

	Group		Parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Trade payables	37,123	15,816	1,400	756
Liabilities to group companies	-	-	480,753	448,771
Other liabilities	44,964	46,146	1,568	1,594
Social insurance and comparable fees	7,988	6,282	1,220	914
current part of convertible bond, Smilegate	10,127	176,940	-	-
Revilving credit facility	-	524	-	-
Total	**100,202**	**245,708**	**484,941**	**452,035**

Note 31 Accrued expenses and prepaid income

	Group		Parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Accrued salaries	41,543	22,895	18,750	11,415
Accrued annual leave pay	13,585	10,719	2,516	2,050
Accrued social insurance fees, annual leave pay	4,505	3,504	791	696
other accrued expenses	48,480	2,042	2,714	3,452
Total	**108,113**	**39,160**	**24,771**	**17,613**

Note 32 Pledged assets

	Group		Parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Pledged shares in subsidiaries for loan credit with Nordea	235,978	235,978	-	-
Deposits, rent guarantees	4,000	4,000	-	-
Total	**239,978**	**239,978**	**-**	**-**

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

Note 33 Contingent liabilities

In connection with the acquisition of the distribution rights to PAYDAY, a royalty of 33 percent, up to USD 40 million, was agreed based on the net income of PAYDAY 3 after deduction of investments made as part of the purchase price to 505 Games S.p.A. As of year-end, no royalty payment has been made. The Group has no other contingent liabilities.

Note 34 Related-party transactions

The Parent Company Starbreeze AB, which is the ultimate parent company in the Group, has invoiced SEK 32.4 million (28.8) to Group companies for game development costs and part of joint costs. Billing by other Group companies to Group companies is shown in the table below: The Parent Company, Starbreeze AB, purchased services for SEK 0.9 million (0.2) 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	**2023-12-31**	**2022-12-31**
Receivables		
Parent company Starbreeze AB	740,139	1,210,094
Liabilities		
Parent company Starbreeze AB	480,753	448,771

Group company billing	**2023**	**2022**
Starbreeze AB	32,381	28,774
Starbreeze Studios AB	-	67
Starbreeze Paris SAS	25,063	18,047
Starbreeze Barcelona	4,283	4,252
Starbreeze LA	897	2,071
New Starbreeze Publishing AB	153,374	124,677
New Starbreeze Studios AB	196,409	151,577
New Starbreeze Publishing PD IP	98,843	9,200
Starbreeze Studios UK Ltd	3,588	130
Total	**514,838**	**338,795**

Purchases from group companies	**2023**	**2022**
Starbreeze AB	912	221
Starbreeze Paris SAS	848	846
Starbreeze Barcelona	149	270
New Starbreeze Publishing AB	313,086	202,699
New Starbreeze Studios AB	6,525	6,730
New Starbreeze Publishing PD IP	136,143	124,583
Starbreeze Studios UK AB	140	-
Starbreeze IP AB	57,035	3,446
Total	**514,838**	**338,795**

The Parent Company wrote down internal receivables of SEK -513.6 million in connection with the completion of the final parts of the restructuring during the year, i.e. conversion of convertible loan and amortization of related debt. The write-down was done in order to harmonize the recognized amounts in the parent company compared to the group and based on current evaluations.

Note 35 Adjustment of items not included in cash flow

	Group		Parent company	
	2023	2022	2023	2022
Amortization of intangible assets	233,608	44,081	-	-
Depreciation of property, plant and equipment	15,428	15,554	26	112
Gains & losses on sale of assets	-16	-4	-	-
Change in provision	53	1,101	-	-
Other unrealized exchange losses	5,873	1,315	-	-
Unrealized changes in value of derivatives	2,103	-2,102	-	-
Adjustment financing debt	-259,571	-	-	-
Total	**-2,522**	**59,945**	**26**	**112**

Note 36 Events after the balance sheet date

Starbreeze announces changes in Group management

On January 9, Starbreeze announced changes in group management to further strengthen strategic and commercial focus.

Juergen Goeldner appointed as Interim CEO of Starbreeze

On March 12, current board member Juergen Goeldner was appointed acting CEO of Starbreeze.

For detailed information on significant events during the year and after the end of the financial year, see corporate.starbreeze.com

Note 37 Interest-bearing liabilities

In February 2016, a convertible loan was obtained from Smilegate and subsequently transferred to Digital Bros. In 2023, the convertible loan, equivalent to SEK 215.1 million, was renegotiated and converted, which meant that no interest was paid on the loan. The loan was converted at a conversion rate of SEK 1.45 per share, after recalculation in connection with the completed preferential rights issue in June 2023. As a result of the conversion, Starbreeze increased its share capital by SEK 2,966,234.49 and the number of Series B shares increased by 148,311,724.

In conjunction with the conversion of the convertible loan, the terms of a loan that arose in connection with the renegotiation of the convertible terms were also renegotiated. The loan was amortized during the year at an amount of SEK 147.5 million.

Besides SEK, supplier invoices are mainly in USD and EUR.

	2023-12-31			2022-12-31		
Group	**Base pay/director's fee**	**Variable pay and royalties**	**Other benefits**	**Pension expenses**	**Share-based payments**	**Total**
Convertible bond	-	-	-	220,855	-	220,855
Non current liability, renegotion loss convertible bond	-	-	-	157,161	-	157,161
Bank overdraft facility, Nordea	-	-	-	-	524	524
Financing for game development	-	10,127	10,127	-	176,940	176,940
Other non-current liabilities	489	-	489	1,631	-	1,631
Total	**489**	**10,127**	**10,616**	**379,647**	**177,464**	**557,111**

	2023-12-31			2022-12-31		
Parent	**Base pay/director's fee**	**Variable pay and royalties**	**Other benefits**	**Pension expenses**	**Share-based payments**	**Total**
Convertible bond	-	-	-	220,855	-	220,855
Non current liability, renegotion loss convertible bond	-	-	-	157,161	-	157,161
Total	**-**	**-**	**-**	**378,016**	**-**	**378,016**

Note 38 Shares in joint ventures

Group	Country of operation	Business	Share of equity	Share of votes	Number of shares	Carrying amount
StarVR Corporation	Taiwan	Technology development	33%	33%	16,000,000	1,238

The company's joint venture with Acer, StarVR Corporation, is a sales and marketing company that manages the sales process for business customers, as well as support and after-sales services. As an element of the partnership, Starbreeze owns and controls the IP rights related to StarVR, while Acer manufactures the product. R&D and reference design work for the StarVR headset is performed by Starbreeze and Acer jointly. StarVR Corporation bears all marketing and sales costs for 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.

	2023-12-31	2022-12-31
Reconciliation against net carrying amounts:		
Opening net assets, January 1	3,945	3,434
Profit/loss for the period	-30	238
Exchange rate differences	-164	273
Closing net assets	**3,751**	**3,945**
Group share	33%	33%
Group share in SEK thousand	1,238	1,302
Carrying amount	1,238	1,302

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.

	2023-12-31	2022-12-31
Condensed balance sheet		
Current assets	11,571	12,099
Current liabilities	-7,820	-8,154
Net assets	**3,751**	**3,945**
Condensed statement of comprehensive income		
Revenue	29	15
Profit (-loss) for the period	-30	238
Total comprehensive income	**-30**	**238**

Note 39 Net debt

	Other assets	Liabilities related to financing activities			
	Base pay/director's fee	Convertible bonds	Renegotion loss convertible bond and other non-current liabilities	Other Current liabilities	
Balance at 1 January 2023	108,217	-220,855	-165,607	-177,464	-563,926
Cash flow	239,641	-	149,370	-77,333	72,037
Exchange differences	-106	-	-	-6,132	-6,132
Reclassification	-	-	-	-	-
Other non-cash items	-	220,855	14,245	250,802	485,902
Balance at 31 December 2023	**347,752**	**-**	**-1,992**	**-10,127**	**-12,119**

	Other assets	Liabilities related to financing activities			
	Base pay/director's fee	Convertible bonds	Renegotion loss convertible bond and other non-current liabilities	Other Current liabilities	
Balance at 1 January 2022	128,572	-187,982	-254,762	-1,135	-443,878
Cash flow	-20,589	-	673	-66,195	-65,522
Exchange differences	234	-	-	-	-
Reclassification	-	-	91,019	-91,019	-
Other non-cash items	-	-32,873	-2,539	-19,115	-54,526
Balance at 31 December 2022	**108,217**	**-220,855**	**-165,607**	**-177,464**	**-563,926**

Net liability	2023-12-31	2022-12-31
Cash and cash equivalents	347,752	108,217
Current liabilities	-10,127	-177,464
Non-current liabilities	-1,992	-386,462
Net Liability	**335,633**	**-455,709**

The income statements and balance sheets will be presented to the AGM on May 15, 2024 for approval.

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

The annual accounts have been prepared in accordance with generally accepted accounting principles and provide a true and fair view of the Parent Company's position and performance.

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

Stockholm, 11 April, 2024 Starbreeze AB (publ)

Torgny Hellström
Chairman of the Board of Directors

Directors

Juergen Goeldner
Director / Interim CEO

Christine Rankin
Director

Thomas Lindgren
Director

Jon Gillard
Director

Anna Lagerborg
Director

Our audit report was submitted on April 11, 2024
Öhrlings PricewaterhouseCoopers AB

Aleksander Lyckow
Authorized Public Accountant

Auditor's report

Unofficial translation
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 2023. The annual accounts and consolidated accounts of the company are included on pages 39-80 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 2023 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 2023 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

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

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

Materiality

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill and other intangible assets Goodwill and other intangible fixed assets including balanced expenses for game and technology development in the group amount to SEK 518 million as of December 31, 2023. About 86 percent of the value is related to PAYDAY. The company has tested the need for write-downs in connection with the annual accounts. Significant assumptions in the impairment tests appear in note 20 in the annual report and include, among other things, estimates of future cash flows. Due to the degree of estimation, we have judged that the valuation of goodwill and other intangible assets is a particularly significant area of the audit. As shown in the annual report, PAYDAY 3 was launched in September 2023. In connection with that, scheduled depreciation began. The company's impairment test has not led to an impairment.	We have reviewed the company management's examination of whether there is any need to write down goodwill and other intangible assets. We evaluated the mathematical accuracy of the models used and assessed significant assumptions in the impairment test and the reasonableness of the company's forecasts. We also compared historical sales assumptions to actual 2023 outcomes for PAYDAY 3 post-launch. We have also assessed the sensitivity of the calculations. Finally, we have assessed whether the information provided in the notes to the annual report is compatible with IFRS. We found that the company's method and assumptions were applied consistently.
Accounting of balanced expenses for game and technology development and investments in publishing projects As can be seen from the management report and note 20, Starbreeze invests substantial amounts in game and technology development. Note 20 shows that SEK 179 million has been capitalized in 2023 and in total capitalized expenses for game and technology development and investments in publishing projects amount to SEK 1,544 million and book value to SEK 319 million. The majority of this amount is investment in the game PAYDAY 3. Due to the size of the amount and the fact that capitalization of balanced expenses for game and technology development involves judgments by the company management regarding whether the expenses meet the criteria for capitalization, for example that it is possible to reliably measure the expenses attributable to the asset and that it can be shown that the asset will generate future financial benefits, this is a particularly significant area in the audit. As shown in the annual report, PAYDAY 3 was launched in September 2023.If the game should not live up to expectations, it could lead to a write-down of balanced expenses for game and technology development as well as investments in publishing projects.	We have reviewed the company's specification of ongoing development projects which have been accounted for as intangible assets during the financial year. We have taken random samples of the projects and tested the accuracy of capitalizing the expenses based on the criteria in IAS 38, among other things by assessing the routines to ensure that the costs are reported on the right project and randomly reviewed underlying expenses against supporting documents. We have also reviewed the calculation of future financial benefits.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-38 and 85-87. The Board of Directors and the Managing Director 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 Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

Report on other legal and regulatory requirements

The auditor's examination of the administration of the company and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Starbreeze AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain

audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

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

Auditor's examination of the ESEF report

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for ABC AB (publ) for the financial year 2023.

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

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

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination 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 and consolidated 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 audit 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 examination 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 validation that the Esef report has been prepared in a valid XHMTL format 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 consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

Öhrlings PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Starbreeze AB (publ) by the general meeting of the shareholders on the 11 May 2023 and has been the company's auditor since the 25 September 2000.

Stockholm den 11 April 2024

Öhrlings PricewaterhouseCoopers AB

Aleksander Lyckow
Authorized Public Accountant

Remuneration report 2023

Introduction
This report describes how the guidelines for remuneration to senior managers of Starbreeze AB were applied in 2023. The report also contains information about remuneration to the CEO and a summary of the company's outstanding share and share price-related incentive programs in 2023. The report has been prepared in accordance with the Swedish Companies Act and the Swedish Corporate Governance Board's *Rules on remuneration to senior executives and on incentive* schemes.

Further information on remuneration to senior managers can be found in Note 13 (Remuneration of the Board of Directors and senior managers) on page 67 of the 202 Annual Report. Information on the Remuneration Committee's work in 2023 can be found in the Corporate Governance report on pages 30-36 of the 2023 Annual Report.

Remuneration to the Board is not covered by this report. A resolution on this remuneration is passed annually by the Annual General Meeting and is reported in Note 13 on page 67 of the 2023 Annual Report.

Development in 2023
The CEO summarizes the company's overall performance in his report on pages 5-6 of the 2023 Annual Report.

The company's remuneration guidelines: scope, purpose, and deviations
A prerequisite for the successful implementation of the company's business strategy and the safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified employees. This requires the company to be in a position to offer competitive remuneration. The company's remuneration guidelines enable competitive remuneration packages to be offered to senior managers. According to the remuneration guidelines, remuneration to senior managers shall be in line with the market and may consist of the following components: fixed salary, variable remuneration, pension and other benefits. In addition, the Board of Directors shall evaluate whether share-based or share price-based incentive programs should be proposed to the Annual General Meeting on an annual basis. Variable remuneration shall be paid in the form of a cash bonus and linked to predetermined and measurable criteria. In addition to annual variable cash remuneration, variable cash remuneration can be paid in the form of a long-term incentive bonus (LTI bonus) covering a period of four financial years. The criteria for the payment of variable remuneration shall be designed so as to promote the company's business strategy and long-term interests, including its sustainability.

The guidelines can be found on pages 31-34 of the 2023 Annual Report. In 2023, the company followed the applicable remuneration guidelines adopted by the general meeting. No departures have been made from the guidelines and no departures have been made from the decision-making process to be applied in accordance with the guidelines in order to determine remuneration. The auditor's opinion on the company's compliance with the guidelines is available at www.starbreeze.com. No remuneration has been claimed back.

Table 1 – Total remuneration to the CEO in 2023 (SEK thousand)*

	Fixed remuneration		Variable remuneration				
Name of CEO	Basic salary KSEK**	Other benefits (car, healthcare)	One-year variable	Multi-year variable	Pension	Total remuneration	Fixed/variable remuneration
Tobias Sjögren	SEK 3,050 thousand	SEK 0 thousand	N/A	SEK 0 thousand	SEK 559 thousand	SEK 3,609 thousand	100%/0%

* With the exception of multi-year variable remuneration, the table shows remuneration for 2023. Multi-year variable remuneration is recognized to the extent that it has been subject to vesting in 2023 and in this sense has been earned (see also under Variable remuneration below). This applies regardless of whether or not payment has been made in the same year.
** [Including vacation pay of SEK 158 thousand.]

Share-based remuneration
Outstanding share-based and share price-based incentive programs
Starbreeze did not have any share-based or share price-based incentive programs in the 2023 financial year.

Remuneration to the CEO in shares and stock options
No remuneration in the form of shares or stock options was paid to the CEO in 2023.

Variable remuneration
In 2023, there was no option for the CEO to receive annual variable remuneration in the form of a cash bonus, and the Board of Directors did not establish any criteria for the payment of such remuneration in 2023 (see Table 1 above). In 2021, in accordance with the remuneration guidelines adopted at the 2021 Annual General Meeting, the Board of Directors introduced the option of multi-year variable cash remuneration in the form of a long-term incentive bonus (LTI bonus) covering a period of four financial years. The CEO is covered by this LTI bonus, which is based on milestones related to the release, datametrics reviews and sales of PAYDAY 3 in the years covered by the LTI bonus. For the CEO, the total variable cash remuneration under the LTI bonus may amount to a maximum of 48 months' salary. Part of the LTI bonus is also subject to deferred payment for a certain period of time in order to assist long-term growth. No part of the LTI bonus was earned in 2023.

Comparative information regarding changes in remuneration and the company's performance

Table 2 – Changes in remuneration and the company's performance in the last three reported financial years (SEK thousand)

SEK thousand	RR 2021	RR 2022	RR 2023
Remuneration to the CEO	3,646	3,568	3,609
Change	-4,954 (-57.6%)	-78 (-2.1%)	41 (1.1%)
Operating profit/loss for the Group	-53,720	6,746	190,303
change	-64,595	+60,466	+183,557
Employee remuneration on FTE basis*	657	637	629
change	0.8%	-3.0%	-1.2%

** Average remuneration based on average number of employees (excluding CEO).*

STARBREEZE

ENTERTAINMENT