

Translation

Beyond Frames Entertainment AB (publ)

Org nr 559058-8322

Annual report And Group Consolidation

For fiscal year 2023-01-01 - 2023-12-31

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Management report

The Board of Directors of Beyond Frames Entertainment AB (publ) herby submit the Annual Report for the financial year 2023-01-01-2023-12-31..

About Beyond Frames Entertainment

Beyond Frames Entertainment is a video game company headquartered in Stockholm. We aim to bring together skilled game developers with a common vision: crafting engaging, high-quality gaming experiences for PC, console, Virtual Reality (VR), Augmented Reality (AR), and Mixed Reality (MR) technologies.

Our strategy involves developing games through owned and operated studios and partnering with external studios to foster their growth through world-class publishing services.

The company has its headquarter in Stockholm.

Management report

Studio business area

During 2023 Cortopia studios signed two substantial agreement for development funding. One agreement amounting to approximately SEK 4.6 million with a world-leading tech company to fund a new title and an second agreement of SEK 28 million with another external game publisher.

In addition, Cortopia Studios obtained the license to create a VR game for one of the world's highest-grossing entertainment franchises. In total, Cortopia Studios have initiated development of three titles during 2023. These are planned to be launched between 2024 and 2026.

Publishing Business

Beyond Frames Entertainment launched five new VR games in 2023, which realized revenue-generating products in the business area initiated in the fall of 2021. The most significant of these launches was Ghosts of Tabor, a VR extraction shooter game created by the American studio Combat Waffle Studios. The beta version of Ghosts of Tabor was launched as an early-access title on Meta's App Labs platform at the end of March 2023. The game became one of the best-selling titles in the entire VR market. During the fourth quarter of 2023, we announced that the game had generated 10 MUSD during the early-access period and that the game is planned to be released on the Meta Quest Store in the first quarter of 2024.

Market

The VR market was slow-moving in early 2023 due to macroeconomic uncertainties, affecting the entire gaming industry. Towards the end of the year, more positive trends emerged with the highly anticipated launch of Apple's XR headset, Apple Vision Pro, which sold all of its 500,000 available pre-orders in 15 minutes, despite its relatively high price of 3,500 USD. Additionally, Meta launched its Meta Quest 3 XR headset, resulting in record-high quarterly revenues for XR, with over one billion USD in sales.

Sales, profit/loss and financial position

Group	2023-12-31	2022-12-31	2021-12-31	2020-12-31	2019-12-31
SEK k					
Net sales	136 932	24 817	23 742	12 592	3 522
Capitalized development expenditures	60 571	39 366	21 044	11 454	10 642
EBITDA	10 160	-13 513	233	3 951	-8 379
EBITDA/share (kr)	0,59	-0,79	0,01	0,28	-0,65
Profit/loss after tax	-7 778	-22 702	-8 666	-7 741	-15 794
Profit/loss after tax/share	-0,45	-1,32	-0,55	-0,54	-1,23
Total assets	105 281	99 401	79 441	40 339	36 236
Equity parent company (owner)	81 923	89 556	69 300	35 980	28 506
Equity/Stock (kr)	4,77	5,22	4,4	2,53	2,22
Total stocks	17 159 709	17 159 709	15 759 709	14 223 323	12 835 306

Parent company

SEK k	2023-12-31	2022-12-31	2021-12-31	2020-12-31	2019-12-31
Net sales	127 012	16 595	6 239	-	-
Capitalized development expenditure	8 882	3 158	1 254	962	-
EBITDA	10 332	-19 794	-9 841	-4 767	-5 466
EBITDA/Stock (kr)	0,6	-1,15	-0,62	-0,34	-0,43
Profit/Loss after tax	3 670	-20 935	-8 776	-10 236	-5 148
Profit/Loss after tax/Stock	0,21	-1,22	-0,56	-0,72	-0,4
Total assets	119 682	104 748	84 225	46 949	43 221
Equity	105 148	101 477	79 680	46 272	41 291
Equity/Stock (kr)	6,13	5,91	5,06	3,25	3,22
Total stocks	17 159 709	17 159 709	15 759 709	14 223 323	12 835 306

Material risks and uncertainties

Risk factors

Earning capacity and capital requirements

It can be ruled out that it will take longer than expected before Beyond Frames Entertainment AB (publ) achieves continuous stable profitability. Nor can it be ruled out that Beyond Frames Entertainment AB (publ) in the future has a greater capital requirement than is currently deemed necessary.

Intangible assets

The launch of new game titles could generate lower revenues than expected, which could pose a significant risk of a material adjustment to the carrying values of assets in the next financial year.

Intellectual property protection

In game development, as with all software development, there is a risk that Beyond Frames Entertainment AB (publ) games may be copied by competitors. There is also a risk that other companies hold intellectual property rights on which Beyond Frames Entertainment AB (publ) could be claimed to infringe. Defense of Beyond Frames Entertainment AB (publ) intellectual property rights or compensation to third parties for infringement of or use of third-party intellectual property rights may result in reduced revenues or increased costs until violations are prosecuted, license fees are paid, or permission is obtained to use third parties' intellectual property rights. All in all, this could adversely affect Beyond Frames Entertainment AB's (publ) operations, results of operations, and financial position.

Acquisition of game studios

As part of Beyond Frames Entertainment AB (publ) operations, prominent game studios in games based on VR and AR technology are acquired. There is a risk that acquired game studios do not live up to the expectations that Beyond Frames Entertainment AB (publ) has had and which led to the acquisition. These expectations shall relate to competence level, skill, financial circumstances, the ability to cooperate, or other factors. There is a risk that acquired game studios will not be integrated into Beyond Frames Entertainment AB (publ) operations in an appropriate manner. Expected synergies may be absent in whole or in part. Taken together, these risks could have a negative impact on Beyond Frames Entertainment AB's (publ) operations, results of operations, and financial position.

The market in VR and AR is also in an early phase. The market is characterized by rapid technical and innovative development, which opens up for many new players, including Beyond Frames Entertainment AB (publ). Even larger players from traditional game development in PC, console, and mobile games may enter this market as it matures. Several current and future competitors may have a competitive advantage in the form of more established brands, longer history, and greater financial resources. If Beyond Frames Entertainment AB (publ) fails to maintain its market position through continued innovation, there is a risk that Beyond Frames Entertainment AB (publ) will lose competitiveness, which could have a negative impact on Beyond Frames Entertainment AB (publ).

Currency Risk

Beyond Frames Entertainment AB (publ) is a Swedish public limited liability company whose accounts are denominated in SEK. The gaming industry is a global and digital market where most of the revenue streams may be generated in foreign currencies and for Beyond Frames Entertainment AB (publ) the revenue is mainly in USD. These revenues may expose Beyond Frames Entertainment AB (publ) to significant currency fluctuations. These could adversely affect Beyond Frames Entertainment AB (publ) sales, earnings, and financial position.

Equity

Group	<i>Share capital</i>	<i>Retained earnings</i>	<i>Other capital contributed</i>	<i>Minority interest</i>
Equity 220101	788	123 978	-55 466	2 444
Profit/loss			-22 476	-226
<i>Changes direct equity</i>				
<i>Issued warrants</i>		431		
<i>Transactions with owner</i>				
New share issued	70	42 231		
Equity 221231	858	166 640	-77 942	2 218
Net profit/loss for the year			-7 635	-153
Equity 231231	858	166 640	-85 577	2 065

This year's allocation to the Development fund amounts to 20 606 (18 484).

Parent	<i>Stock capital</i>	<i>Development expenditure fund</i>	<i>Share premium</i>	<i>Retained earnings</i>
Equity 220101	788	2 154	114 310	-37 574
Net profit/loss for the year				-20 935
Capitalization development		1 004		-1 004
Issued warrants				431
New share issued	70		42 231	
Equity 221231	858	3 158	156 541	-59 082
Net profit/loss				3 670
Capitalization development		5 724		-5 724
Issued warrants				
New share issued				
Equity 231231	858	8 882	156 541	-61 136

This year's allocation to the Development fund amounts to 5 724 (1 004).

Proposal for the appropriation of the profit/loss

The board and managing director propose the unrestricted equity, 95 407 331 SEK, to be distributed:

Profit brought forward from prev. years	91 737 330
Profit for the year	3 670 001
Sum	95 407 331
Carried forward	95 407 331
Sum	95 407 331

Please refer to the following income statements, balance sheet and additional information regarding the company's profits and financial position in general.

Income statement - Group

<i>SEK k</i>	<i>Note</i>	<i>2023-01-01- 2023-12-31</i>	<i>2022-01-01- 2022-12-31</i>
Operating income			
Net sales		136 932	24 817
Capitalized development	25	25 676	23 257
Other operating income		1 534	143
		<u>164 142</u>	<u>48 217</u>
Operating expenses			
Goods for resale		-110 255	-15 980
Other external expenses	5	-13 205	-14 150
Personnel expenses	3	-30 383	-31 425
Depreciation, amortization and impairment	4	-16 400	-7 589
Other operating expenses		-139	-175
		<u>-6 240</u>	<u>-21 102</u>
Operating profit			
Financial items			
Profit from partnership and joint venture	6	-474	-1 552
Net financial items	7	-1 032	-42
		<u>-7 746</u>	<u>-22 696</u>
Profit after financial items			
Profit before tax			
		<u>-7 746</u>	<u>-22 696</u>
Tax on the period's results	8	-42	-6
		<u>-7 788</u>	<u>-22 702</u>
Net profit for the period			
Attributable to:			
Parent company stock owners		-7 635	-22 476
Non-controlling interests		-153	-226

Balance Sheet - Group

<i>SEK k</i>	<i>Note</i>	<i>2023-12-31</i>	<i>2022-12-31</i>
Assets			
Non-current assets			
<i>Intangible assets</i>			
Capitalized expenditure for development	9	60 571	39 366
Goodwill	10	761	1 268
		61 332	40 634
<i>Prop. Plant and Equipment</i>			
Investment in Property	11	47	105
Equipment and tools	12	2 021	2 399
		2 068	2 504
<i>Financial assets</i>			
Investment in assc. company	15	1 468	-
Other long term receivables	16	950	950
		2 418	950
Total non-current assets		65 818	44 088
Current assets			
<i>Current receivables</i>			
Account receivables		12 708	2 476
Current tax receivables		505	269
accrued, Note yet invoices		502	-
Other receivables		2 541	2 797
Prepaid expenses and accrued income	17	1 387	1 462
		17 643	7 004
<i>Cash and cash equivalents</i>		21 820	48 309
Total current assets		39 463	55 313
Total Assets		105 281	99 401

Balance sheet - Group

<i>SEK k</i>	<i>Note</i>	<i>2023-12-31</i>	<i>2022-12-31</i>
Equity and liabilities			
<i>Equity</i>			
Shared capital		858	858
Other capital contributed		166 640	166 640
Retained earnings		-85 575	-77 942
Equity attributable to parent company shareholder		81 923	89 556
Non-controlling interests		2 065	2 218
Total equity		83 988	91 774
<i>Liabilities</i>			
Account Payables		4 209	1 587
Liabilities to associated and jointly controlled companies	19	16	27
Current tax liabilities		463	26
Other liabilities	21	990	1 303
Accrued expenses and prepaid revenues	20	15 615	4 684
		21 293	7 627
Total equity and liabilities		105 281	99 401

Cash flow statement - Group

<i>SEK k</i>	<i>Note</i>	<i>2023-12-31</i>	<i>2022-12-31</i>
Operating activities			
Operating result		-7 746	-22 696
Adjustment for items Note included in the cash flow:			
Depreciation and amortization		16 399	7 588
Share of associated companies' profit		-	1 552
Paid taxes		-42	-473
Cash flow from operating activities		8 611	-14 029
Changes in working capital			
Change in operating receivables		-10 637	1 483
Change in operating liabilities		13 666	255
Cash flow from operating activities		11 640	-12 291
Investments			
Acquisition of associate company		-1 468	-
Acquisition of intangible assets		-35 478	-24 624
Acquisition of tangible assets		-1 183	-1 679
Cashflow from investments		-38 129	-26 303
Financing activities			
Equity financing		-	42 301
Premiums for warrants		-	431
Cashflow from financing activities		-	42 732
Net cash flow		-26 489	4 138
Opening balance – cash and cash equivalents		48 309	44 171
Closing balance – cash and cash equivalents		21 820	48 309

Income statement – Parent company

<i>SEK k</i>	<i>Note</i>	<i>2023-01-01- 2023-12-31</i>	<i>2022-01-01- 2022-12-31</i>
Operating income			
Net sales		127 012	16 595
Capitalized development	25	718	445
Other operating income		3 475	269
		<u>131 205</u>	<u>17 309</u>
Operating expenses			
Goods for resale		-100 592	-14 989
Other external expenses	5	-10 904	-11 736
Personnel expenses	3	-9 377	-10 378
Depreciation, amortization and impairment	4	-5 635	-1 188
Operating profit		<u>4 697</u>	<u>-20 982</u>
Financial items			
Net financial items	7	<u>-1 027</u>	<u>47</u>
Profit after financial items		<u>3 670</u>	<u>-20 935</u>
Profit before tax		<u>3 670</u>	<u>-20 935</u>
Net profit for the period		<u>3 670</u>	<u>-20 935</u>

Balance sheet – parent company

<i>SEK k</i>	<i>Note</i>	<i>2023-12-31</i>	<i>2022-12-31</i>
Assets			
Non-current assets			
<i>Intangible assets</i>			
Capitalized expenditure for development	9	8 882	3 158
		8 882	3 158
<i>Prop. Plant and Equipment</i>			
Investment in Property	11	47	105
Equipment and tools	12	1 189	1 321
		1 236	1 426
<i>Financial assets</i>			
Shares in group companies	13	19 800	14 800
Receivables group companies	14	1 000	1 000
Shares in associated and jointly controlled companies	15	8 369	6 427
Other long-term receivables	16	950	950
		30 119	23 177
Total non-current assets		40 237	27 761
Current assets			
<i>Current receivables</i>			
Account receivables		11 482	2 399
Receivables group companies		44 351	25 057
Current tax receivables		100	80
Other receivables		1 448	1 987
Prepaid expenses and accrued income	17	1 386	1 338
		58 767	30 861
<i>Cash and cash equivalents</i>		20 678	46 126
Total current assets		79 445	76 987
Total assets		119 682	104 748

Balance sheet – Parent company

<i>SEK k</i>	<i>Note</i>	<i>2023-12-31</i>	<i>2022-12-31</i>
Equity and liabilities			
Equity			
<i>Restricted equity</i>			
Shared capital (17159709 shares)		858	858
Fond for development		8 882	3 158
		9 740	4 016
<i>Un-restricted equity</i>			
Retained earnings		-64 804	-38 146
Other capital contribution		156 542	156 542
Profit of the year		3 670	-20 935
		95 408	97 461
Total Equity		105 148	101 477
Liabilities			
Account Payables		1 605	888
Liabilities Group company		-	-
Liabilities associated and jointly controlled companies	19	16	27
Other current liabilities	21	272	353
Accrued expenses and prepaid revenues	20	12 641	2 003
		14 534	3 271
Total Equity and liabilities		119 682	104 748

Cashflow – Parent company

<i>SEK k</i>	<i>Note</i>	<i>2023-12-31</i>	<i>2022-12-31</i>
Operating activities			
Profit after financial items		3 670	-20 935
Adjustment for items Note included in the cash flow:			
Depreciation of assets		5 635	1 187
Cashflow from operating activities before changes in working capital		9 305	-19 748
<i>Cash flow from working capital</i>			
Change in operating receivables		-27 906	-15 846
Change in operating liabilities		11 264	-1 274
Cash flow from operating activities		-7 337	-36 868
Investments			
Acquisition of subsidiary		-5 000	-
Acquisition of associate company		-1 942	-
Acquisition of intangible assets		-10 215	-1 810
Acquisition of tangible assets		-954	-839
Changes of Group loan			-
Acquisition of financial assets			-
Cash flow from investments		-18 111	-2 649
Financing activities			
Equity financing		-	42 301
Issue of convertible loans		-	431
Cash flow from financing activities		-	42 732
Net cash flow		-25 448	3 215
Opening balance – cash and cash equivalents		46 126	42 911
Closing balance – cash and cash equivalents		20 678	46 126

Note

Note 1 Accounting principles

Amounts in SEK k if nothing else is stated.

Accounting principals

The Annual Report has been prepared in accordance with the Annual Accounts Act and in accordance with the Swedish Accounting Standards Board's general guidelines BFNAR 2012:1 Annual Report and Consolidated Financial Statements (K3)

The accounting principles are, apart from the handling of revenue, unchanged compared with the previous year.

Evaluation principles etc.

Assets, provisions and liabilities have been measured at acquisition cost unless otherwise stated below.

Foreign currency

Monetary items in foreign currency are converted at the exchange rate of the balance sheet closing date. Non-monetary items are Note restated but are reported at the exchange rate at the time of acquisition.

Exchange differences arising from the adjustment or translation of monetary items are recognized in the income statement in the financial year in which they arise.

Intangible assets

Intangible non-current assets are recognized at acquisition cost less accumulated depreciation and impairment.

When accounting for development expenses, a capitalization model is applied. This means that expenditure incurred during the development phase is reported as an asset when all of the following conditions are met:

- It is technically possible to complete the intangible fixed asset so that it can be used or sold.
- The intention is to complete the intangible fixed asset and to use or sell it.
- Prerequisites exist for using or selling the intangible fixed asset.
- It is likely that the intangible fixed asset will generate future economic benefits.
- There are the necessary and adequate technical, financial and other resources to complete the development and to use or sell the intangible fixed asset.

Depreciation

Depreciation takes place on a linear basis over the asset's estimated life. Depreciation is recognized as an expense in the income statement.

	<i>Group</i>	<i>Parent</i>
The following depreciation period (years):		
<i>Internally accumulated intangible assets</i>		
Retained expenditures on development	3	3
<i>Acquired intangible assets</i>		
Retained expenditures on development	3	3
Patent	5	5
Goodwill	5	5

Tangible assets

Property, plant and equipment are recognized at acquisition cost less accumulated depreciation and impairment.

Additional expenditure

Additional expenses that meet the asset criterion are included in the asset's carrying amount. Expenses for ongoing maintenance and repairs are reported as costs when they arise.

Depreciation

Depreciation occurs on a linear basis over the asset's estimated life, as it reflects the expected pre-refinement.

The following depreciation period (years):

	<i>Group</i>	<i>Parent</i>
Tangible assets		
-Improvement others property	3	3
-Equipment and tools	5	5
-Computers	3	3

Impairment - tangible and intangible fixed assets and shares in Group companies

At each balance sheet date, an assessment is made to determine if there are any indications that an asset's value is lower than its carrying amount. If such an indication exists, the asset's recoverable amount is calculated. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. When calculating the value in use, the present value of the future cash flows that the asset is expected to generate in ongoing operations, as well as upon disposal or retirement, is calculated. The discount rate used is pre-tax and reflects current market assessments of the time value of money and the risks specific to the asset. A previously recognized impairment loss is reversed only if the reasons for the calculation of the recoverable amount at the last impairment have changed.

Leases - Lessee

All leases are classified as either finance or operating leases. A finance lease is a lease in which substantially all the risks and rewards incidental to ownership of an asset are transferred from the lessor to the lessee. An operating lease is a lease other than a finance lease.

Operating Leases

Lease payments under operating leases, including any increased initial rent but excluding service costs such as insurance and maintenance, are recognized as an expense on a straight-line basis over the lease term.

Financial Assets and Liabilities

Financial assets and liabilities are recognized at acquisition cost in accordance with Chapter 11 of BFNAR 2012:1.

Recognition and Derecognition in the Balance Sheet

A financial asset or liability is recognized in the balance sheet when the company becomes a party to the contractual provisions of the instrument. A financial asset is removed from the balance sheet when the contractual right to the cash flows from the asset expires or is settled. The same applies when the risks and rewards of ownership have been substantially transferred to another party and the company no longer has control over the financial asset. A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled. Purchases and sales of financial assets are accounted for on the trade date.

Classification and Measurement

Financial assets and liabilities are classified into different measurement categories in accordance with Chapter 12 of BFNAR 2012:1. The classification into different measurement categories forms the basis for how the financial instruments are measured and how changes in value are recognized.

- Financial assets are initially measured at acquisition cost.
- Financial current assets are measured after initial recognition at the lower of acquisition cost and net selling price at the balance sheet date.
- Receivables and other current assets are individually valued at the amount expected to be collected.
- Financial non-current assets are measured after initial recognition at acquisition cost less any impairment losses and adjusted for any revaluations.

Interest-bearing Financial Assets

Interest-bearing financial assets are measured at amortized cost using the effective interest method.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are benefits expected to be settled wholly within twelve months after the end of the annual reporting period in which the employees render the related service, excluding post-employment benefits and termination benefits. Short-term employee benefits are measured on an undiscounted basis and recognized as an expense when the related services are received. Short-term compensated absences are recognized as an expense and a liability when the employees have rendered the service that gives them the right to future compensated absences.

Post-employment Benefits

Classification

Post-employment benefit plans are classified as defined contribution plans.

Under defined contribution plans, fixed contributions are paid to another company, usually an insurance company, and the company has no further obligation to the employee once the contribution is paid. The amount of post-employment benefits depends on the contributions paid and the returns on those contributions.

Defined Contribution Plans

Contributions to defined contribution plans are recognized as an expense. Unpaid contributions are recognized as a liability.

Other Long-term Employee Benefits

Liabilities for other long-term employee benefits are measured at the present value of the obligation at the balance sheet date.

Termination Benefits

Termination benefits, to the extent that they do not provide the company with any future economic benefits, are recognized only as a liability and an expense when the company has a legal or constructive obligation either to:

- a) terminate the employment of an employee or group of employees before the normal retirement date, or
- b) provide termination benefits as a result of an offer made to encourage voluntary departure.

Termination benefits are recognized only when the company has a detailed plan for the termination and is without realistic possibility of withdrawal.

Share-based Payment

Share-based payments refer to compensation to employees under an employee stock option program. Since the program is settled with equity instruments, they are classified as "equity-settled" and an amount corresponding to the recognized personnel expense is recognized directly in equity (retained earnings). The vesting of options is conditional on the participant remaining in employment.

Tax

Income tax in the income statement for the year consists of current tax and deferred tax. Current tax is income tax for the current fiscal year that relates to the taxable profit for the year and the portion of previous years' income tax that has not yet been recognized. Deferred tax is income tax on taxable profit for future fiscal years as a result of past transactions or events.

A deferred tax liability is recognized for all taxable temporary differences, except for temporary differences arising from the initial recognition of goodwill. A deferred tax asset is recognized for

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deductible temporary differences and for the possibility to use tax loss carryforwards in the future. The measurement is based on how the reported value for the corresponding asset or liability is expected to be recovered or settled. The amounts are based on the tax rates and tax rules that are decided before the balance sheet date and have not been discounted to present value.

In the consolidated balance sheet, untaxed reserves are divided into deferred tax and equity.

Revenue

The company recognizes sales to consumers excluding VAT as net income and sales commission to gaming platforms as a sales cost, as it is considered that the consumer is the company's customer, Note the gaming platform. For service contracts on an ongoing basis, the income attributable to a completed service contract is recognized as revenue as work is performed and materials are delivered or consumed.

Interest and Royalty

Interest is recognized as income using the effective interest method.

Royalties are accrued in accordance with the economic substance of the agreement.

Consolidated Financial Statements - Subsidiaries

Subsidiaries are companies in which the parent company directly or indirectly holds more than 50% of the voting rights or otherwise has control. Control implies the power to govern a company's financial and operating policies in order to obtain economic benefits.

The acquisition method is used to account for business combinations. This means that an acquisition analysis is prepared at the date the acquirer gains control. From this date, the acquirer and the acquired entity are considered a single reporting entity. The application of the acquisition method further means that all assets (including goodwill) and liabilities as well as income and expenses are included in their entirety even for partially owned subsidiaries.

The acquisition cost for subsidiaries is calculated as the sum of the fair value at the acquisition date of assets transferred, liabilities incurred and equity instruments issued, and any contingent consideration. In the acquisition analysis, the fair value, with some exceptions, at the acquisition date of identifiable assets acquired and liabilities assumed, as well as minority interest, is determined. Minority interest is valued at fair value at the acquisition date. From the acquisition date, the acquired company's revenue and expenses, identifiable assets, and liabilities, as well as any resulting goodwill or negative goodwill, are included in the consolidated financial statements.

Goodwill

Goodwill arising from the acquisition of subsidiaries is the excess of the acquisition cost over the fair value of the acquired company's identifiable net assets. Goodwill is recognized at cost less accumulated amortization and any impairment losses.

Contingent Consideration

If, at the acquisition date, it is likely that the consideration will be adjusted at a later date and the amount can be reliably estimated, the amount is included in the estimated final acquisition cost for the acquired entity. Adjustments to the value of contingent consideration within twelve months from the acquisition date affect goodwill/negative goodwill. Adjustments later than twelve months after the acquisition date are recognized in the consolidated income statement.

Adjustments to the Acquisition Analysis

If the conditions for the acquisition analysis are incomplete, the analysis is adjusted to better reflect the actual circumstances at the acquisition date. Adjustments are made retrospectively within twelve months after the acquisition date. Adjustments later than twelve months after the acquisition date are recognized as a change in estimate and judgment.

Changes in Ownership Interest

When acquiring additional shares in companies that are already subsidiaries, no new acquisition analysis is prepared since the parent company already has control. Since changes in ownership interest in subsidiaries are transactions between owners, no profit or loss is recognized in the income statement; instead, the effect of the transaction is recognized only in equity.

When acquiring additional shares in a company such that it becomes a subsidiary, an acquisition analysis is prepared. The previously held shares are considered disposed of. Shares in a subsidiary are acquired. Profit or loss, calculated as the difference between fair value and consolidated book value, is recognized in the consolidated income statement.

If shares in a subsidiary are disposed of, or control is lost in another way, the shares are considered disposed of in the consolidated financial statements, and profit or loss on disposal is recognized in the consolidated income statement. If shares remain after control has been lost, they are recognized at fair value at the acquisition date as acquisition cost.

Associates

Investments in associates, in which the group holds at least 20% and no more than 50% of the voting rights or otherwise has significant influence over the operational and financial management, are accounted for using the equity method. The equity method means that the carrying amount of the group's investment in associates corresponds to the group's share of the associates' equity, any remaining values of group-related excess and deficit values, including goodwill and negative goodwill, reduced by any internal profits.

In the consolidated income statement, "Share of profit in associates" includes

Note 2: Estimates and Judgements

Capitalized Development Costs

The company makes estimates and judgments about the future, which impact the recognition of certain assets and liabilities, revenues, and expenses. The significant estimates and assumptions for the group are addressed below.

Capitalization of Development Costs

Direct costs for developing games and platforms are capitalized as assets in the balance sheet. These direct costs include: Salaries for employees working in the production phase. Costs for contracted consultants. The portion of the office rent attributable to the production staff.

The production of games can be divided into two main parts. Creation of objects used in games and development of the technical platform. These objects can be reused in multiple games.

Only development cost during the project is capitalized.

Note 3 Employees, personnel cost and remuneration to the board

Average number of employees

	2023-01-01- 2023-12-31	Whereof men	2022-01-01- 2022-12-31	Whereof men
Parent company				
Sweden	12	9	12	9
Total	12	9	12	9
Subsidiary				
Sweden	30	25	28	25
Total	30	25	28	25
Group total	42	34	40	34

Distribution between men and women in leading positions

	2023-12-31 Part Women in %	2022-12-31 Part Women in %
Group		
Board	-	-
Other leading positions	100	75
Parent company		
Board	-	-
Other leading positions	100	67

Saries and other compensation as well as social costs, including pension costs

	2023-01-01- 2023-12-31	2022-01-01- 2022-12-31
Group		
Board and CEO	2 630	2 081
Other employees	19 447	19 864
Total	22 077	21 954
Social cost	7 663	9 352
(whereof pension costs) 1)	616	2 225
Parent company		
Board and CEO	1 551	1 571
Other employees	5 215	5 296
Total	6 766	6 867
Social cost	2 174	3 154
(whereof pension costs) 1)	22	856

- 1) Of the Group's pension costs, 28 (previous year 158) pertain to the respective managing directors of Group companies, concerning 1 (2) person(s). The Group's outstanding pension obligations to these amount to 0 (previous year 0).
- 2) Of the Parent company's pension costs, 0 (previous year 140) concern the company's managing director, involving 0 (1) person(s). The company's outstanding pension obligations to these amount to 0 (previous year 0).

Note 4 Depreciation and amortization of tangible and intangible fixed assets

	2023-01-01- 2023-12-31	2022-01-01- 2022-12-31
Group		
<i>Depreciation according to plan allocated per asset</i>		
Capitalized expenses for research and development, etc	14 997	6 303
Improvement on others property	58	58
Goodwill	507	507
furniture, tools and fixtures	409	367
Computers	429	354
	16 400	7 589
Parent company		
<i>Depreciation according to plan allocated per asset</i>		
Capitalized expenses for research and development, etc	5 213	806
Improvement on others property	58	58
Furniture, tools and fixtures	328	311
Computers	36	13
	5 635	1 188

Note 5 Operating lease

Lease agreement where the company is the lessee

	2023-01-01- 2023-12-31	2022-01-01- 2022-12-31
Group		
Agreed future minimum lease payment for non-cancellable contracts due for payment:		
Within a year	2 491	1 755
	<u>2 491</u>	<u>1 755</u>
Parent company		
Agreed future minimum lease payment for non-cancellable contracts due for payment:		
Within a year:	2 491	1 755
	<u>2 491</u>	<u>1 755</u>

Note 6 Results from investments in associated and jointly controlled companies

	2023-01-01- 2023-12-31	2022-01-01- 2022-12-31
Share of profit	-312	-240
Depreciation goodwill	-162	-1 312
Total	<u>-474</u>	<u>-1 552</u>

Note 7 Interest income and similar items of income

	2023-01-01- 2023-12-31	2022-01-01- 2022-12-31
Group		
Interest income, other	1 052	672
Interest costs, other	-2 084	-630
	<u>-1 032</u>	<u>42</u>
Parent company		
Interest income, Group	65	53
Interest income, other	1 050	311
Interest cost, other	-2 142	-317
	<u>-1 027</u>	<u>47</u>

Note 8 Tax on profit for the year

	2023-01-01- 2023-12-31	2022-01-01- 2022-12-31
Group		
Current tax	-42	-6
Deferred tax	-	-
	-42	-6
Parent company		
Current tax	-	-
Deferred tax	-	-
	-	-

Reconciliation of effective tax

	2023		2022	
Group	Percent	Amount	Percent	Amount
Profit before tax		-7 746		-22 696
Tax according to parent company tax rate	20,6%	-1 596	20,6%	-4 675
Other non-deductible costs		-60		-23
Nontaxable income		2		-
Non accounted deductible costs		-		283
Increase in loss carryforwards without corresponding				
Capitalization of deferred tax		-1 612		-4 935
Accounted effective tax	0%	-42	0%	-6
Parent company	Percent	Amount	Percent	Amount
Profit before tax		3 670		-20 935
Tax according to parent company tax rate	20,6%	756	20,6%	-4 312
Other non-deductible costs		-58		-20
Nontaxable income		-		-
Non accounted deductible costs		-		283
Increase in loss carryforwards without corresponding				
Capitalization of deferred tax		-		-4 575
Tax according to parent company tax rate		-698		-
Accounted effective tax	0%	-	0%	-

Note 9 Capitalized expenses for development

	2023-12-31	2022-12-31
Group		
<i>Accumulated acquisition values:</i>		
-Opening balance	63 954	39 330
-Acquisition	36 801	24 624
Closing acc acquisition value	100 755	63 954
<i>Accumulated depreciations:</i>		
-Opening balance	-23 954	-17 652
-Disposal of subsidiaries		-
-Depreciation for the year	-15 296	-6 302
Closing acc Depreciations	-39 250	-23 954
<i>Accumulated impairment:</i>		
-Opening balance	-634	-634
-Impairments for the year	-300	-
Closing acc impairments	-934	-634
Accounted value at the end of the year	60 571	39 366
Parent		
<i>Accumulated acquisition values:</i>		
-Opening balance	4 312	2 502
-Acquisition	10 936	1 810
Closing acc acquisition value	15 248	4 312
<i>Accumulated depreciations:</i>		
-Opening balance	-1 154	-348
- Amortization of the year	-	-
-Depreciation of the year	-4 912	-806
Closing acc Depreciation and amortization	-6 366	-1 154
-Impairment of the year	-300	-
Accounted value at the end of the year	8 882	3 158

Note 10 Goodwill

	2023-12-31	2022-12-31
Group		
<i>Accumulated acquisition values:</i>		
-Opening balance	2 535	2 535
Closing acc acquisition value	2 535	2 535
<i>Accumulated depreciations:</i>		
-Opening balance	-1 267	-760
- Depreciation of the year	-507	-507
Closing acc Depreciation	-1 774	-1 267
Accounted value at the end of the year	761	1 268

Note 11 Expenses on other properties

	2023-12-31	2022-12-31
Group		
<i>Accumulated acquisition values:</i>		
-Opening balance	174	134
- Acquisition	-	40
	174	174
-Closing balance		
<i>Accumulated depreciations:</i>		
-Opening balance	-69	-11
-Depreciation of the year	-58	-58
	-127	-69
-Closing balance		
Accounted value at the end of the year	47	105
 Parent company		
<i>Accumulated acquisition values:</i>		
- Opening balance	174	134
- Acquisition	-	40
	174	174
- Closing balance		
<i>Accumulated depreciations:</i>		
-Opening balance	-69	-11
-Depreciation of the year	-58	-58
	-127	-69
-Closing balance		
Accounted value at the end of the year	47	105

Note 12 Equipment, tools, fixtures and fittings

	2023-12-31	2022-12-31
Group		
<i>Accumulated acquisition values:</i>		
-Opening balance	3 319	1 680
-Acquisitions	461	1 639
	3 780	3 319
Closing acc. acquisition value		
<i>Accumulated depreciations:</i>		
-Opening balance	-920	-199
-Depreciations of the year	-839	-721
	-1 759	-920
Closing acc depreciation		
Accounted value at the end of the year	2 021	2 399
 Parent company		
-Opening balance	1 676	876
-Acquisitions	232	800
	1 908	1 676
Closing acc. acquisition value		
<i>Accumulated depreciations:</i>		
-Opening balance	-355	-31
-Depreciations of the year	-364	-324
	-719	-355
Closing acc depreciation		
Accounted value at the end of the year	1 189	1 321

Leasing

No furniture, tools and fixture are held under financial leasing (0 SEK).

Not 13 Andelar i koncernföretag

	2023-12-31	2022-12-31
<i>Accumulated acquisition values:</i>		
-Opening balance	14 800	14 800
-Shareholder contribution	5 000	-
Closing acc. acquisition value	19 800	14 800
Accounted value at the end of the year	19 800	14 800

Specified ownership of the Parent company and the Group in shares of Group companies The ownership percentage of the capital is referred to, which also corresponds to the percentage of votes for the total number of shares.

<i>Subsidiaries /company number / location</i>	<i>#</i>	<i>Shares in %</i>	2023-12-31 <i>Accounted value</i>	2022-12-31 <i>Accounted value</i>
Cortopia AB, 559156-7358, Stockholm		100	17 600	12 600
Moon Mode AB, 559053-3351, Stockholm		55	2 200	2 200
			19 800	14 800

	Equity	2023-12-31	Profit/Loss 2023
Cortopia AB, 559156-7358, Stockholm		1 282	-11 244
Moon Mode AB, 559053-3351, Stockholm		3 844	167

Note 14 Liabilities Group companies

	2023-12-31	2022-12-31
Parent company		
<i>Accumulated acquisition values:</i>		
-Opening balance	1 000	1 000
-Liabilities of the year	-	-
-Re-classification	-	-
-Closing balance	1 000	1 000
Accounted value at the end of the year	1 000	1 000

Note 15 Shares in associates and jointly controlled companies

	2023-12-31	2022-12-31
Group		
<i>Accumulated acquisition values:</i>		
-Opening balance	-	1 552
-Acquisitions	1 942	
-Share of associated companies profit/loss	-474	-1 552
Closing acc. Acquisition value	1 468	-
Accounted value at the end of the year	1 468	-

Specification of the Parent company's and Group's holdings in investments in associates

<i>Associate companies / company number, location</i>	<i>Profit/loss</i>	<i>Share %</i>	<i>Capital share</i>	<i>Accounted value in Parent company</i>
Direct owned				
Odd Raven Studios AB, 559055-8432, Sthlm	-1 448	38	1 468	8 369
Accounted value at the end of the year			1 468	8 369

The ownership percentage of the capital is referred to, which also corresponds to the percentage of votes for the total number of shares

Note 16 Other long-term receivables

	2023-12-31	2022-12-31
Group		
<i>Accumulated acquisition values:</i>		
-Opening balance	950	950
- Accumulated acquisition values	-	-
-Re-classification	-	-
Closing acc. Acquisition value	950	950
<i>Accumulated impairment:</i>		
-Closing balance	-	-
Accounted value at the end of the year	950	950
Parent company		
<i>Accumulated acquisition values:</i>		
-Opening balance	950	950
-Acquisition	-	-
Closing acc. Acquisition value	950	950
<i>Accumulated impairment:</i>		
-Closing balance	-	-
Accounted value at the end of the year	950	950

Note 17 Prepaid expenses and accrued revenues

	2023-12-31	2022-12-31
Group		
Other items	1 387	1 462
	1 387	1 462
Parent company		
Other items	1 386	1 338
	1 386	1 338

Note 18 Number of shares and quota value

	2023-12-31	2022-12-31
Ordinary share		
Number of shares	17 159 709	17 159 709
Quota value	0,05 kronor	0,05 kronor

Note 19 Liabilities Group companies

	2023-12-31	2022-12-31
Group companies		
Amounts expected to be paid within more the twelve months	-	-
Amounts expected to be paid more the five years from balance day	-	-
Parent company		
Amounts expected to be paid within more the twelve months	-	-
Amounts expected to be paid more the five years from balance day	-	-

Note 20 Accrued expenses and prepaid revenues

	2023-12-31	2022-12-31
Group		
Salaries and vacation	2 985	2 505
Deferred social security	965	1 363
Other items	11 665	816
	15 615	4 684
Parent company		
Salaries and vacation	1 175	846
Deferred social securities	396	531
Other items	11 070	626
	12 641	2 003

Note 21 Transactions with related parties

The company has purchased consulting services totaling 25 tkr (824 tkr) from Zelk AB, 556695-7758, which is owned by the Board member and shareholder Ricky Helgesson, on market terms.

Cortopia secured external financing from a major technology company of 2.5 MUSD to support VR game development related to the aforementioned, but unnamed, intellectual property license.

Beyond Frames Entertainment's title 'Ghosts of Tabor' was launched on the Meta Quest Store on February 8, 2024."

Note 23 Group information

Purchase and sales within the Group

For the Parent company's total purchases and sales measured in kronor, 4% (21%) of purchases and 4% (1%) of sales pertain to other companies within the entire corporate group to which the company belongs."

Note 24 KPI definition

EBITDA

Profit before interest, tax, impairments, and depreciation".

Not 25 Capitalization of own development

Group	2023-01-01 - 2023-12-31	2022-01-01 - 2022-12-31
Capitalized expenses for personnel	16 305	15 704
Capitalized expenses via acquisitions	9 371	7 553
Total capitalization of own development	25 676	23 257
Parent company	2023-01-01 - 2023-12-31	2022-01-01 - 2022-12-31
Capitalized expenses via acquisitions	718	445
Total capitalization of own development	718	445

Signatures

Stockholm

Mikael Söderström
Chairman of the Board

Arthur St Germain
CEO

Erik Åkerfeldt

Ricky Helgesson

Catherine Ehrensvärd

Fredrik Burvall

Our audit have been done by
Revideco AB

Erik Emilsson
Authorized auditor

The Group's income statement and balance sheet as well as the Parent company's income statement and balance sheet will be subject to approval at the annual general meeting



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