



ANNUAL REPORT 2022

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in case of any discrepancies between this version and the Swedish,
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ABOUT PARADOX INTERACTIVE

Paradox Interactive is one of the premier developers and publishers of strategy and management games on PC and consoles. The group today consists of publishing and nine studios in six countries that develop gaming experiences for the company's over five million monthly active users.

The players are located all over the world but some of the biggest markets are North America, Western Europe, and Asia. Its game portfolio consists of popular franchises such as Stellaris, Europa Universalis, Hearts of Iron, Crusader Kings, Prison Architect, the Surviving games, Age of Wonders and Victoria. Paradox Interactive also owns the World of Darkness brand catalogue.

The games are, among others, developed by Paradox Development Studio which consists of PDS Black, PDS Gold, PDS Green and PDS Red in Stockholm as well as Paradox Arctic in Umeå and Paradox Thalassic in Malmö. Internationally, games are developed by Harebrained Schemes in Seattle, Triumph Studios in Delft, Paradox Tectonic in Berkeley, California, Playrion Game Studio in Paris, Iceflake Studios in Tampere, and Paradox Tinto in Barcelona. Paradox also collaborates with multiple external studios.

Paradox Interactive's headquarters is on Södermalm in Stockholm and is listed on Nasdaq First North Premier Growth Market.

HISTORY

Paradox Interactive emerged from Swedish board game history and was, until the early 2000s, the video game section of Target Games which, amongst other games, developed classic tabletop roleplaying games such as Drakar och Demoner and Mutant as well as board games such as Rappakalja. In 2004, the business became independent and Paradox Interactive stood on its own two feet, with seven employees and Fredrik Wester at the helm. Since then, the company has grown to today's 656 employees with a strong portfolio of strategy- and management games.



COMMENTS BY THE CEO

WE'VE ONLY JUST BEGUN

2022 has been a good year, yet at the same time it's clear that the Paradox Interactive that finished the year was not the same company that we started the year with. We have made changes in structures, processes and products to clarify roles and tasks, something that is now beginning to show and produce results in the organisation.

We started the year with a very clear ambition: to strengthen and develop our core business. More specifically, we wanted to build and grow our recurring revenue by improving the risk profile of projects and strengthening our active games through a focus on quality and development cadence, while streamlining operations and building our community.

In hindsight, we have more or less delivered on all points. We have started delivering the projects in our pipeline, not least Victoria 3 and Airport Simulator; we have launched Paradox Arc to be able to find and launch small, experimental and for us more risky titles; we have released many very good DLCs for all of our core titles and continue to test different models for developing and charging for content.

In parallel, we have developed our pricing strategy and made important efficiency improvements at the company. Additionally, we've continued to bond with our players through great events like PDXCON and the Paradox Announcement Show. There are of course parts to be further developed, for example the development cadence for new content for our active games is an area we must continue to work on. But when you summarize the year, the wide spanning and solid work has given us a really nice return. We are happy with that, for now.

As a company, we have more to give. We have a well filled coffers and a strong balance sheet, which means that we can continue to be opportunistic in taking advantage of the opportunities that may appear in an increasingly volatile environment. We have many exciting titles to put in the hands of the players and above all we are convinced that there are

higher gears to put in for our fantastic live games, whose player base continues to grow.

It is an intense journey that we have ahead of us, but we have laid the foundations in the past year and in 2023 we will release more new titles in our core segment than we have done in recent years, this provides us with good preconditions for growth in the coming years.

It can most easily be summed up in one sentence; we've come a long way, but we're far from done.

Fredrik Wester, CEO







BUSINESS MODEL

The company's main focus areas are strategy and management games that are released for PC and console according to a so-called premium model. The development of games and downloadable content is done primarily by employed staff in fully owned game studios and to a lesser extent by external partner studios.

New games are developed for several years before they are released, and the releases are preceded by efforts to market the games and activate the games' intended players. When the games are released, downloadable content is often developed which can be released at regular intervals and that broadens their systems, mechanics, or provides the player with more opportunities to create their story. This extends the game's lifetime and at the same time generates recurring revenue from the game for several years.

The games are distributed primarily through platform owners and distribution partners.

An important component of the games are the brands and the other intangible assets that the games are based on. These intangible assets are developed by the company's employees or are acquired from other companies which provides creative control and the ability to develop the games freely.

The company's intangible assets enable new games to be developed at a lower risk since there is an established and often engaged player base in place. Moreover, the intangible assets provide opportunities for exploring new revenue streams through licensing and partnerships for new games, forms of entertainment, and new technologies.

FINANCING

Game development, marketing, organisational growth and the acquisition of studios and intangible assets are mainly financed by the cash flow from operating activities. This enables the company to grow in a sustainable manner and with good control.

THE PEOPLE BEHIND THE GAMES

To make and sell intellectually challenging games with a long lifespan, a creative and skilled staff in many different disciplines with the right preconditions for collaboration is required. Game development is a creative process where Paradox strives to give employees creative freedom and responsibility in a collaborative work environment that is characterized by well-being, safety, and personal development.



STRATEGIC DIRECTION

In order to continue to grow profitably, Paradox prioritises six main areas that are deemed important for the company's future development.

1. RECURRING REVENUES THROUGH GROWING LIVE GAMES WITH STRONG COMMUNITIES

Through continuous releases of new content and a focus on developing a loyal, active, and growing player base, recurring revenue is secured.

2. DECISION MAKING CLOSE TO GAMES AND PLAYERS

Paradox development depends on creativity, development cadence and quality awareness. A decentralised decision-making process, close to the games and the players, ensures that the company takes advantage of the developers' skills and wealth of ideas, and develops content that is in demand.

3. OWNED IPS IN ENTRENCHED GAME NICHES

Paradox owns some of the strategy and management game sector's strongest franchises in segments with high entry barriers, which enables strong margins at low financial risk. Full rights over intangible assets give creative freedom as well as control over their development.

4. INVEST IN LONG-TERM ORGANIC GROWTH

Long-term organic growth is driven by ongoing investments in, and development of, the company's portfolio of games. Paradox is continuously developing its project portfolio with a focus on in-house developed game projects within the company's core segments. This is complemented by smaller investments in experimental and externally developed projects in adjacent segments as well as the acquisition of intangible assets and development capacity when opportunities arise.

Over time, Paradox has invested more and more in game development. In 2022 Paradox invested MSEK 794 in game development and had a total capitalised development of MSEK 1,650.

5. ROBUST FINANCES

Paradox safeguards good margins, a strong balance sheet and a stable operating cash flow. This reduces financial risk, ensures the ability to continuously invest in its pipeline and to act on attractive business opportunities. Historically, Paradox has had good revenue growth, a high profit margin and a strong and stable cash flow. In 2022, Paradox has increased revenue and profit margin compared to the previous year, mainly due to realignment of corporate strategy, a good release rate of new content and sustained currency tailwinds.

6. ATTRACT AND RETAIN THE RIGHT TALENT

Paradox strives to attract and retain skilled and creative employees in order to create and sell well defined and interesting gaming experiences. In addition to benefits in line with the broader market, the work environment must be characterised by cooperation, trust, respect and commitment.



MARKET

Paradox publishes and develops games for the global gaming market. For the most part, the group releases games for PC and console, and has a strong presence in the North American and Western European markets. Games are mainly sold via digital platform owners such as Valve, Sony and Microsoft.

After two years of a global pandemic, the global gaming market cooled off, and in December 2022, research firm Newzoo forecast that global gaming market revenue would reach USD 184.4 billion in 2022, a 4.3 percent year-over-year decrease. However, it is expected that the gaming market will grow in the coming years and Newzoo has estimated that the gaming market will have a turnover of USD 211.2 billion by 2025, which would mean a CAGR of 3.4 percent during the period 2020-2025.

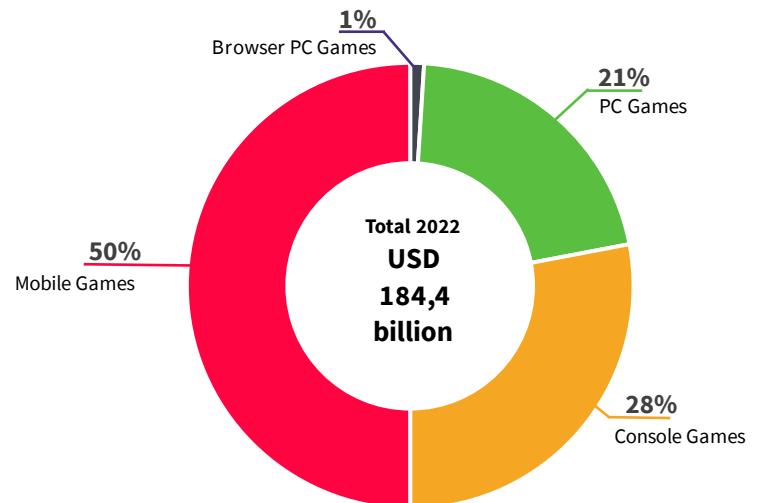
Mobile platforms are believed to experience the quickest decline in revenue, 6.4 percent year-on-year. However, mobile games are still the largest segment and account for 50 percent of the market's total revenue. PC games account for 21 percent and are the segment estimated to increase in revenue in 2022 by 1.8 percent. Browser-based PC games continue to decline in revenue, in 2022 revenue decreased by 16.7 percent on an annual basis. According to Newzoo, the console market is also estimated to have declined by 4.2 percent on an annual basis.

By the end of 2022, there will be approximately 3.2 billion gamers worldwide according to Newzoo, a growth of 4.6 percent compared to 2021. Although all regions are growing in the number of gamers, Asia-Pacific continues to be the largest with 55 percent of the global player base and has seen continued growth of 4.2 percent compared to the previous year.

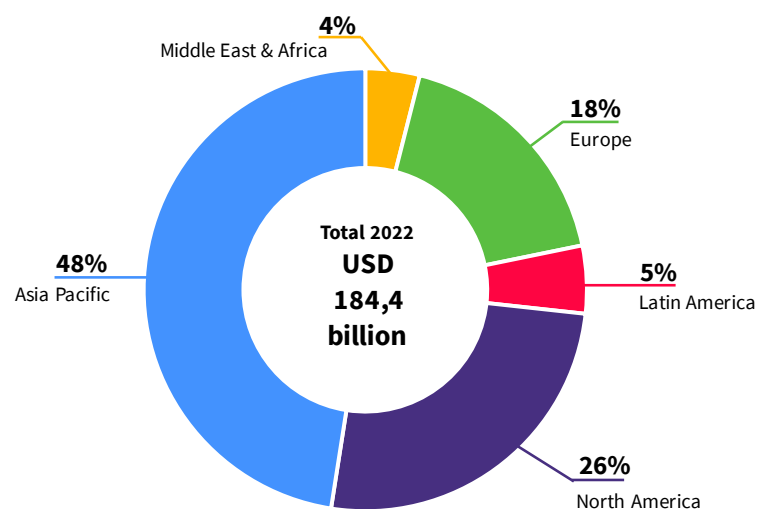
The competition within the distribution chain continues, where Valve's platform Steam has been the largest actor in PC games for over a decade. The Epic Games Store continues to challenge Steam by offering publishers and game developers 88 percent of revenue from sales. Cloud-based gaming continues to develop positively, despite Google shutting down its Stadia platform. Subscription

models have also continued to develop in 2022, for example through the continued expansion of Microsoft Game Pass.

SEGMENT BREAKDOWN OF GLOBAL GAME REVENUES



REGIONAL BREAKDOWN OF GLOBAL GAME REVENUE

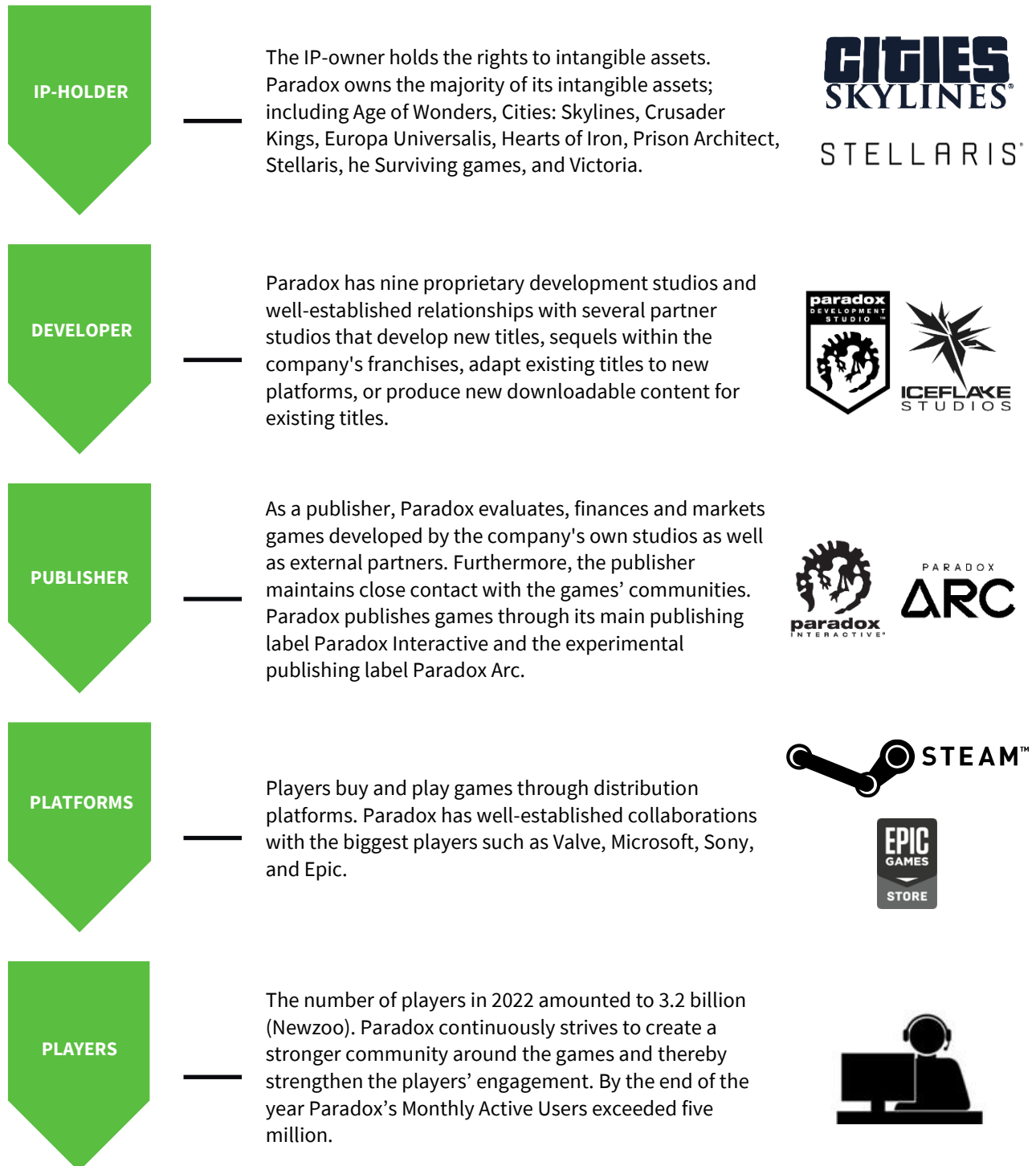


Source: Newzoo Global Games Market Report 2022



THE VALUE CHAIN

Paradox's products, game development and global reach as a publisher give the company a strong position in many parts of the gaming industry's value chain. In every part of the value chain, Paradox strives for sustainable operations; read more on pages 39–47.







GAME DEVELOPMENT

In 2022, Paradox's game development has primarily focused on its core portfolio, both by deepening existing games with downloadable content and by releasing new ones.

Paradox has developed new content for all of the company's core games over the past year, for example Royal Court for Crusader Kings III, By Blood Alone for Hearts of Iron IV and Overlord for Stellaris, all of which were well-received by players. In total, Paradox and its partner studios have released 19 DLCs for PC and console in 2022. In addition, players have been provided with several major free system and feature updates for the company's active games.

In the first half of 2022, Crusader Kings III made its console debut and the acclaimed RPG series Shadowrun Trilogy was also released for console. Furthermore, mobile game studio Playrion released its new title Airport Simulator: First Class in October.

The year's biggest event, however, was the launch of Paradox's fifth active grand strategy game, Victoria 3, in October. The society simulator set in the Victorian era received good reviews and met with great player enthusiasm, and was nominated, among other things, for strategy and simulation game of the year in the Game Awards and PC game of the year by Destructoid, creating a good foundation for further long-term development.

QUALITY AND CADENCE

Paradox strives to launch content of high quality at a high rate. In 2021 major changes were made to the quality assurance process as well as the internal studio structure and in 2022 the work has continued. There is now a strong peer review process that ensures that games are scrutinised from multiple perspectives at each milestone in the game's development.

Game development is now done by several smaller studios that have greater ownership and responsibility over their games' creative vision, quality, and finances. Each studio's employees typically work in small, autonomous teams with a

large degree of freedom, allowing each employee to have a greater impact on that game's development.

USER FRIENDLY DESIGN

In recent years, Paradox has focused on making it easier to start playing its more complex titles. The ambition is to make them more accessible, for example via better UX, better instructions and practice sessions. The most recent example is Victoria 3's "How and Why" where the game's introductory campaign explains in depth how the game's complex systems work and why they matter to the player's decisions.

GAME PILLARS

In order to create strategy and management games that can be explored and experienced again and again, all development of the company's core games is based on five guiding Game Pillars. They ensure that the games offer deep experiences that give the player many opportunities and interesting challenges.



AGENCY

Paradox games give players the freedom to live out their fantasies, create their own stories and express themselves and their creativity. From customization options, game rules and modding to emergent stories and rewriting history, Paradox titles are not linear, plot driven experiences.



LIVING WORLDS

Paradox games feature dynamic, reactive worlds where other forces seem to be pursuing their own goals beyond the control of players. No two games will be the same and players will experience new stories every time they play.



INVITING

Paradox games have compelling themes with a clear promise. Players are enticed to make the effort of learning our games. Which are approachable enough to keep players engaged, onboarding them in their worlds and gameplay systems in a smooth and rewarding way.



CEREBRAL

Paradox games challenge the player's mind before their reflexes. Incredible depth rewards the player's curiosity and intelligence. Our games are hard to master; there is always more to discover. Moreover, players can "nerd out" on the themes and subject matters even when not playing.



ENDLESS

One does not simply "finish" a Paradox game. Either you keep coming back for another playthrough or there is no end state at all. Paradox games provide engagement for a long time.



INTERVIEW

JOHANNA UDDSTÅHL - STUDIO MANAGER, PDS RED

What does it mean to be Studio Manager at Paradox?

A Studio Manager is a bit like being the CEO of a company within the company. We have a lot of freedom to make our own decisions within the framework of Paradox's strategic direction, but to get that freedom we need to demonstrate profitability, first and foremost. I have full responsibility for the studio generating revenue that well exceeds its costs.

Being a Studio Manager also means a lot of collaboration with other roles and teams around Paradox. In addition to my management team in the studio, I work very closely with our Business Owner and Marketing Manager for Victoria 3, but also other teams, for example Product Launch, User Research, Data & Analytics and Creative so that we can make and release as good games and DLCs as possible.

Victoria 3 was released in 2022, how does it feel?

It was about equal parts relief and euphoria and at the same time a strong feeling of having accomplished something very big. For me personally and many others in the team, it was also the first time we released a brand-new base game, which of course adds an extra dimension to the whole thing. Now the focus is on continuing to develop Victoria 3 together with the players for many years to come.

What has been most challenging about releasing Victoria 3?

By far the most challenging part of getting the game out there has been finding the balance between making as much content and features as possible, while maintaining technical performance and keeping a high quality as measured by the number of bugs. We also have to do this before we've gotten the vast majority of the feedback from our millions of players.

How do you think Victoria 3 stands out vis-a-vis Paradox's other games?

In a similar vein as other Grand Strategy games, players in Victoria 3 get to simulate a historical period on a world map. It begins around the time Europa Universalis ends in 1836 and ends just before the outbreak of World War II where Hearts of Iron takes over. But unlike the other historical games, Victoria 3 is primarily an inward-looking society simulator - you're primarily optimising your country to be as economically successful as possible. Of course, you can go to war and conquer other nations in Victoria 3 as well, but that is not the core of the experience.

To some extent, it can be argued that the game leans more towards the management genre, in that war and conflict do not necessarily have to be part of the player fantasy, but at the same time, with the help of a strong economy, you can become a dominant nation. I personally think there are a lot of management players out there who would really like Victoria 3 but may have a preconceived notion that it is exclusively a strategy game.

What does Victoria 3's development path look like?

We are already in full swing with our post-release content that we announced in our Season Pass "Grand Edition." It includes a Music Pack with new specially written music, an Immersion Pack that deepens the experience within a specific region, culture or similar, a large Expansion and finally an Art Pack that takes the visual experience of Victoria 3 to even greater heights.

Now in March, the release of our first Music Pack awaits, along with a lot of game improvements requested by our players.







PUBLISHING

The publisher Paradox Interactive is responsible for the games' sales and works closely with internal studios as well as third-party developers. Sales efforts are done by, among other things, creating strong sales-driving campaigns, building and further developing the player communities, strengthening relations with important platform owners and developing the ecosystem of services around the games.

Within the publishing business, there is a breadth of skills that support the company's and the games' development. The departments include Business Owners and Marketing Managers who develop the games' short- and long-term revenue generation, an analytics department that works to better understand the player, a digital marketing team that develops the games' digital presence, and a community management department that develops the important player base. Furthermore, there are departments for partner relations, product launch, and more.

BACK TO PARADOX'S CORE

At the end of 2021, Paradox changed its strategic direction. For the company's publishing operations, this meant a clearer focus on the company's core segment and active games in 2022. In the past year, Paradox Interactive has therefore focused on using resources and expertise better during the games' life cycle, in order to get a better result from every penny spent. This has meant, among other things, that the publisher focuses its resources on the launched games that are actively developed and game projects that are at the end of their development phase, with less focus on game projects in an early development phase. In addition, specialist competences are used in a more flexible way between projects, instead of

locking them to a few projects. More tasks are carried out by staff rather than consultants and marketing and sales budgets are more efficient.

DIG WHERE WE STAND

To better leverage the entire Paradox portfolio, publishing has increased its focus on packaging each core game's often extensive DLC catalogue. In addition, the company has broadened the localization of existing and new titles to attract new audiences. The work has led to additional sales of both the base game and previously launched content when new DLCs are released.

PLATFORMS AND PAYMENT MODELS

Paradox strives to be where the customers are and makes available and markets the company's games on all relevant distribution channels such as Steam, Epic Games Store, Nintendo Store and both Microsoft and Sony's distribution platforms. During 2022, Paradox has continued to both broaden and deepen collaboration with distribution partners to ensure that the company's games reach new audiences.

PARADOX ARC

As part of the process of refining Paradox's important pipeline, Paradox launched a new publishing initiative in the second half of 2022, Paradox Arc. Arc's mission is to find, finance and launch smaller and experimental titles in segments adjacent to Paradox Interactive's focus areas. The aim is to find, in terms of cost, small games that are deemed to have higher risk but good potential and which can eventually become part of Paradox's core portfolio. In the second half of 2022, Paradox Arc launched the roguelite deck-builder Across the Obelisk, the colony builder Stardeus entered Early Access, and Surviving the Abyss was released into Early Access in early 2023.



INTERVIEW

MATTIAS RENGSTEDT - HEAD OF SALES

What does the Paradox sales department do?

The majority of our sales is digital, which means that a large part of our work revolves around our digital distribution channels. We have close collaborations with several partners, such as Valve, Microsoft and Sony where our ambition is to constantly create the best possible conditions for our content on their platforms.

We also spend a lot of time on the commercial aspects of our games: how we price and package our content and how we work with different types of campaigns to drive sales. We also have large amounts of data at our disposal that we use for various types of commercial analysis that we provide to our game teams as a foundation for decision-making.

Finally, we also handle licensing where potential partners want to develop products based on our brands, which can be anything from board games to VR games.

In 2022, the company's pricing strategy has changed, why and how?

In recent years, we have started to review our pricing in a more structured way as we saw fairly large discrepancies, both against our peers on the market and between different geographic regions. In the last year, we deemed that there was room to start adjusting prices, both base prices for different types of content for our core games and also broader adjustments of prices in several markets based on local benchmarks as well as the national macroeconomic development. Even though we have made several changes in this area recently, we will also continue to focus on pricing to ensure that we have a good balance between price and the value we create for our players. During the process, we have also had a close dialogue with our players by flagging price adjustments well before they come into effect

and taking the time to answer questions and opinions on our forums.

Our core markets are North America and Western Europe. What's your view of Paradox's geographic footprint going forward?

North America and Western Europe are our core markets, and we believe we can continue to have very good growth here. Having said that, we also see good organic growth in the Asia-Pacific region and here we are currently reviewing what we can do to

further accelerate growth, for example through various partner collaborations and distribution opportunities.

We have tested different business models in recent years, what have we learned and how do you view the future?

Our DLC model serves us well and will continue to be our main business model. In order to develop, however, we must experiment with new approaches and continue to be where our players are. Hearts of Iron IV is a good example where, in addition to our traditional DLC model, we are also

testing our own subscription service for all DLCs via Steam and in addition we also provide the base game via Microsoft's Game Pass subscription service to reach more players.

In addition, we also work with User Generated Content, i.e., content developed by the players, where, for example, both Cities: Skylines and Surviving Mars have experimented successfully with so-called Content Creator Packs, which is an interesting and effective way to develop the game and engage our most dedicated fans.

What are you looking forward to in 2023?

To put more games and more content in the hands of our players!









THE PLAYERS

Paradox exists to create experiences that players love to explore and return to. But the players are more than that; they are an asset in Paradox's business. They are a source of feedback, ideas, content and energy that make the games even better and longer lasting.

The players' continuous engagement strengthens the games' economic lifetime and helps Paradox secure recurring and stable revenue over time. Therefore, Paradox's developer and community teams have focused on further strengthening the dialogue with, and engagement of, players across all its channels and through various initiatives.

PLAYER MEET-UPS

To strengthen its player community and create natural meeting places for fans, Paradox regularly conducts various events where developers, content creators and players can interact with each other, take part in game news and broaden their interest in Paradox games. During the year, PDXCON was held in Stockholm where hundreds of fans could meet and, among other things, play board games, test Victoria 3 before release, and participate in seminars and workshops. The participants' appreciation was clear, seen in the historically high level of participant satisfaction. Later in the fall, Grandest Lan was arranged for Europa Universalis IV. In a Polish castle, the players met in a four-day role-playing event where 102 participants got to experience medieval diplomacy, both in and out of the game.

LIVESTREAMS AND GAME CONTENT

There are daily live streams on YouTube and Twitch, where the games are showcased, new releases are presented, campaigns are made together with fans and personal meetings and conversations take place with game developers and other guests. In 2022, Paradox streamed 492 hours of Twitch content and the content was viewed for 256,666 hours and by

8,000 concurrent viewers at most. Guides, trailers, discussions and presentations are published monthly on the company's YouTube channels, which are often disseminated to other channels. The company's YouTube content has been viewed 52,700,000 times and the content has been watched for 1,962,000 hours.

FORUM OCH WIKIS

Paradox Forum and Wikis are both meeting places and knowledge banks for Paradox fans. Players can immerse themselves in the games, strategies, and mechanics, and make contacts with others who share their interests. They also create an interface between developers and players where Paradox game teams can directly engage in dialogue with, and receive feedback from, players. The Forum and Wikis had 107,8 million views and 22,4 million users during the year.

MODS

User-generated content is and continues to be a key factor in the development and marketing of Paradox games. That players have the freedom to adapt and improve the games themselves is a strength, which drives both new sales and improves player experience. Paradox also has its own modding platform which is a platform-independent solution where console players can download and use the same mods as on a PC.

PDX ACCOUNTS

An important way into the communities that surround Paradox games is the PDX account. Via their account, the player can download and use mods; collect achievements; actively participate in the forums and gain access to closed game-specific sub-forums; contribute knowledge and experience to Wikis; get personal news and offers via email and other channels and get access to Paradox Multiplayer.

ORGANISATION

During 2022, Paradox has continued to streamline its organisation. At the end of the year, the company had 656 employees globally, the majority of whom work in Sweden. The focus continues to be on building the organisation organically based on the company's growth prospects. No acquisitions of new studios have been made during 2022.



PARADOX INTERACTIVE

Stockholm, Sweden

Founded: 1999, but current company registered in 2004

Description: Paradox Interactive is a global publisher of strategy and management games for PC and console and publishes the group's proprietary titles as well as titles from third-party developers. The game catalogue dates to 1999 with players hailing from all over the world. The publishing business also develops the gaming communities, manages the company's business development and the licensing business that is linked to the company's intangible assets.



PARADOX DEVELOPMENT STUDIO

Stockholm, Sweden

Founded: 1995, but current company registered in 2007

Description: Paradox Development Studio is the game studio behind successful strategy games such as Crusader Kings, Europa Universalis, Hearts of Iron, Stellaris and Victoria. The studio has developed globally recognised strategy games since 1995. Since 2021, the studio consists of four sub-studios: PDS Green, PDS Red, PDS Black and PDS Gold. PDS Green further develops Stellaris, PDS Black further develops Crusader Kings III, PDS Red further develops Victoria 3 and PDS Gold further develops Heart of Iron IV.

Developed games: Crusader Kings, Europa Universalis, Victoria, Hearts of Iron, Stellaris and several other titles.



PARADOX ARCTIC

Umeå, Sweden

Founded: 2014, legally a part of Paradox Development Studio

Description: Paradox Arctic has worked on the development of the War of series, Magicka 2, Pillars of Eternity for console and developed the Paradox multiplayer backend. The studio is now developing content for tellaris together with PDS Green.

Developed games: The War of series, development for Magicka 2, Pillars of Eternity: Complete Edition.



PARADOX TECTONIC

Berkeley, California

Founded: 2019

Description: Paradox Tectonic is leading the development of Life by You.

Developed games: Life by You.



PARADOX TINTO

Barcelona, Spain

Founded: 2020

Description: Paradox Tinto is home to Europa Universalis and is currently developing new content for Europa Universalis IV.

Developed games: -



PARADOX THALASSIC

Malmö, Sweden

Founded: 2018, legally a part of Paradox Development Studio

Description: The studio was established in 2018 to develop games for mobile platforms but is currently working on developing content for Crusader Kings III together with PDS Black.

Developed games: -



HAREBRAINED SCHEMES

Seattle, Washington

Founded: 2011

Description: Harebrained Schemes are the developers behind the award-winning Shadowrun and Battletech series that combine tactical games with nuanced and engaging stories. The studio was acquired by Paradox in 2018 and is currently developing The Lamplighters League.

Developed games: Battletech, Shadowrun, Necropolis, The Lamplighters League.



ICEFLAKE STUDIOS

Tampere, Finland

Founded: 2007

Description: Iceflake Studios consists of a team of experienced game developers and has created games for PC, consoles, and mobile platforms. They have previously developed Premium Pool and the ice fishing game Ice Lakes. The studio was acquired in 2020 during the development of Surviving the Aftermath which was released in version 1.0 in 2021, and have been expanded with two DLCs in 2022.

Developed games: Surviving the Aftermath, Ice Lakes, Premium Pool.



PLAYRION GAME STUDIO

Paris, France

Founded: 2010

Description: Playrion is Paradox's mobile game studio, focused on management games. The studio was acquired by Paradox in 2020 and in 2022 they released *de Airport Simulator: First Class*, which they support with live updates and new features.

Developed games: *Airlines Manager*, *Airport Simulator: First Class*.



TRIUMPH STUDIOS

Delft, Netherlands

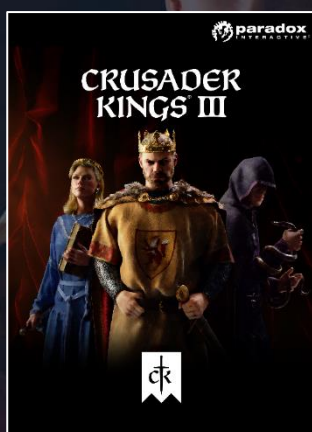
Founded: 1997

Description: Triumph Studios are the creators of the critically acclaimed *Age of Wonders* and *Overlord* series. The studio was acquired by Paradox in 2017 and is currently working on *Age of Wonders 4*.

Developed games: *Age of Wonders*, *Age of Wonders: Planetfall*, *Overlord*.

GAMES

At the end of the year, Paradox's game portfolio consisted of fourteen games. Seven strategy games, five management games and two games published by Paradox Arc. In 2022, the portfolio was expanded with three games. The biggest titles, in terms of revenue and players, are still Cities: Skylines, Crusader Kings III, Europa Universalis IV, Hearts of Iron IV and Stellaris.



CRUSADER KINGS III

Release date: 1 September 2020

Platforms: PC, XBOX SERIES X|S, PLAYSTATION 5

Description: An Heir is Born in Crusader Kings III. Crusader Kings III is the newest generation of Paradox Development Studio's beloved medieval role-playing grand strategy game. Expand and improve your realm, whether a mighty kingdom or modest county. Use marriage, diplomacy, and war to increase your power and prestige in a meticulously detailed map that stretches from Spain to India, Scandinavia to Central Africa. (**Publisher:** Paradox Interactive)

Developer: Paradox Development Studio

Releases 2022: Royal Court (PC), Fate of Iberia (PC), Friends & Foes (PC), Crusader Kings III: Console Edition (XBOX/PS), Northern Lords (XBOX/PS)



EUROPA UNIVERSALIS IV

Release date: 13 August 2013

Platforms: PC

Description: The empire building game Europa Universalis IV gives you control of a nation to guide through the years in order to create a dominant global empire. Rule your nation through the centuries, with unparalleled freedom, depth, and historical accuracy. True exploration, trade, warfare, and diplomacy will be brought to life in this epic title rife with rich strategic and tactical depth.

Publisher: Paradox Interactive

Developer: Paradox Development Studio and Paradox Tinto

Releases 2022: Lions of the North (PC)



HEARTS OF IRON IV

Release date: 6 June 2016

Platforms: PC

Description: Victory is at your fingertips! Your ability to lead your nation is your supreme weapon, the strategy game Hearts of Iron IV lets you take command of any nation in World War II. It is time to show your ability as the greatest military leader in the world. Will you relive or change history?

Publisher: Paradox Interactive

Developer: Paradox Development Studio

Releases 2022: By Blood Alone (PC)



STELLARIS

Release date: 9 May 2016

Platforms: PC, XBOX ONE, PLAYSTATION 4

Description: Get ready to explore, discover and interact with a multitude of species as you journey among the stars. Discover buried treasures and galactic wonders as you spin a direction for your society, creating limitations and evolutions for your explorers. Alliances will form and wars will be declared.

Publisher: Paradox Interactive

Developer: Paradox Development Studio

Releases 2022: Overlord (PC), Toxoids Species Pack (PC), Nemesis (XBOX/PS), Aquatics Species Pack (XBOX/PS)



VICTORIA 3

Release date: 25 October 2022

Platforms: PC

Description: Paradox Development Studio invites you to build your ideal society in the tumult of the exciting and transformative 19th century. Balance the competing interests in your society and earn your place in the sun in Victoria 3, one of the most anticipated games in Paradox's history. Lead dozens of world nations from 1836-1936. Agrarian or Industrial, Traditional or Radical, Peaceful or Expansionist, the choice is yours.

Publisher: Paradox Interactive

Developer: Paradox Development Studio

Releases 2022: Version 1.0



SHADOWRUN TRILOGY

Release date: 21 June 2022

Platforms: XBOX ONE, XBOX SERIES X|S, PLAYSTATION 4, PLAYSTATIONS 5, NINTENDO SWITCH

Description: The Shadowrun Trilogy is a collection of three critically acclaimed role-playing games in the iconic fantasy-cyberpunk Shadowrun setting. All three games have been updated for console players with upscaled graphics, improved performance, and controller-optimized gameplay.

Publisher: Paradox Interactive

Developer: Harebrained Schemes and Codeglue (port)

Releases 2022: Version 1.0



EMPIRE OF SIN

Release date: 1 December 2020

Platforms: PC, XBOX ONE, PLAYSTATION 4, NINTENDO SWITCH

Description: Empire of Sin, the strategy game from Romero Games and Paradox Interactive, puts you at the heart of the ruthless criminal underworld of 1920s Prohibition-era Chicago. It's up to you to hustle, charm and intimidate your way to the top of the pile and do whatever it takes to stay there.

Publisher: Paradox Interactive

Developer: Romero Games

Releases 2022: -



AIRPORT SIMULATOR: FIRST CLASS

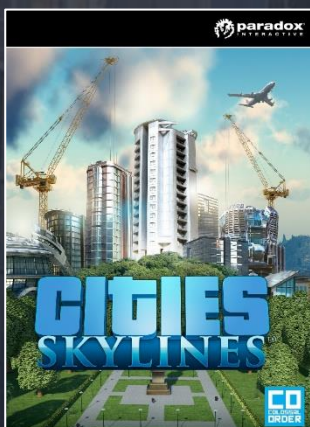
Release date: 12 October 2022

Platforms: iOS, Android

Description: Airport Simulator: First Class allows players to build, develop, and manage the operations of an entire airport, placing everything from security checkpoints to coffee shops, maintaining contracts and schedules with airlines, and optimizing passenger satisfaction from arrival to departure. From initial planning and construction through upgrades and additions, players' airports can grow into massive international hubs, where passengers' needs and flight schedules grow ever more detailed and complex.

Publisher: Paradox Interactive

Developer: Playrion Game Studio



CITIES: SKYLINES

Release date: 10 March 2015

Platforms: PC, XBOX ONE, PLAYSTATION 4, NINTENDO SWITCH

Description: Cities: Skylines is a modern take on the classic city simulation. The game introduces new game play elements to realize the thrill and hardships of creating and maintaining a real city whilst expanding on some well-established tropes of the city building experience.

Publisher: Paradox Interactive

Developer: Colossal Order

Releases 2022: Airports (PC/XBOX/PS), Plazas and Promenades (PC/XBOX/PS), Financial Districts (PC/XBOX/PS)



PRISON ARCHITECT

Release date: 6 October 2015

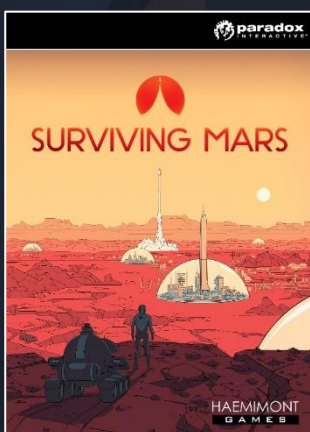
Platforms: PC, XBOX, PLAYSTATION, SWITCH, ANDROID, IOS

Description: Build and manage a Maximum Security Prison. You've got to crack on and build a holding cell to detain the job lot of maximum-security prisoners that are trundling to your future prison on their yellow bus. As your workmen lay the last brick you don't have a moment to let them rest as they need to get started on the first proper cell block so you can make room for the next prisoner intake. Once they've all got a place to lay their weary heads the fun can really start

Publisher: Paradox Interactive

Developer: Introversion Software and Double Eleven

Releases 2022: Perfect Storm (PC/XBOX/PS/SWITCH), Gangs (PC/XBOX/PS/SWITCH), Undead (PC/XBOX/PS/SWITCH), Future Tech Pack (PC/XBOX/PS/SWITCH)



SURVIVING MARS

Release date: 15 March 2018

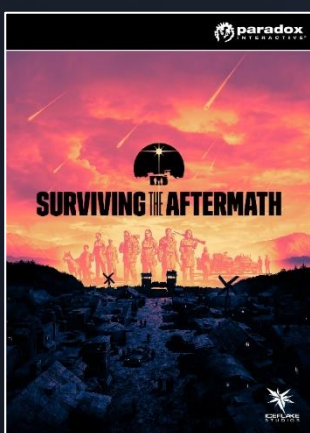
Platforms: PC, XBOX, PLAYSTATION

Description: The sci-fi and colony builder game Surviving Mars offers an alien challenge where you build one of humanity's first colonies on Mars. Build infrastructure, explore and investigate your surroundings and improve your chances of survival, while unlocking the many mysteries hidden in this alien world.

Publisher: Paradox Interactive

Developer: Haemimont Games

Releases 2022: -



SURVIVING THE AFTERMATH

Release date: 20 October 2019

Platforms: PC, XBOX, PLAYSTATION, SWITCH

Description: Survive and thrive in a post-apocalyptic future — resources are scarce but opportunity calls. Build the ultimate disaster proof colony, protect your colonists, and restore civilization to a devastated world. Remember: The end of the world is just the beginning

Publisher: Paradox Interactive

Developer: Iceflake Studios

Releases 2022: New Alliances (PC/XBOX/PS/SWITCH), Shattered Hope (PC/XBOX/PS/SWITCH)



ACROSS THE OBELISK

Release date: 16 August 2022

Platforms: PC

Description: Across the Obelisk is a coop RPG deckbuilding roguelite. Play solo or with your friends, choose your heroes, unlock items and cards, craft your deck and face powerful enemies in deep tactical combat.

Publisher: Paradox Arc

Developer: Dreamsite Games

Releases 2022: Version 1.0 (PC)



STARDEUS

Release date: 12 October 2022

Platforms: PC

Description: Stardeus is a deep colony sim set on a broken starship manned by drones and hibernating human survivors. As the AI, have your drones repair your ship, save your crew, and travel the stars in this beautiful simulation.

Publisher: Paradox Arc

Developer: Kodo Linija

Releases 2022: Early Access.



ADMINISTRATION REPORT

The Board and the CEO of Paradox Interactive AB (publ), 556667-4759, hereby present the annual report for the financial year 2022.

INFORMATION ABOUT THE OPERATIONS

Paradox Interactive is one of the premier developers and publishers of strategy and management games on PC and consoles. The group today consists of publishing and nine studios in six countries that develop gaming experiences for the company's over five million monthly active users. The players are located all over the world but some of the biggest markets are North America, Western Europe, Scandinavia, and Asia.

The game portfolio includes popular franchises such as Stellaris, Europa Universalis, Hearts of Iron, Crusader Kings, Prison Architect, the Surviving games, Age of Wonders and Victoria. Paradox Interactive also owns the World of Darkness brand catalog.

The games are developed by Paradox Development Studio in Stockholm, Paradox Arctic in Umeå, Paradox Thalassic in Malmö, Harebrained Schemes in Seattle, Triumph Studios in Delft, Paradox Tectonic in Berkeley, Playrion Game Studio in Paris, Iceflake Studios in Tampere, and Paradox Tinto in Barcelona. In addition, Paradox collaborates with several external partner studios.

Paradox Interactive's headquarters is on Södermalm in Stockholm and is listed on Nasdaq First North Premier Growth Market.

The parent company is based in Stockholm.

SIGNIFICANT EVENTS DURING THE YEAR

New games were released as below;

- Across the Obelisk, developed by Dreamsight Games, was released in version 1.0 for PC.
- Airport Simulator, developed by Playrion Game Studio, was released for mobile.
- Stardeus, developed by Kodo Linija, was released in Early Access for PC.
- Victoria 3, developed by Paradox Development Studio, was released for PC.

Downloadable content was released as below;

- Cities: Skylines – Airports, Financial Districts, Plazas and Promenades
- Crusader Kings III – Fate of Iberia, Friends & Foes, Royal Court
- Europa Universalis IV – Lions of the North
- Hearts of Iron IV – By Blood Alone
- Prison Architect – Future Tech, Gangs, Perfect Storm, Undead
- Stellaris – Overlord, Toxoids
- Surviving the Aftermath – New Alliances, Shattered Hope

The following games and downloadable content were ported to console;

- Crusader Kings III
- Shadowrun Trilogy
- Stellaris – Nemesis
- Stellaris – Aquatics Species Pack
- Crusader Kings III – Northern Lords Flavor Pack

EXPECTED FUTURE DEVELOPMENT

In the coming year, continued good profitability is expected. Five announced games are awaiting release; Age of Wonders 4 developed by Triumph Studios, Vampire: the Masquerade - Bloodlines 2, developed by Hardsuit Labs and another unannounced studio, Cities: Skylines 2 developed by Colossal Order, Life By You developed by Paradox Tectonic and The Lamplighters League developed by Harebrained Schemes. Development is also underway on several yet to be announced games.

REVENUES AND PROFIT

Turnover amounted to MSEK 1,972.9 (MSEK 1,447.5), an increase of 36 % compared to the previous year. The revenue for the year is mainly attributable to Cities: Skylines, Crusader Kings III, Hearts of Iron IV, Stellaris and Victoria 3.

Cost of goods sold amounted to MSEK 862.6 (MSEK 881.0), attributable to game development, development support, operation and maintenance of games, costs for licenses, trademarks, and similar rights, as well as royalties to development studios and other rights holders.

Amortisation on released games amounts to MSEK 342.2 (MSEK 230.1). Amortisation has increased because of the launch of new games and downloadable content. Write-downs for the period within cost of goods sold amount to MSEK 0.0 (MSEK 236.3). The write-downs in the comparison period refer to unannounced games where development has been completed.

Amortisation of licenses, trademarks and similar rights amounts to MSEK 87.2 (MSEK 81.6).

In addition to amortisation and write-downs within the item, a total of MSEK 217.1 (MSEK 136.0) was expensed regarding non-capitalised development costs, development support, operation and maintenance of games, and royalties. Non-capitalised development costs have increased compared to the comparison period because of the activation of several of the group's ongoing externally developed games starting in a later development phase compared to the previous year. This is the result of a changed assessment regarding activability that was introduced in 2021 for new games. The changed assessment has had no impact on the comparative figures. Costs for development support, operation and maintenance of games have decreased compared to the comparison period. Royalties have increased in relation to the comparison period.



Selling expenses for the period amounted to MSEK 170.5 (MSEK 192.9). Efficiency work within the marketing organization has led to a general underlying cost reduction within the post office. At the same time, costs for game releases have increased because of more released games compared to the same period last year.

Administration costs for the period amounted to MSEK 91.6 (MSEK 102.9). Costs for administration are generally unchanged over time and are relatively unaffected by the rest of the business.

Other operating income amounted to MSEK 56.6 (MSEK 40.8), and other operating expenses to MSEK -17.7 (MSEK -4.1). Other operating income and other operating expenses mainly consist of exchange rate movements in foreign currency on the group's cash and cash equivalents, operating receivables, and operating liabilities during the year.

Operating profit amounted to MSEK 887.1 (MSEK 307.5). Financial items amounted to MSEK -2.7 (MSEK -3.5). Financial items mainly consist of interest on lease liabilities and interest received on cash and cash equivalents.

Profit after financial items amounted to MSEK 884.4 (MSEK 303.9), and profit after tax amounted to MSEK 708.7 (MSEK 247.8).

FINANCIAL POSITION

Capitalised development amounted to MSEK 1,650.3 (MSEK 1,198.5) at the end of the period. The financial statement line refers to both games that have not yet been completed and games that have been released and subsequently been amortised. The increase is primarily attributable to games that have not yet been completed.

Licenses, brands, and similar rights amounted to MSEK 159.5 (MSEK 232.5).

Goodwill amounted to MSEK 22.4 (MSEK 20.6), attributable to the acquisition of Iceflake Studios.

Right-of-use assets for offices amounted to MSEK 136.1 (MSEK 165.3).

Shares in associated companies amount to MSEK 32.6 (MSEK 31.1) at the end of the period, attributable to 33 % of the shares in the Seattle-based development studio Hardsuit Labs. The shares are valued according to the equity method.

Accounts receivable at the end of the period amounted to MSEK 259.9 (MSEK 133.8).

Cash and cash equivalents at the end of the period amount to MSEK 747.5 (MSEK 599.7).

Equity amounts to MSEK 2,292.4 (MSEK 1,661.6), of which MSEK 708.7 (MSEK 247.8) consists of accumulated profit for the year.

Long-term leasing liabilities amount to MSEK 104.9 (MSEK 134.4), consisting of liabilities for office premises.

Deferred tax liabilities amount to MSEK 137.2 (MSEK 163.6) mainly attributable to untaxed reserves and intangible assets from acquisitions.

Short-term leasing liabilities amount to MSEK 35.6 (MSEK 34.5), consisting of short term liabilities for office premises.

Accrued expenses and prepaid income amount to MSEK 418.6 (MSEK 396.6) at the end of the period. Accrued costs for variable compensation to employees have increased compared to the comparison period because of an improved result. Prepaid income has decreased compared to the previous year.

CASH FLOW

The period's cash flow from operating activities amounted to MSEK 1,084.7 (MSEK 736.6), primarily attributable to the operating profit. Cash flow from investment activities amounted to MSEK -807.0 (MSEK -766.6), mainly referring to investments in gaming projects. Cash flow from financing activities amounted to MSEK -141.0 (MSEK -139.6) mainly relating to a dividend to shareholders amounting to MSEK -105.6 (MSEK -105.6) and amortization of leasing debt for office premises.

RESEARCH AND DEVELOPMENT

The group conducts research and development within game development for the group's internally as well as externally developed game projects. Internally developed games are developed in the group's subsidiaries Paradox Development Studio, Harebrained Schemes, Triumph Studios, Paradox Tectonic, Iceflake Studios, Playrion Game Studio, and Paradox Tinto. For external game projects, third-party studios are contracted for the development work that takes place. The costs mainly consist of personnel costs and, to some extent, directly attributable overheads. Since the beginning of 2021, there are two categories of games in the company's operations - proven and unproven. Proven games are activated after the prototype stage while untested games are activated after the alpha stage. This means that the research phase for proven games is the period up to the pre-production phase, while unproven games are still considered to be in the research phase during the pre-production phase. During the game project's research phase, the costs are taken on an ongoing basis. As soon as the development phase has begun, the costs are capitalised as balanced expenses for development work. When a game is completed and released to the market, it is amortised using the amortisation method that best reflects the economic benefits of the game.

PARENT COMPANY

The parent company consists of the publishing business. Within the publishing business, the parent company buys development services from both external and wholly owned development studios and pays royalties to them where applicable. The parent company also provides administrative services to the subsidiaries. All in all, this leads to the parent company's turnover to a large extent making up the group's total turnover.

The parent company's turnover for the year amounted to MSEK 1,992.2 (MSEK 1,446.9). Operating profit amounted to MSEK 497.6 (MSEK 318.7). Profit after financial items amounted to MSEK 497.1 (MSEK 362.0). Group contributions received from subsidiaries amounted to MSEK 130.0 (MSEK 0.0), and the change in tax allocation reserves amounted to MSEK 70.0 (MSEK 68.1). Profit after tax amounted to MSEK 551.9 (MSEK 347.0).



SIGNIFICANT RISKS AND UNCERTAINTIES

Dependence on key personnel and employees

Paradox is highly dependent on its employees' experience and competence. Recruiting and retaining competent staff is a precondition for the Group to continue to perform and act competitively in the market. If the group loses key personnel, it could in the short term have negative consequences in terms of delays in the project, dropped connections, and ultimately affect the consolidated financial position and results.

Dependence on a few distributors

Group sales are largely conducted through a few digital platforms. That the platforms can continue to provide the digital platforms is a precondition for the group to continue to generate revenue from them. If any key platform owner for some reason were forced to take down its platform it could in the short term lead to a loss of income, and a longer interruption could affect the Group's financial position and results. Paradox is also dependent on that the financial information provided by the distributors is complete and Paradox relies largely on those revenues reflecting the players' actual purchases.

Delay of game projects

If it is assessed that an ongoing game project should be cancelled before completion, this may have a negative effect on cash flows, revenues, and operating margins. Completion of unfinished game

projects can take place both for internal projects and projects where an external partner handles the development.

Cancellation of unfinished game projects under development

If it is assessed that an ongoing game project should be cancelled before completion, this may have a negative effect on cash flows, revenues, and operating margins. Completion of unfinished game projects can take place both for internal projects and projects where an external partner handles the development. For risk concentration, see note 19.

Low revenues from new game launches

At the launch of new games, risks are that these are not received positively. This can lead to losses in revenue, lower margins, and reduced cash flows. In addition, capitalised development costs risk to be impaired.

Exchange rate fluctuations

The group's revenues are mainly in USD, while the reporting currency is SEK. Although the group has costs in USD as hedging, the exposure of the Group is affected by long-term exchange rate fluctuations. At the end of the year no hedging has been made. For financial risk management, see note 41 financial risk management.

FIVE-YEAR SUMMARY

	2022	2021	2020	2019	2018
Revenues, KSEK	1,972,906	1,447,456	1,793,794	1,289,332	1,127,715
Operating profit, KSEK	887,146	307,453	632,108	473,530	455,050
Profit after financial items, KSEK	884,440	303,926	628,030	466,849	455,183
Profit after tax, KSEK	708,709	247,770	490,575	374,080	353,934
Operating margin	45%	21%	35%	37%	40%
Profit margin	45%	21%	35%	36%	40%
Equity/assets ratio	73%	66%	60%	58%	71%
Cash, KSEK	747,506	599,724	767,561	554,227	327,044
Equity, KSEK	2,292,377	1,661,563	1,508,158	1,125,176	853,777
Total assets, KSEK	3,141,427	2,522,693	2,518,068	1,942,307	1,196,948
Number of shares by the end of the period before dilution	105,619,209	105,600,000	105,600,000	105,600,000	105,600,000
Number of shares by the end of the period after dilution	105,619,209	105,853,350	105,889,000	105,600,000	105,600,000
Average number of shares before dilution	105,609,605	105,600,000	105,600,000	105,600,000	105,600,000
Average number of shares after dilution	105,723,810	105,755,565	105,839,159	105,600,000	105,600,000
Equity per share before dilution, SEK	21.70	15.73	14.28	10.66	8.09
Equity per share after dilution, SEK	21.70	15.70	14.24	10.66	8.09
Earnings per share before dilution, SEK	6.71	2.35	4.65	3.54	3.35
Earnings per share after dilution, SEK	6.70	2.34	4.64	3.54	3.35
Dividend per share before dilution, SEK	2.00	1.00	1.00	1.00	1.00
Dividend per share after dilution, SEK	2.00	1.00	1.00	1.00	1.00
Average number of employees	672	716	567	453	327
Number of employees at the end of the year	656	721	662	479	405

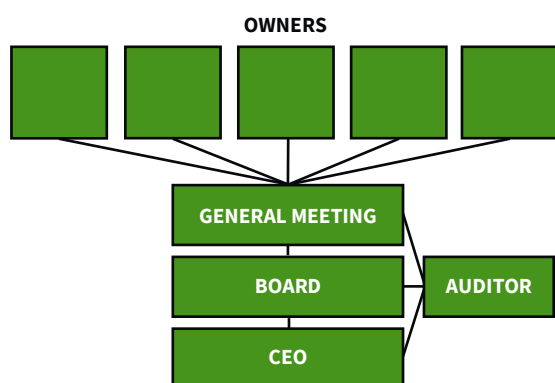
For definition of key figures, see note 40.



CORPORATE GOVERNANCE REPORT

Paradox Interactive AB (publ) is a Swedish public limited liability company and is governed based on Swedish law and internal rules and regulations. Swedish Code of Corporate Governance (the Code) is applicable for Swedish companies with shares listed on a regulated market in Sweden. Nasdaq First North Growth Market where the company is listed is not a regulated market but requires companies to apply the Code. Companies must not comply with all rules in the Code and has the option to apply alternative solutions believed to better fit their purposes, as long as any discrepancies are reported and the alternative solution is described and reasons behind it explained (the principle of comply or explain) in the corporate governance report. The report is contained in the administration report and has been reviewed by the auditor. The audit is reported in the audit report on page 76.

CORPORATE GOVERNANCE MODEL



IMPORTANT EXTERNAL REGULATIONS

- The Companies Act
- Accounting legislation, Bookkeeping Act, Annual Accounts Act
- Nasdaq First North Growth Market – Rulebook
- The Swedish Code of Corporate Governance (the Code)

IMPORTANT INTERNAL REGULATIONS

- Articles of association
- Rules of procedure for the Board of Directors
- Insider policy
- Communication policy
- IT-policy
- Finance policy
- Other policies, guidelines, and manuals

CORPORATE GOVERNANCE FOUNDATION

Corporate governance at Paradox Interactive is concerned with ensuring that the company is managed sustainably, responsibly, and as effectively as possible. This is done by having an efficient organizational structure, good internal control, and risk

management, as well as correct and transparent internal and external reporting.

SHARES AND SHAREHOLDERS

The share capital of Paradox Interactive AB (publ) consists of one and the same share class. The total number of shares amounts to 105,619,209 shares, where one share carries one vote at general meetings. The number of shareholders was 16,790 as of December 31, 2022. The largest shareholders at the end of 2022 were WesterInvest AB (Fredrik Wester) with 33.4 % of the share capital, Investment AB Spiltan with 17.3 %, Tencent Holdings Limited with 10.1 %.

Shareholders make the decisions about the company's governance by establishing the Articles of Association at the annual general meeting (AGM), which indicate the direction of the business, and appoint the board and the chairman of the board, whose task is to manage Paradox's business on behalf of the shareholders.

GENERAL MEETING

The general meeting is the highest decision-making body in which shareholders exercise their influence over the company. The general meeting is held annually within six months of the end of the financial year. Time and place of the AGM are published at the latest in connection with the third interim report. Each shareholder also has, independent of the number of shares, the right to have a matter addressed at a general meeting on a request to be submitted to the Board of Directors in good time so that the matter can be included in the notice of the meeting. Notice to the AGM and Extraordinary General Meeting where a change in the articles of association is to be resolved, must be made no earlier than six weeks and not later than four weeks ahead of the general meeting. Notice to other extraordinary general meetings must be made no earlier than six weeks and not later than two weeks ahead of the general meeting. Notice of a general meeting shall be made by an announcement in the Official Gazette (Sw. Post- och Inrikes Tidningar) and by making the notice available on the company's website. The company shall advertise in Svenska Dagbladet that notice has been made. Shareholders wishing to participate in a general meeting must be entered in a transcript or other publication of the complete share register covering the status five days ahead of the general meetings and give notice of attendance to the company no later than the day specified in the notice of the general meeting. This day may not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve, or New Year's Eve and must not be earlier than the fifth weekday prior to the general meeting. Shareholders or proxies may be accompanied by not more than two assistants, but only if the shareholder notifies the company of the number of assistants in the manner stated in the preceding paragraph. The general meeting's decision is made by a simple majority of the votes cast. However, some decisions, such as amendments to the Articles of Association, require qualified majority voting.

At the annual general meeting the following matters shall be addressed:

1. Election of a chairman of the meeting.
2. Preparation and approval of the voting list.
3. Approval of the agenda.
4. Election of one or two persons to verify the minutes.
5. Determination whether the meeting has been duly convened.



6. Presentation of the published annual report and audit report, and, if applicable, consolidated annual report and consolidated audit report.
7. Resolutions
 - (a) on adoption of the income statement and balance sheet and, if applicable, the consolidated income statement and the consolidated balance sheet;
 - (b) on the disposition of the company's profit or loss as shown in the adopted balance sheet;
 - (c) on discharge of liability of members of the board and the CEO when applicable.
8. Determination of the fees to be paid to the Board of Directors and the auditors.
9. Election of the Board of Directors and, if applicable, audit company or auditors and possible auditor deputies.
10. Other matters that may be brought before the meeting pursuant to the Swedish Companies Act or the Articles of Association.

Annual general meeting 2022

The AGM 2022 was held on May 10 in Stockholm. At the meeting 66 % of the votes and thus the same proportion of shares were presented. The following decisions were taken:

The AGM adopted the balance sheet and the income statement for the parent company and the group. The AGM resolved to pay dividends to the shareholders of SEK 1 per share in accordance with the proposal from the board of directors.

The board and the CEO were discharged from liability for the financial year 2020. The AGM decided in accordance with the nomination committee's proposal on the re-election of Håkan Sjunnesson, Fredrik Wester, Mathias Hermansson, Linda Höglund and Andras Vajlok as board members and the re-election of Håkan Sjunnesson as chairman of the board, at least for the time until the end of the 2023 AGM, and that the board within shall elect a new chairman in the event that such chairman's assignment ends prematurely.

Håkan Sjunnesson was elected chairman of the Board. The annual general meeting decided in accordance with the nomination committee's proposal that remuneration to the board members should be paid in the amount of SEK 640,000 to the chairman of the board and SEK 320,000 to each of the other board members, and that compensation should be paid in the amount of SEK 80,000 to the chairman of the audit committee and SEK 50,000 to the remuneration committee chairman, as well as 75 percent of the respective chairman's fee to the other members of the committees. Finally, the annual general meeting decided in accordance with the nomination committee's proposal that fees to the company's auditor should be paid according to an approved fee.

The AGM decided in accordance with the Board's proposal to amend the articles of association so that the lower limit for the number of board members is raised to five, so that the possibility of electing deputies is removed, in order to enable the board to decide that shareholders will be able to exercise their voting rights by post in the future and based on changes in the Companies Act, as well as making certain linguistic adjustments.

The AGM decided, in accordance with the nomination committee's proposal, to adopt new principles for the nomination committee ahead of the 2023 AGM.

The AGM decided to approve the board's proposal regarding remuneration to senior executives.

The AGM decided in line with the board's proposal to authorize the board to decide on a new issue of shares, convertibles and/or warrants.

The AGM decided to approve the board's proposal for the introduction of the Employee Stock Option Program 2022/2026 and directed new issue of warrants as well as approval of the transfer of warrants for the fulfillment of the company's commitments under the stock option program as well as securing social security contributions.

Attendance on the Annual General Meeting

Year	% of votes	% of capital
2022	66	66
2021	70	70
2020	73	73
2019	83	83
2018	67	67

Annual General Meeting 2023

The 2023 Annual General Meeting takes place on May 17 in Stockholm. Notice of the general meeting will be available on the company's website www.paradoxinteractive.com together with all required documents for the AGM.

The nomination committee ahead of the AGM 2023

The task of the nomination committee shall be to present proposals regarding the chairman of the annual general meeting, number of board members, board and auditor fees, composition of the board, chairman of the board, rules for the nomination committee prior to the annual general meeting next year, and the election of an auditor before the 2023 annual general meeting. The chairman of the board must be a member of the nomination committee and be responsible for convening the nomination committee. The members of the nomination committee shall be appointed by the chairman of the board contacting the three shareholders with the largest number of votes as of September 30, 2022, who shall each appoint a representative to, together with the chairman of the board, constitute the nomination committee for the period until the next annual general meeting has been held or, as the case may be, until that a new election committee has been appointed. If any of the three shareholders with the largest number of votes chooses to waive their right to appoint a representative, the right passes to the shareholder who, after these shareholders, has the largest shareholding until the election committee is fully formed.

The nomination committee also has the option of appointing one more member to represent the smaller shareholders. If a member leaves the nomination committee before its work is completed, a replacement must, if deemed necessary, be appointed by the same shareholder who appointed the departing member or, if this shareholder no longer belongs to the three largest shareholders in



terms of votes, by the new shareholder who belongs to this group. The composition of the nomination committee must be made public as soon as it is appointed and no later than six months before the annual general meeting. In the event that a change in the ownership structure occurs after the nomination committee has been assembled in such a way that one or more of the shareholders who appointed members of the nomination committee no longer belong to the three largest shareholders in terms of number of votes, the composition of the nomination committee can also be changed accordingly if the nomination committee deems that so is required.

If there are no special reasons, however, no changes shall take place in the composition of the election committee if only marginal changes in the number of votes have taken place or if a change occurs less than three months before the annual general meeting. At its first meeting, the nomination committee shall appoint its chairman, who shall not be the chairman of the board. The nomination committee shall have the right to obtain resources from the company upon request, such as secretarial functions in the nomination committee, and have the right to charge the company with costs for recruitment consultants if deemed necessary.

The nomination committee's proposal, its reasoned statement to the proposed board and information about proposed board members are published in connection with the call to the annual general meeting.

Members of the nominating committee

Per Håkan Börjesson, chairman (appointed by Investment AB Spiltan)
Andras Vajlok (appointed by WesterInvest AB)
James Mitchell (appointed by Tencent Holdings Limited)
Håkan Sjunnesson (chairman of the board)

BOARD OF DIRECTORS

The board is the highest decision-making body after the shareholders' meeting and the company's highest executive body.

Work of the Board of Directors

According to the Swedish Companies Act, the board is responsible for the management and organization of the company, meaning that it among other tasks should decide on targets and strategies, ensure routines and systems for the evaluation of the decided targets, continuously evaluate the financial position and development of Paradox and evaluate the executive management. The board is also responsible for ensuring that the annual report, group accounts and the interim reports are produced at the appropriate time. In addition, it appoints the CEO. The board members are elected each year at the AGM until the end of the next AGM.

Composition of the board

According to the articles of association, the board, to the extent it is elected by the general meeting, must consist of a minimum of five and a maximum of eight members. The chairman of the board is elected by the annual general meeting and has special responsibility for the management of the board's work and that the board's work is well organized and carried out efficiently. At the 2022 AGM, the current board was re-elected, represented by the following AGM-elected members; Fredrik Wester, Håkan Sjunnesson, Andras Vajlok, Mathias Hermansson and Linda Höglund as regular members. During the year, the composition of the board met the code's requirements

regarding independent members. This means that the majority of the board members elected by the general meeting are independent in relation to the company and company management, of which three are also independent in relation to the company's major shareholders.

Duties of the board of Directors

- The board members must give the board assignment enough time and care.
- The members must independently assess the matters that the board has to consider and present opinions and take positions arising therefrom. Each board member must act independently and with integrity and for the benefit of both the company and the shareholders.
- The members must request additional information that is considered necessary for the board to be able to make well-founded decisions.
- The board members must obtain such information about the operations of Paradox and the group, its organization, the market, etc., as is required for the assignment.
- New board members must participate in the introduction and further training that is required and that the chairman and board members mutually deem sufficient.

Chairman of the board

The chairman of the board is appointed by the annual general meeting. The chairman's task is to organize and lead the board's work so that it is conducted efficiently and that the board fulfills its commitments. Håkan Sjunnesson was appointed at the 2022 AGM as chairman of the board for the period until the next AGM.

Rules of Procedure and board meetings

The Board's work is further controlled by the written rules of procedure that the board annually reviews and determines at the constituent meeting. The rules of procedure regulate the board's working methods, tasks, decision-making within the company, the Board's meeting agenda, the chairman's duties, and an appropriate division of tasks between the board and the CEO. An instruction for financial reporting and instructions to the CEO are also decided at the statutory board meeting. The board shall also ensure that the company's external communication is characterized by transparency and is accurate, relevant, and clear. The board is also responsible for establishing the necessary guidelines and other policy documents, such as communications policy and insider policy.

The board's work in 2022

The board's rules of procedure describe, among other things, which items must be found on the agenda at each board meeting, constituent board meeting, and which items must be found at one or more of the board meetings during the year. In 2022, the board has held fourteen meetings, one of which is constituent meeting, and four for the establishment of interim or year-end reports. Ordinary board meetings usually contain information from the CEO, including information linked to the operational position, significant events for the group and as well as financial statements for the period. Key points in the board meetings in 2022 have been questions about, but



not exclusively, investment strategies, acquisitions, interim and annual reports, dividend proposals.

Composition of the board and attendance in 2022

Attendance 2022	Board meetings	Audit committee	Remuneration committee
Håkan Sjunnesson	14/14	5/5	2/2
Fredrik Wester	14/14	-	-
Mathias Hermansson	13/14	5/5	2/2
Linda Höglund	13/14	-	-
Andras Vajlok	14/14	5/5	2/2

Evaluation of the Board of Directors and CEO

The board shall annually evaluate the work by the board with the purpose to develop the board's routines and efficiency. The results of the evaluation shall be presented to the nomination committee. The board shall continuously evaluate the work of the managing director. At least once every year, the board shall handle this matter in particular, whereby no person from the company management shall be present.

Remuneration to the board

Remuneration to the board members shall be SEK 640,000 to the chairman of the board and SEK 320,000 to each of the other board members, and compensation shall be SEK 80,000 to the chairman of the audit committee and SEK 50,000 to the chairman of the remuneration committee, as well as 75 percent of the respective chairman's remuneration to other members of the committees.

Board meetings 2022

21/2 2022	Regular meeting	Approval of the year-end report.
23/2 2022	Regular meeting	Reviewing fixed items.
5/4 2022	Regular meeting	Reviewing fixed items. Approval of the annual report.
2/5 2022	Regular meeting	Approval of interim report.
10/5 2022	Constituent meeting	Adoption of policies, guidelines, and instructions. Confirmation members and chairman of the Audit committee and the Remuneration committee.
18/5 2022	Regular meeting	Decision on repurchase of options.
31/5 2022	Regular meeting	Reviewing fixed items.
28/6 2022	Regular meeting	Reviewing fixed items.
5/7 2022	Regular meeting	Reviewing and allocation of warrants.
1/8 2022	Regular meeting	Approval of interim report.
1/9 2022	Regular meeting	Reviewing fixed items.
27/10 2022	Regular meeting	Reviewing fixed items.
31/10 2022	Regular meeting	Approval of interim report.
20/12 2022	Regular meeting	Reviewing fixed items.

BOARD COMMITTEES

Audit committee

In connection with the constituent board meeting the board appointed an audit committee consisting of at least three members. The committee's responsibilities are, among other things, to monitor the company's financial reporting and prepare the board's work on quality assurance of the same, to monitor the company's internal control, internal audit and risk management regarding financial reporting, and to establish guidelines for the procurement of additional services from the company's auditor. In addition, the committee shall assist the nomination committee in the preparation of proposals for election of auditors and auditor fees, and continuously meet the company's auditor. All audit committee meetings are minuted and the protocols are given to the board together with a verbal report in connection with the board's decision-making.

Remuneration committee

In connection with the constituent board meeting the board appointed a remuneration committee consisting of at least three members who are not working operationally in the company. The committee's task is to prepare the board's decisions on matters concerning remuneration principles and remuneration and other conditions of employment for senior management. Further, the committee shall monitor and evaluate current and during this year completed programs for variable remuneration to the senior management and monitor and evaluate the application of the guidelines for remuneration to senior executives which will be adopted by the AGM. The remuneration committee must also monitor and evaluate programs for variable remuneration for company management, the application of guidelines for remuneration to senior executives and current remuneration structures and remuneration levels in the company.

Audit

The auditor shall review the annual report and accounts, and the work conducted by the CEO and board. Following the end of each financial year, the auditor presents a review report and a group audit report to the AGM. According to the articles of association of Paradox, the company shall appoint a maximum of two auditors with or without a maximum of two deputies or a registered audit company. At the AGM 2022 Öhrlings PricewaterhouseCoopers AB was appointed as the auditor of Paradox.

CEO and Senior management

The CEO is appointed by the board and is primarily responsible for the company's management and daily operation. The division of labor between the board and CEO is stated in the Rules of Procedure for the board and instructions for the CEO. The CEO is also responsible for preparing reports and compiling information from management prior to board meetings and presents the material in board meetings. According to the instructions for financial reporting, the CEO is responsible for the financial reporting of the company and must therefore ensure that the board receives sufficient information to enable the board to evaluate the Paradox financial position. The CEO shall keep the board informed of the development of Paradox operations, the volume of sales, the company's results and financial position, liquidity and credit situation, key business events and other



circumstances that cannot be assumed to be insignificant to the company's shareholders to the board's knowledge.

Important matters addressed by the CEO and senior management in 2022 included:

The CEO and senior management have presented interim reports on a recurring basis, presented proposals for investments in new game projects, presented the status of the ongoing game development, and proposals for approval of gaming project phases.

REMUNERATION TO CEO AND SENIOR MANAGEMENT

Guidelines determined by the AGM 2022

Remuneration for senior executives may consist of a fixed cash salary, variable cash compensation, pension benefits and other customary benefits. Senior executives are also covered by the group-wide profit-sharing program, on terms that may not be more favorable than those that apply to all employees. The general meeting can in addition - and independently of these guidelines - decide on, for example, share and share price-related compensation.

Pension benefits, including health insurance, to senior executives must be defined as premiums according to the company's collective agreement ITP1. As a general rule, the fixed salary is reviewed once a year and must take into account the individual's qualitative performance. The remuneration is based on the individual's commitment and performance in relation to pre-set goals, both individual and joint goals for the entire company.

Remuneration for senior executives must be market-based. In order to determine what is a market-based total compensation and to evaluate prevailing compensation levels, annual comparisons are made with relevant industries and markets. The result of these forms an important input variable when deciding on total compensation for senior executives and other employees.

The variable cash compensation must be linked to predetermined and measurable criteria that can be financial or non-financial. The goals must be designed to promote the company's business strategy and long-term interests, including its sustainability agenda, by, for example, having a clear connection to the business strategy. When the measurement period for fulfillment of criteria for the payment of variable cash compensation has ended, it must be assessed and determined by the board to what extent the criteria have been fulfilled.

The employment conditions and salary of the company's employees have been considered when preparing the board's proposal for these compensation guidelines through information on employees' total compensation and its components, increase and rate of increase over time. The basis has formed part of the remuneration committee's and the board's decision basis when evaluating the reasonableness of the guidelines and the limitations that follow from the guidelines.

Both the company and the CEO must observe a nine-month notice period. For other senior executives, both parties must observe a six-month notice period. In addition, senior executives are not entitled to any compensation in connection with the termination of their employment.

The board has established a remuneration committee. The members of the remuneration committee are independent in relation to the company and company management. The company's CEO is not present at the board's consideration of and decisions on compensation-related issues that concern the person concerned. The committee's duties include preparing the board's decision on proposals for guidelines for remuneration for senior executives. The guidelines shall apply until new guidelines are adopted by the general meeting. The remuneration committee must also monitor and evaluate programs for variable remuneration for company management, the application of guidelines for remuneration to senior executives and current remuneration structures and remuneration levels in the company.

The board may decide to temporarily depart from the guidelines in whole or in part, if in an individual case there are special reasons for it and a departure is necessary to satisfy the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As stated above, the remuneration committee's tasks include preparing the board's decisions on remuneration matters, which includes decisions on deviations from the guidelines.

BOARD OF DIRECTORS

HÅKAN SJUNNESSON

Position: Vice chairman of the board, elected as board member in 2010.

Born: 1956

Education: M.Sc. in Business and Economics from Stockholm School of Economics.

Other current assignments: Chairman of the board in Qvalia Group AB, Coolstuff AB, Emerse Sverige AB and AktivBo AB. Member of the board in NuvoAir Holdings Inc and Resitu Medical AB.

Previous assignments: Investment Manager Investment AB. Spiltan, Managing Partner Nordic Countries Monitor Group, Vice President & Country Manager Gemini Consulting.

Shareholding in the company: 3,091,437 shares - through company.

Independence: Independent in relation to the company and senior management. Not independent in relation to major shareholders, employee of Investment AB Spiltan.

FREDRIK WESTER

Position: Board member. Elected in 2010.

Born: 1974

Education: International Civil Economics Program, Business School of Gothenburg 1993-1998, International Business Studies at Hokkaido Tokai Daigaku, Sapporo, Japan 1997-98.

Other current assignments: CEO Paradox Interactive. Board member of Q-Group AB and Stark Futures SL.

Shareholding in the company: 35,208,420 shares - through company.

Independence: Not independent in relation to the company and senior management. Not independent in relation to major shareholders.

LINDA HÖGLUND

Position: Board member. Elected in 2020.

Born: 1973

Education: Master of Science in Business and Economics, Stockholm School of Economics.

Other current assignments: Non-executive IC member Luminar Ventures AB.

Previous assignments: COO Klarna Bank AB, CFO/General Partner



Luminar Ventures AB, CFO Grab, CFO Klarna AB, CFO Electronic Arts Games Europe, CFO Digital Illusions AB, CFO/Co-founder BlueFactory AB, Goldman Sachs.

Shareholding in the company: -

Independence: Independent in relation to the company and senior management. Independent in relation to major shareholders.

MATHIAS HERMANSSON

Position: Board member. Elected in 2019.

Born: 1972

Education: Business Administration, Gothenburg School of Economics and University of Edinburgh.

Other current assignments: CEO at NC Management AB, CFO Voi Technology AB.

Previous assignments: CFO Veoneer Inc and Modern Times Group MTG AB. Executive Chairman at MTGx AB. Board member at CTC Media Inc, Turtle Entertainment GmbH, and MTG eSports Holding AB. Chairman of Viaplay AB, MTG Sport AB, MTG TV AB, Nice Entertainment AB and MTG Radio AB.

Shareholding in the company: 1,000 shares - direct ownership.

Independence: Independent in relation to the company and senior management. Independent in relation to major shareholders.

ANDRAS VAJLOK

Position: Board member. Elected in 2021.

Born: 1971

Education: Bachelor of Science in Economics and Business. Administration at the School of Business, Economics and Law at the University of Gothenburg.

Other current assignments: Board member of Aldeon Invest, Unibap, Besedo, The Gifted Company and Silverlok Invest.

Previous assignments: CFO of Paradox Interactive, and Head of Post Trade Solutions Equities of Nasdaq.

Shareholding in the company: 100,000 - through company.

Independence: Independent in relation to the company and senior management. Independent in relation to major shareholders.

SENIOR MANAGEMENT

ALEXANDER BRICCA

Position: Chief Financial Officer (CFO)

Born: 1976

Education: Business Law Master's Degree and Business Administration Bachelor's degree, Linköping University, 2000.

Other current assignments: Board member Alyssa AB.

Previous assignments: CFO Viaplay AB, Board member of Stillfront Group AB, CFO Voddler Group AB, Investment Manager Deseven Capital AB, Business lawyer Bricca Affärsjuridik AB, Corporate legal counsel ECI Net AB.

Shareholding in the company: 3,103 shares direct ownership. 72,000 warrants - direct ownership.

CHARLOTTA NILSSON

Position: Chief Operations Officer (COO)

Born: 1970

Education: EMBA, Stockholm School of Economics, and MSc in Physics, and Bachelor's degree in Finance at Umeå University.

Other current assignments: Board member Industrifonden, Nordnet AB, FCG and Dataspelsbranschen.

Previous assignments: Vice President Tieto Oy P&L, CEO at SIS, EVP at Vizrt (publ), MD at Ardendo AB, Deputy MD at Epsilon Hightech Innovation.

Shareholding in the company: 52,000 warrants - direct ownership.

JOHAN BOLIN

Position: Chief Business Officer (CBO)

Born: 1983

Education: BSc in Service Management - Retail, Lund University.

Other current assignments: Board member North Group Sweden Invest AB and NorthGroup Sthlm AB.

Previous assignments: VP Marketing & Sales and VP Sales at Paradox Interactive. Sales and Partner Manager at Sello.io, Strategic Acquisition and Partner Manager at Tradera/eBay and Sales consultant at Hewlett-Packard.

Shareholding in the company: 1,941 shares direct ownership, 58,050 warrants - direct ownership.

MATTIAS LILJA

Position: Chief of Staff (COS)

Born: 1972

Education: BSc in Physiotherapy, Uppsala University and History of Science and Ideas, Umeå University.

Other current assignments: Chairman of the Board, Free League Publishing.

Previous assignments: Partner Free League Publishing, Chief Operating Officer, Chief Production Officer, EVP of Studios and other studio and game development roles at Paradox Interactive.

Shareholding in the company: 1,094 shares, shares direct ownership, 24,500 warrants - direct ownership.

HENRIK FÅHRAEUS

Position: Chief Creative Officer

Born: 1973

Education: MSc in Technology and MSc in Education, Luleå University.

Other current assignments: -

Previous assignments: Creative Director, Game Director, Design Director, Producer, and other Game Design related roles at Paradox Interactive.

A Shareholding in the company: 33,768 shares, direct ownership.

INTERNAL CONTROL

The company has not established a special function for internal audit. Instead, the board undertakes the task. Internal control includes control of the Paradox organization, procedures, and activities. The aim is to ensure reliable and accurate financial reporting, that the company and group's financial statements are prepared in accordance with the law and applicable accounting standards, and that other requirements are followed. The internal control system also aims to monitor the compliance with the company's policies, principles, and instructions. In addition, the protection of the company's assets is monitored, and the company's resources are used in a cost-effective and timely manner. Furthermore, internal control is conducted through evaluation of implemented information and business systems, and through risk analysis.

INFORMATION AND COMMUNICATION

The company follows a formulated policy regarding internal and external communications. Policies and guidelines are considered essential to ensure accurate accounting, reporting and disclosure. Financial communication takes place through the annual report, interim reports, press releases and on the company's website www.paradoxinteractive.com.



SUSTAINABILITY REPORT

Sustainability is a central part of Paradox's value creation for players, employees, owners, partners, and the societies in which the company operates. Robust and forward-looking sustainability efforts contribute to sound operations, governance and create the conditions for long-term growth in harmony with society.

SUSTAINABILITY TARGETS

Paradox contributes to sustainable development by reducing negative effects from the company's activities, both within its own operations and in its value chain, and by enhancing the positive contribution of its games and operations to peoples' everyday lives.

The starting point for Paradox's sustainability efforts is the 17 UN Sustainable Development Goals. Of these, the company deems that goals 3, 8, 10 and 12 are particularly significant, as their development affects Paradox and the company in turn can have an impact on them

3. Good health and well-being

By enabling a healthy workplace and work environment, a clear and inclusive corporate culture and increasing the accessibility of its games, Paradox continuously works towards this goal.

8. Decent work and economic growth

As a global employer with 656 employees, Paradox has a great responsibility to act to create the best conditions for the company's employees. By offering good working conditions, a safe and healthy working environment, opportunities for personal development, and ongoing reinvestment in the company's operations and future, Paradox works towards this goal. The goal also includes working with the company's supply chain on an ongoing basis.

10. Reduced inequalities

Paradox is convinced that everyone's idiosyncrasies and differences are what create a healthy, engaging, and motivating workplace as well as a player community. By giving employees equal opportunities, the company works towards increased equality, inclusion, creativity, and the ability to innovate. Accessibility is a key term for Paradox, where the games and platforms are available to everyone and contributes to community building and to exploring interests on equal terms.

12. Responsible consumption and production

Paradox has an impact on society, environment and climate through its purchases and collaborations. Through responsible purchasing, good use of resources, efficient operations and governance, the company strives to contribute to responsible consumption and production.

FOCUS AREAS FOR SUSTAINABLE GROWTH

To ensure that efforts are in accordance with the four essential goals of the 17 UN Sustainable Development Goals, Paradox focuses its sustainability efforts into four main areas: High Performing Teams, Responsible Gaming, Long-Term Economic Value and Sustainable Operations.



In 2022, Paradox evaluated the four focus areas through a series of interviews with the board, owners, investors, union representatives and the management team. Although everyone considers that Long-Term Economic Value is a basic prerequisite for robust sustainability efforts, everyone viewed High-Performing Teams and Responsible Gaming as the most important focus areas for Paradox, since the company's business is dependent on employees and players. Although Paradox should and will continue to maintain a good level in Sustainable Operations, the digital business model means that this is the area in which the company has the least impact.

For High-Performing Teams, many stakeholders highlighted the importance of having strong equality and inclusion, ensuring good working conditions where overtime work is avoided, and good mental health. In Responsible Gaming, several highlighted the importance of countering abuse on player platforms as well as being vigilant about, and not encouraging, unhealthy gaming. In order to capture more aspects of Responsible Gambling, Paradox has therefore chosen to add Gaming Addiction to the Responsible Gaming focus area.

The report describes Paradox's view on, and initiatives within, High-performing Teams, Responsible Gaming and Sustainable Operations. Long-Term Economic Value is described in more detail on pages 5-6, as it is closely linked to Paradox's strategic direction.



SUSTAINABILITY GOVERNANCE

Paradox's ambition is to integrate sustainable business in its daily operations; by supporting employees in feeling ownership of aspects of sustainability that are close to one's work assignments, a good collaboration with suppliers and partners, and support from corporate service functions. The company's Board of Directors is responsible for the preparation of the Sustainability Report and approves and evaluates the work of Senior Management.

The day-to-day governance is done by Senior Management, which is responsible for conducting a long-term and sustainable business by deciding on strategy, goals and relevant policies that support sustainable business operations. Sustainability governance is based on the following policies:

- The Personnel Handbook and Work Environment Policy
- Code of Conduct for all employees, implemented in 2022. A Code of Conduct for suppliers will be implemented 2023.
- Sustainability Policy
- Whistleblower Policy
- Anti-corruption policy

STAKEHOLDER DIALOGUE

Paradox has several stakeholders who influence or are affected by the company's operations. An important part of the sustainability work is to continuously have a dialogue with and understand the most important stakeholders which are players, distribution partners, employees, and owners. Paradox currently has various dialogues with stakeholders through, for example, employee development dialogues, involvement in player networks, board meetings, dialogues with suppliers, and ongoing dialogues with analysts and shareholders. In 2022, Paradox has deepened the dialogue with a number of stakeholders (see page 39) to better understand the stakeholders' views on the subject areas and gain new approaches to developing Paradox's work within them.



SUSTAINABILITY RISKS

SUSTAINABILITY AREAS	EXPLANATION	MITIGATION
High-performing Teams	Personnel-related risks are that employees are exposed to unsustainable stress, poor psychosocial conditions, are discriminated against and/or harassed, are excluded in the workplace, or do not have the opportunity to raise work-related problems. It affects well-being, which can have long-term health consequences that affect both work and private life. For the company, it risks affecting the employees' creativity, commitment and group dynamics, which affects the ability to create and sell games. Likewise, it affects the ability to recruit new talent, which affects Paradox's ability to grow.	Paradox monitors and controls overtime, provides conditions for good psychosocial health and strives to create a safe and inclusive workplace. The company offers regular education, training, and benefit programs to employees. In addition, a whistleblower system is in place in order to be able to identify differential treatment and discrimination.
Responsible Gaming	Toxic behaviour creates an unhealthy and excluding environment around the company's games. This means that fewer people may want to take part in the company's important player communities, which means that the games risk losing popularity, which affects the company's revenue negatively. Furthermore, Paradox runs the risk of receiving less feedback and having worse interactions with players, which could negatively affect the games' long-term development. Toxic behaviour on player forums also risks affecting the well-being of both employees and players; employees who interact with players in their work may have a worse work environment and players may be excluded from one of their interests due to offensive posts, racism, sexism or similar. Games with high complexity risk reducing their availability, which can affect the company's revenue and exclude players. Too much gaming as measured in time and/or money in the individual's everyday life can lead to negative effects such as reduced well-being and important social or personal financial tasks not being carried out.	Paradox has zero tolerance for all forms of toxic behaviour and has Community Management teams as well as terms of use. Furthermore, in 2022 Paradox implemented a new Code of Conduct for its digital platforms. The company also offers employees training in social media and player contact. Paradox strives for a more beginner-friendly design in its core games with better in-game startup guides. The company also works to increase the accessibility of the games through guides as well as guidelines for the company's game development. The premium model is based around the player paying once for access to content, and microtransactions that encourage spontaneous purchases are generally not used.



SUSTAINABILITY AREAS	EXPLANATION	MITIGATION
Sustainable Operations	The actions of suppliers and partners have a direct impact on Paradox's operations if they do not act in a sustainable manner, as this entails risks that are social and/or business ethical. The risks include everything from Paradox receiving an inferior result from the business relationship with the stakeholder to Paradox's reputation being affected. Furthermore, unsustainable actions by a supplier or partner can affect their employees and the societies in which the supplier or partner operates in a negative way.	Paradox works continuously to identify risks that arise in and of its supplier relationships. The company examines, for example, suppliers and partners, including through site visits. In 2022, a Code of Conduct for suppliers was developed, which is expected to be implemented in 2023.
	Environmental and climate-related risks include that the business has a large footprint, especially when purchasing goods and services. Climate change affects all societies and people and thus the conditions for all business. In the long term, climate change can affect electricity and energy consumption, which affects the conditions for Paradox products that are dependent on computers, consoles and servers. There are also reputational risks linked to the climate issue that can negatively affect owners, partners, players and employees' view of the company.	From 2021, Paradox will make an annual climate statement to continuously evaluate its climate footprint. Furthermore, the company tries to minimise air travel in favour of digital meetings, extend the lifetime of equipment, reduce paper handling and work with suppliers who have a focus on sustainability. In 2022 a new Sustainability Policy has been established as well as a Travel Policy
	The foremost business-ethical risk associated with Paradox's operations is small-scale corruption. Corruption risks deteriorating relationships, ending current and future relationships and leading to decisions that are neither business like nor have the company's best interests in mind.	All expenses are approved by a manager and a whistleblower system is in place to better detect irregularities. In 2022, a Code of Conduct was developed that further clarifies Paradox's view on corruption for employees. In addition, the company has established an Anti-Corruption Policy in which departments with external contacts are educated.
Regulatory risks connected to sustainability	In light of Paradox's multinational operations and public nature, the company risks being affected by various sustainability-related regulations at local and regional levels. Failure to comply with applicable laws and regulations can lead to fines as well as a loss of confidence from important stakeholders such as shareholders. Likewise, climate change and developments in other areas of sustainability are likely to lead to more regulations and policy initiatives that may also affect Paradox's operations.	Paradox continuously monitors regulatory developments and ensures that the company complies with applicable laws and regulations that are related to sustainability.



HIGH-PERFORMING TEAMS

Amazing gaming experiences are created by creative, skilled and dedicated teams. Paradox therefore has a strong focus on creating the right preconditions for its 656 employees to enable them to perform.

Paradox's operations are to be built on a strong foundation of security, trust, inclusion and cooperation. Through constant dialogue between company management, unions, managers and employees, Paradox strives to create a work environment that provides the best conditions for developing new gaming experiences.

To promote creativity and productivity, the company strives for good individual physical and mental well-being and frequent development of competence.

Measuring employee well-being and trust

In order to get an understanding of the employees' view of the work environment and their trust in the company, Paradox conducts monthly surveys with the aim of being able to identify risk areas early and quickly implement improvements. Paradox measures this mainly through the engagement score and staff turnover; both are followed up on a monthly basis.

In the engagement score, Paradox has the tech industry as a benchmark in the measurement tool Peakon. To ensure that the company can attract and retain expertise, the long-term goal is to have an engagement score that is in the upper quartile of the tech industry, which means that the company strives for a result of 8.0 on the index's ten-point scale.

In 2022, Paradox's Engagement Index has increased to 7.8 (7.1). The result has increased steadily month by month, likely due to a strong focus on the work environment and that reorganisations have been completed, which have resulted in clearer project management, shorter paths for decision-making, and improved collaboration.

Paradox strives to have a long-term staff turnover of 10 percent as it indicates that the company retains competence but has a healthy influx of new talent. In 2022, staff turnover continued to be at a high level of 23 percent (20 percent). The higher level is considered temporary as it is a consequence of Paradox closing down a number of development projects which have a lagging effect, implemented efficiency measures and that a long period of remote working as the norm affected the mobility of the workforce.

Employee health

A safe and good working environment that enables well-being and performance is a given. Paradox therefore places great emphasis on maintaining and improving the working environment and strengthening the employees' well-being. In order to create the conditions for good mental and physical health, Paradox offers employees various health initiatives, therapeutic support with external behavioural scientists, health care allowances and sick leave are followed up on regularly. Furthermore, activities are arranged that encourage social bonding and community, which the company considers to be an important dimension of well-being.

Furthermore, the company's game development projects are also planned in a manner that they are carried out as much as possible without overtime work.

As Paradox has changed the questions in its monthly employee survey in 2022, the questions "When I work here I feel like I can live a physically healthy lifestyle" and "Paradox cares about my mental health" have been removed. Instead, the question "My workload is sustainable" is measured, which indicates the work-related stress level.

	2020	2021	2022	Goal 2025
Attendance rate	98 %	98 %	97 %	≥ 97%
My workload is sustainable	7,8	7,7	7,9	≥ 8,0

The attendance rate is calculated on the basis of employees' general sick leave during a calendar year. The questions from the employee survey are answered on a 10-point scale where 10 stand for completely agree, 5 for partially agree and 1 for do not agree at all. To be in the upper quartile of the engagement index, Paradox strives for a result that is equal to or greater than the stated target score.

Paradox is largely in line with these goals but will continue to strive for employees to have a good balance between work and leisure. In 2023, the company will further focus on physical health to promote healthy habits and movement.

Career development and personal growth

For Paradox, a meaningful workplace means, among other things, that employees have many paths to development and self-fulfilment on both a personal and professional level. Therefore, Paradox focuses on the continuous development of employees, where education, career development and impact on commercial decisions are important components.

Within Paradox, a large part of the work takes place in small groups, which makes it important that everyone can take responsibility for, and lead, their own work. Therefore, employees are offered leadership development in different stages depending on their role. In parallel, occupation-specific training is offered depending on the employee's role and skills.

Furthermore, managers are offered a so-called toolbox training that will support them in their leadership, and during 2022 the Great Leaders manager training continued to strengthen the company's leaders. In 2022, Paradox has also further developed its internal seniority levels, which enables a clear career development and a fair salary setting for the work that is performed.

To ensure that all employees have the opportunity to discuss their development and salary, development talks are conducted twice a year, salary reviews once a year and follow-up discussions in between. Furthermore, Paradox tries as much as possible to recruit internally to give employees the opportunity to take on greater responsibility in their existing field or take on new challenges in other fields.

Game development is a creative and iterative process that requires a breadth of skills that interact. In order for the work to be meaningful and that employees are given the opportunity to grow on a personal



and professional level, Paradox strives for the work to take place in small autonomous teams with short decision paths so that everyone has the opportunity to get an outlet for their skills and bring forth their ideas.

	2020	2021	2022	Goal 2025
Internal recruitments	21 %	22 %	25 %	≥ 25 %
I see a path for my career development in our organisation	7,2	6,9	7,1	≥ 7,3
My manager encourages and supports my development	8,5	8,2	8,4	≥ 8,2

Internal recruitments are calculated on the basis of all internal appointments made to all recruitments made during the year. The questions from the employee survey are answered on a 10-point scale where 10 stand for completely agree, 5 for partially agree and 1 for do not agree at all. To be in the upper quartile of the engagement index, Paradox strives for a result that is equal to or greater than the stated target score.

In 2022, the number of internal recruitments increased by 3 percentage points compared to 2021 and is now in line with the long-term goal. At the same time, the employees' view of career development and development support from the manager has increased by 0.2 each on a ten-point scale and is in line with the company's long-term goals. The result should be taken against the fact that the company underwent a major organisational change at the beginning of 2022 where there was a need to add new positions, which increased internal mobility.

Diversity and inclusion

The making and selling of fantastic games requires different approaches and ideas, which is why Paradox strives to have good diversity and inclusion. Paradox has both a gender equality plan, an action plan and a policy on harassment and victimization that are created to ensure that measures are taken in the event of any shortcomings and that the risk of discrimination is minimized. The company wants to assess people based on their skills, treat everyone with respect, and give everyone equal rights and opportunities regardless of gender, ethnicity, age, sexual orientation, transgender identity or expression, religion or other beliefs, as well as disabilities.

These policies are managed and followed up by the company's Human Resources department. Internal training is conducted with all managers and employees with group responsibilities to ensure that they have satisfactory knowledge in the area. All employees have the opportunity to submit feedback or complaints anonymously, either directly to the Human Resources department, an external firm, safety representatives, union representatives or through employee surveys.

In 2022, all the company's employees have undergone training in identifying and handling harassment in the workplace with additional training steps for managers and HR staff. Furthermore,

the company has updated its processes for handling cases of harassment and implemented a new policy against harassment, bullying and victimization in the workplace, as well as strengthened the support available to managers when managing individual cases. In 2023, the work to educate and train employees and managers will continue. More information on the outcome of the work done in 2022 can be found in a separate report available on Paradox's website.

On Paradox Interactive's Board of Directors, one of five board members is a woman, and at the end of 2022 one out of six members of Senior Management was a woman. The group language is English and in most cases language skills in Swedish are not a requirement for employment.

The proportion of women in the group amounted to 20 percent in 2022 compared to 24 percent in 2021. This is a consequence of the company's increased staff turnover at the end of 2021 and during 2022.

In 2022, Paradox has evaluated the fulfilment of its gender distribution in the organisation. The company assesses that Paradox will not reach the goal of 30 percent women in the workforce until 2025. This is because the recruitment pool of women is still considered too small.

A good and high diversity and equality are still important for Paradox's development and the company will continue to strive to be a very good and attractive employer. To ensure the ability to both attract and retain female employees, the company focus on the treatment of Paradox's female employees, in terms of equal treatment and conditions for salary and career development. The starting point is that continuous systematic work in these areas strengthens the company's attractiveness. Metrics and goals are based on the legal genders, where the long-term goal is to have an equally high level between women and men.

	Gender	2020	2021	2022	Goal 2025
I am rewarded fairly (e.g., salary, promotion) for my contribution to Paradox Group	Woman	7,2	6,6	6,8	≥ 7,1
	Man	6,8	6,5	6,7	≥ 7,1
People from all backgrounds are treated fairly at Paradox Group	Woman	8,3	6,7	8,0	≥ 8,5
	Man	8,5	7,7	8,4	≥ 8,5

The questions from the employee survey are answered on a 10-point scale where 10 stand for completely agree, 5 for partially agree and 1 for do not agree at all. To be in the upper quartile of the engagement index, Paradox strives for a result that is equal to or greater than the stated target score.

In the question "I am rewarded fairly..." women are marginally more satisfied than men with, for example, salary and promotion. In 2022, a major salary review was carried out where unjustified salary differences between the genders, in terms of seniority level and role,



were adjusted. The work will be done systematically on an annual basis.

In terms of equal treatment, the result for women has increased the most (+ 1.3) compared to 2021. However, men feel to a greater extent than women that people from all backgrounds are treated fairly, which is in line with external studies of the work environment and an area that the company will continue working with 2023 and beyond.

RESPONSIBLE GAMING

Paradox games and the community that forms around them give players an opportunity to explore and express their interests, regardless of background or circumstances. They provide a social exchange, intellectual stimulation and opportunity to discuss the games they love with each other and the developers. It is also a community that has a large impact on Paradox's operations.

Paradox, in turn, has the ability to influence the discussion between and with players as they revolve around Paradox games and often take place in channels and on platforms that Paradox owns. By countering toxic behaviour in digital channels, making games accessible to more people, and designing and charging for content in a way that doesn't encourage unsustainable gaming, Paradox wants to promote responsible gaming.

Work against toxicity

Paradox strives to offer everyone a safe and pleasant environment around its games, where those who are interested feel welcome to share their commitment to the company's games with others. In order for the company's player communities to grow in a constructive and safe way, Paradox has zero tolerance for any form of toxic behaviour in the company's channels, which includes racism, sexism, harassment, discrimination, hate speech, bullying or threats as well as attacks against players, the community and the company's employees. The company strives to keep these owned channels, primarily Paradox Forum and Discord, free from such behaviour by regulating it in the terms of use for games and forums, having dedicated staff who moderate the company's platforms, and having a privacy policy. Players are also encouraged to report offensive behaviour on the company's player platforms.

In 2022, the company continued its work against toxic forum behaviour. A new code of conduct for player platform moderation was introduced in 2022, which among other things updated the grounds for suspension to more effectively curb bad behaviour. In addition, new technical systems have been implemented in the company's own channels, such as Discord and forums, which quickly flag potential offensive posts, and which are then evaluated and acted upon by Paradox moderators. Furthermore, the company continues to offer employees who have or want to have player contact education in social media.

Accessibility

Paradox wants to encourage and welcome players to try the company's games, take part in the community around them and get in touch with the company. Paradox facilitates accessibility by:

- Simplifying introductions for new players
- Player contact and transparency

- Protecting privacy
- Guidelines for game development

Simplifying introductions for new players

Many of Paradox's games have a high level of complexity. To make it easier to learn and immerse oneself in the games, the company offers a spectrum of instructional guides; including dedicated Wikis, guides on the forums, and contracted content creators on YouTube and Twitch who create and update beginner's guides for the games.

Furthermore, the company has continued to develop user-friendly design, to make the games easier to learn.

Encouraging player contact and transparency

The company strives for transparency and inclusion in all contacts with players. Game developers, senior executives and other functions make themselves available to players in everything from presentation of and discussions about game and content design to presentation of interim reports. The goal is to continuously take in views and thoughts, and transparently explain the company's decisions and direction. In 2022, a number of presentations were held with game developers as well as the company's management team. The company also continues to offer personal customer support to help players get started or fix problems that have arisen.

Protecting Privacy

The company's privacy policy regulates the protection of players' privacy and personal data. This is supported by the internal IT policy that was further developed in 2022.

Providing guidelines for game development

The games often take place during controversial periods in history and may therefore contain topics that are sensitive. The company has guidelines for how development teams should approach sensitive topics in game development. Paradox does not allow the games to be used as an excuse for behaviour that is unacceptable today and therefore handles the topics with caution.

Gaming addiction

For many, Paradox games are a medium for relaxation, intellectual challenge, interest exploration and social exchange. Like all entertainment media, however, playing too much, based on the individual's everyday life, can lead to negative effects. Paradox wants to avoid that.

The company's main business model is based on the player paying an upfront cost for access to the content, which is then available without a time limit or additional transactions. Furthermore, the same content cannot be purchased multiple times. This enables game time to be spread out and impulsive purchases to be avoided.

SUSTAINABLE OPERATIONS

Paradox's impact on society occurs partly through the company's daily operations, and partly through the activities carried out by suppliers, distributors, and other stakeholders. Paradox strives to limit the negative impact that its business operation has on the societies in which the company operates by reducing its climate footprint and environmental impact, promoting good business ethics, and using its influence in the value chain to promote serious actors working in line with the UN Global Compact.



Influence in the supply chain

As a party to agreements, Paradox is often directly dependent on the actions of its stakeholders, but also indirectly in that the actions of its stakeholders can influence other stakeholders such as society and the media. Paradox works in various ways to ensure that all suppliers act in line with the internationally agreed human rights, among other things by requiring contractual counterparties to comply with applicable laws and regulations, for example in relation to labour legislation. In addition to this, emphasis is placed on the professional reputation of counterparties, in order to avoid collaboration with parties that do not apply acceptable conditions. In relation to large counterparties, primarily in game development, the company strives to visit the counterparties before signing agreements. In 2022, a global Code of Conduct, which is based on the UN Global Compact's ten principles, has been implemented for all of the company's operations. A Code of Conduct for suppliers will be implemented in 2023.

Climate footprint

Paradox strives to reduce the company's impact on climate change, which changes the living conditions of all people and all businesses. Even though computer game companies have a relatively limited impact on the climate, as product development and sales are done digitally, purchases are made, employees travel, and premises are rented. Furthermore, the companies' products require the player to have access to hardware such as computers or consoles. These require a certain amount of electricity consumption during use. In order to strengthen its sustainability efforts a new Sustainability Policy has been established and implemented in the past year.

In order to map the company's climate impact, an annual climate footprint calculation is carried out in accordance with the Greenhouse Gas protocol (GHG protocol). Paradox currently has no emissions within Scope 1 as the company does not have a company-owned vehicle fleet or stationary combustion of fuel. Even if more data points were added to Scope 3 in 2022, the company has not been able to include all of Scope 3 in the measurement. For example, it was not possible to measure the player's electricity consumption when they play one of Paradox's games on a computer or console.

Emissions per category

Paradox's total emissions increased to 676 tCO₂e (497 tCO₂e), which was an effect of the release of covid restrictions, which among other things led to increased office use and increased business travel. In terms of emission categories, electricity and heating are still largest 285 tCO₂e (298 tCO₂e), followed by business travels 220 tCO₂e (55 tCO₂e) and then purchases 164 tCO₂e (129 tCO₂e).

Distribution of tCO₂e by category*

Category	2022	2021
Electricity and heating**	285	298
Business travel	220	55
Purchased goods and services	164	120
Servers	6	23
Total	676	497

* Market-based reporting

** Electricity and heating include the direct emissions from electricity and heat generation within Scope 2 as well as upstream emissions from the use of electricity and heat within Scope 3.

Emissions per Scope

Scope 2

Within Scope 2, Paradox emits 214 tCO₂e (236 tCO₂e), mainly through the company's premises. International offices account for the largest climate footprint, while offices in Sweden account for a smaller portion due to the availability of green electricity and heating.

To reduce the impact, Paradox works with property owners who have a distinct focus on sustainability, for example the Group headquarters in Stockholm uses green electricity and district heating, which has a large impact on the climate footprint.

Scope 3

The majority of Paradox's emissions are in Scope 3. Business travel by air is the company's single largest climate-influencing factor within this Scope, as it has increased significantly due to increased travel after the covid pandemic. Travel is now at, for Paradox, a normal level.

The purchase of IT equipment for the company's operations and employees is the second largest factor within Scope 3 with 164 tCO₂e. The increase can be explained by the fact that during the year Paradox purchased game consoles for all employees and has also included the purchase of company-branded clothing in the category. Upstream emissions from the use of electricity and heat are the third largest climate influencing factor within Scope 3 (72 tCO₂e).

Servers account for the smallest emissions within Scope 3, however, it was not possible to obtain data from all the company's cloud providers, hence the emissions are likely to be greater than reported.

To ensure reasonable travel, Paradox has revised its travel policy in 2022 to favor digital meetings, train travel and public transport whenever possible. To reduce emissions created by the company's IT purchases, the company works with well-established suppliers of both hardware and server capacity that have a strong focus on sustainability and products that are well developed from a climate and environmental perspective. Furthermore, the company has decided to extend the life of all IT equipment to avoid excessive consumption that affects the company's climate footprint. In the past year, Paradox also increased the recycling of IT equipment and thereby saved 12.5 tCO₂e.

Paradox's impact per Scope (location-based reporting), tCO₂e

Scope	2022	2021
2	169	193
3	449	256
Total	619	449



Paradox's impact per Scope (market-based reporting), tCO₂e

Scope	2022	2021
2	214	236
3	462	261
Total	676	497

During 2023, the company's employees will continue to be trained in anti-corruption, both at the start of employment and continuously during it.

Environmental impact

Paradox works to limit the company's environmental impact by minimizing the physical part of its operations and transferring as much of its operations as possible to the digital medium. To the extent that travels are required, for example to game fairs, Paradox minimizes the number of travellers to reduce the environmental impact and external meetings should as far as possible be held via a digital platform instead of having physical meetings.

Furthermore, Paradox acts to minimize the use of paper by using e-signing systems for agreements and other digital document management systems to the extent possible. The environmentally friendly technology that Paradox primarily is involved in spreading and developing is the transition from games in physical distribution, to games in completely digital form that are downloaded from the internet. This transition in part contributes to reducing the environmental impact from the production of the physical products and in part to reducing the environmental impact from the transport of the physical products and has been widely spread in the gaming market. Paradox sells over 95% of its games in digital form.

Business ethics

Paradox's long-term growth and success depends on the company's relations with players, employees and other stakeholders being good. Especially when Paradox is in a growth phase, the company is dependent on attracting new players, new staff, new development studios and new partners. The cornerstone of good relationships is acting in a business-ethical way since it is the starting point for all business relationships and transactions that are based on trust.

Anti-corruption

Part of business ethics is to counter corruption. Although Paradox believes that corruption is not widespread in the gaming industry, a proactive approach is ensured via an Anti-Corruption policy as well as education in anti-corruption for teams with frequent external contacts.

All expenses must be approved by the relevant person's manager and by the Finance Department, in order to have control over which payments are made by the employees with Paradox funds and thereby counteract the possibility of bribes or the like. The company also has guidelines in the form of personnel manuals and management manuals, code of conduct and an anti-corruption policy as a support for how personnel should act in a business-ethical way. The company also has a whistleblower system to increase the probability to notice and remedy actions that are not business ethical. In 2022, no whistleblower reports were received that staff had acted unethically or corruptly.



THE SHARE, OWNERSHIP, DIVIDEND POLICY AND ALLOCATION OF PROFITS

The Share

According to the Articles of Association, the share capital shall be not less than SEK 500,000 and no more than SEK 2,000,000 at a minimum of 100,000,000 shares and at the most 400,000,000 shares. At the end of the year, the share capital amounts to SEK 528,096 by a total of 105,619,209 shares. Each share has a par value of SEK 0.005. The shares are of the same class and are issued in accordance with Swedish law and are denominated in Swedish kronor (SEK). Each share entitles the holder to one vote at the general meeting and each shareholder has the right to vote for all shares owned by the shareholder in the company.

Ownership

At the end of 2022 Paradox Interactive AB's largest shareholders are Westerinvest AB 33.4% (Fredrik Wester), Investment AB Spiltan 17.3 %, Tencent Holdings Limited 10.1 %.

Dividend policy

Paradox's dividend policy is based on the principle that the total dividend should be adjusted to trends in profitability and liquidity, taking into account the Group's development, investments, acquisitions and financial position. As long as the Group is in a growth phase, this means that the profits are mainly reinvested in the business.

Allocation of profits

The following is at the disposal of the AGM:

Share premium reserve	29,542,366
Retained earnings	-237,668,933
Profit for the year	551,925,032
	343,798,466

The board of directors proposes

Distribution to shareholders SEK 2.00 per share	211,238,418
Retained earnings be carried forward	132,560,048
	343,798,466

The board therefore considers that the proposed dividend is justifiable considering the requirements that the business' nature, scope and risks place on the size of the parent company and group equity, consolidation- and investment needs, liquidity and financial position.

Regarding the group's and parent company's results and financial position, refer to the following income statements, balance sheets and supplementary information.



INCOME STATEMENT, GROUP (KSEK)

	Note	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Revenues	5	1,972,906	1,447,456
Cost of goods sold	7, 8, 9, 10	-862,629	-880,971
Gross profit		1,110,277	566,485
Selling expenses	7, 8, 9, 10	-170,490	-192,867
Administrative expenses	7, 8, 9, 10, 11	-91,618	-102,899
Other income	12	56,635	40,841
Other expenses	13	-17,658	-4,107
Operating profit		887,146	307,453
Financial income	15	3,952	545
Financial expense	16	-6,658	-4,072
Profit after financial items		884,440	303,926
Income tax expense	18	-175,731	-56,157
Profit for the year		708,709	247,770

Profit for the period is attributable to the shareholders of the parent company.

Earnings per share attributable to parent company shareholders (SEK):

- before dilution	42	6.71	2.35
- after dilution	42	6.70	2.34

OTHER COMPREHENSIVE INCOME, GROUP (KSEK)

	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Profit for the year	708,709	247,770
OTHER COMPREHENSIVE INCOME		
<i>Items that may be reclassified to profit or loss</i>		
Translation differences	20,780	9,185
Total comprehensive income for the year	729,489	256,955

Profit for the period is attributable to the shareholders of the parent company.



BALANCE SHEET, GROUP (KSEK)

	Note	2022-12-31	2021-12-31
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalised development	19	1,650,275	1,198,502
Licenses, brands and similar rights	20	159,501	232,480
Goodwill	21	22,415	20,600
Total intangible fixed assets		1,832,191	1,451,582
Tangible fixed assets			
Property and equipment	22	17,561	22,021
Right-of-use assets	23, 24	136,118	165,272
Total tangible fixed assets		153,680	187,294
Financial assets			
Investments in associates	27	32,555	31,082
Other long term assets	28	18,695	18,589
Total financial assets		51,249	49,671
Total fixed assets		2,037,120	1,688,546
Working capital			
Current assets			
Accounts receivable	29	259,948	133,780
Tax assets		709	19,821
Other receivables		34,769	24,534
Prepaid expenses and accrued revenues	30	61,376	56,287
Total current assets		356,802	234,422
Cash and cash equivalents	31	747,506	599,724
Total working capital		1,104,307	834,147
TOTAL ASSETS		3,141,427	2,522,693



BALANCE SHEET, GROUP (KSEK)

	Note	2022-12-31	2021-12-31
EQUITY AND LIABILITIES			
Equity	32		
Share capital		528	528
Reserves		25,176	4,397
Share premium reserve		29,542	27,994
Retained earnings including profit for the year		2,237,131	1,628,644
Total equity		2,292,377	1,661,563
Long term liabilities			
Lease liabilities	24	104,845	134,438
Deferred tax liabilities	34	137,220	163,606
Other liabilities	35	–	422
Total long term liabilities		242,065	298,466
Current liabilities			
Accounts payable		52,487	97,016
Current tax liabilities		66,529	6,278
Lease liabilities	24	35,616	34,536
Other liabilities	35	33,725	28,283
Accrued expenses and prepaid revenues	36	418,628	396,550
Total current liabilities		606,985	562,663
Total liabilities		849,050	861,129
TOTAL EQUITY AND LIABILITIES		3,141,427	2,522,693



EQUITY, GROUP (KSEK)

	Note	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
At the beginning of the period 2021-01-01		528	27,994	-4,788	1,484,423	1,508,158
Profit for the year		-	-	-	247,770	247,770
Other comprehensive income						
Exchange differences		-	-	9,185	-	9,185
Other comprehensive income		-	-	9,185	-	9,185
Total comprehensive income		-	-	9,185	247,770	256,955
Transactions with owners						
Re-purchase of warrants		-	-	-	-	-
Dividend		-	-	-	-105,600	-105,600
Total transactions with owners		-	-	-	-103,549	-103,549
AT THE END OF THE PERIOD 2021-12-31	32	528	27,994	4,397	1,628,644	1,661,563
At the beginning of the period 2022-01-01		528	27,994	4,397	1,628,644	1,661,563
Profit for the year		-	-	-	708,709	708,709
Other comprehensive income						
Exchange differences		-	-	20,780	-	20,780
Other comprehensive income		-	-	20,780	-	20,780
Total comprehensive income		-	-	20,780	708,709	729,489
Transactions with owners						
Premiums when redeeming warrants		0	3,362	-	-	3,362
Re-purchase warrants		-	-1,814	-	-	-1,814
Share-based payments staff		-	-	-	5,378	5,378
Dividend		-	-	-	-105,600	-105,600
Total transactions with owners		0	1,548	-	-100,222	-98,674
AT THE END OF THE PERIOD 2022-12-31	32	528	29,542	25,176	2,237,131	2,292,377

There is no minority interest in the group. All equity is therefore attributable to parent company shareholders.



CASH FLOW, GROUP (KSEK)

	Note	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Operating profit		887,146	307,453
Adjustment of depreciation, amortisation and write-downs		473,498	589,855
Other adjustments		4,362	-4,235
Interest received		3,952	545
Interest paid	24	-6,658	-4,072
Tax paid		-126,703	-150,200
Cash flow from current operations before changes in working capital		1,235,598	739,346
Changes in working capital			
Change in current receivables		-141,060	42,441
Change in current liabilities		-9,799	-45,202
Cash flow from current operations		1,084,740	736,586
Investing activities			
Investments in capitalised development		-793,771	-744,313
Investments in licenses, brands and similar rights		-	-3,235
Investments in equipment		-2,119	-1,694
Investments in subsidiaries		-11,055	-
Investments in other financial assets		-25	-17,333
Cash flow from investing activities		-806,969	-766,574
Financing activities			
Amortisation of lease liability	24	-35,371	-33,994
Paid dividend		-105,600	-105,600
Cash flow from financing activities		-140,971	-139,594
Cash flow for the year		136,800	-169,583
Cash and cash equivalents at the beginning of the year		599,724	767,561
Exchange rate effect		10,981	1,746
Cash and cash equivalents at the end of the year	31	747,506	599,724



INCOME STATMENT, PARENT COMPANY (KSEK)

	Note	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Revenues	5	1,992,191	1,446,878
Cost of goods sold	7, 8, 9, 10	-1,276,664	-873,604
Gross profit		715,528	573,274
Selling expenses	7, 8, 9, 10	-163,264	-180,473
Administrative expenses	7, 8, 9, 10, 11	-91,873	-104,349
Other income	12	54,248	34,487
Other expenses	13	-17,060	-4,262
Operating profit		497,578	318,678
Profit from shares in subsidiaries	14	-	43,143
Financial income	15	1,952	341
Financial expense	16	-2,391	-157
Profit after financial items		497,140	362,004
Appropriations	17	200,000	68,100
Income tax expense	18	-145,215	-83,065
Profit for the year and total comp income for the year		551,925	347,039
OTHER COMPREHENSIVE INCOME, PARENT COMPANY (KSEK)			
Comprehensive income		-	-
Total comprehensive income for the year		551,925	347,039

Profit for the year and comprehensive income for the year is attributable to the shareholders of the parent company



BALANCE SHEET, PARENT COMPANY (KSEK)

	Note	2022-12-31	2021-12-31
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalised development	19	1,408,095	1,185,934
Licenses, brands and similar rights	20	37,495	63,625
Total intangible fixed assets		1,445,590	1,249,559
Tangible fixed assets			
Property and equipment	22	10,116	14,242
Total tangible fixed assets		10,116	14,242
Financial assets			
Shares in subsidiaries	26	305,812	305,812
Investments in associates	27	16,766	16,766
Other long term assets	28	17,393	17,393
Total financial assets		339,970	339,971
Total fixed assets		1,795,677	1,603,772
Working capital			
Current assets			
Accounts receivable	29	255,031	130,840
Receivables from group companies		79,656	35,176
Tax assets		–	19,821
Other receivables		28,163	18,668
Prepaid expenses and accrued revenues	30	59,969	55,335
Total current assets		422,818	259,840
Cash and cash equivalents	31	448,013	469,881
Total working capital		870,832	729,720
TOTAL ASSETS		2,666,508	2,333,492



BALANCE SHEET, PARENT COMPANY (KSEK)

	Note	2022-12-31	2021-12-31
EQUITY AND LIABILITIES			
Equity	32		
<i>Restricted equity</i>			
Share capital		528	528
Capitalised development reserve		1,408,095	1,185,934
<i>Non-restricted equity</i>			
Share premium reserve		29,542	27,994
Retained earnings		-237,669	-262,325
Profit for the year		551,925	347,039
Total equity		1,752,422	1,299,171
Untaxed reserves	33	485,000	555,000
Long term liabilities			
Other liabilities		-	422
Total long term liabilities		-	422
Current liabilities			
Accounts payable		45,619	87,113
Liabilities to group companies	38	28,016	21,409
Current tax liabilities		4,352	-
Other liabilities	35	4,339	13,740
Accrued expenses and prepaid revenues	36	346,760	356,637
Total current liabilities		429,086	478,899
Total liabilities		429,086	479,321
TOTAL EQUITY AND LIABILITIES		2,666,508	2,333,492



EQUITY, PARENT COMPANY (KSEK)

	Note	Share capital	Capitalised development reserve	Share premium reserve	Retained earnings	Total equity
At the beginning of the period 2021-01-01		528	913,222	27,994	113,937	1,055,681
Profit for the year		-	-	-	347,039	347,039
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	347,039	347,039
Transfer to capitalised development reserve		-	272,713	-	-272,713	-
Transactions with owners						
Dividend		-	-	-	-105,600	-105,600
Sharebased payments to employees		-	-	-	2,051	2,051
Total transactions with owners		-	-	-	-103,549	-103,549
AT THE END OF THE PERIOD 2021-12-31	32	528	1,185,934	27,994	84,714	1,299,171
At the beginning of the period 2022-01-01		528	1,185,934	27,994	84,714	1,299,171
Profit for the year		-	-	-	551,925	551,925
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	551,925	551,925
Transfer to capitalised development reserve		-	222,161	-	-222,161	-
Transactions with owners						
Premiums when redeeming warrants		0	-	3,362	-	3,362
Re-purchase warrants		-	-	-1,814	-	-1,814
Sharebased payments to employees		-	-	-	5,378	5,378
Dividend		-	-	-	-105,600	-105,600
Total transactions with owners		0	-	1,548	-100,222	-98,674
AT THE END OF THE PERIOD 2022-12-31	32	528	1,408,095	29,542	314,256	1,752,422



CASH FLOW, PARENT COMPANY (KSEK)

	Note	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Operating profit		497,578	318,678
Adjustment of depreciation, amortisation and write-downs		311,283	260,064
Other adjustments		7,023	238,352
Interest received		2,067	341
Interest paid		-2,505	-157
Tax paid		-121,041	-149,115
Cash flow from current operations before changes in working capital		694,404	668,163
Changes in working capital			
Change in current receivables		-92,606	41,256
Change in current liabilities		-3,798	-106,727
Cash flow from current operations		598,000	602,692
Investing activities			
Investments in capitalised development		-502,095	-738,215
Investments in licenses, brands and similar rights		-	-3,235
Investments in equipment		-1,093	-
Investments in subsidiaries		-11,055	-
Investments in other financial assets		-25	-17,333
Dividends from subsidiaries		-	43,143
Cash flow from investing activities		-514,268	-715,639
Financing activities			
Paid dividend		-105,600	-105,600
Cash flow from financing activities		-105,600	-105,600
Cash flow for the year		-21,867	-218,547
Cash and cash equivalents at the beginning of the year		469,880	688,427
Cash and cash equivalents at the end of the year	31	448,013	469,880



NOTES (KSEK)

NOTE 1. GENERAL INFORMATION

Paradox Interactive is a global developer and publisher of computer games.

The parent company Paradox Interactive AB (publ) with corporate identity number 556667-4759 is a public limited company registered in Sweden, based in Stockholm. The address of the Head office is Magnus Ladulåsgatan 4, 118 66, Stockholm.

The annual report for the year that ended December 31, 2022, including comparative figures, was approved for publication by the Board of Directors on April 18, 2023, see note 43.

NOTE 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements were prepared in accordance with the Annual Accounts Act, RFR 1 - Supplementary Accounting Rules for Groups and International Financial Reporting Standards (IFRS), as adopted by the European Commission for application within the EU.

The preparation of financial statements in conformity with IFRS requires the use of some important estimates for audit purposes. Furthermore, it requires management to make certain judgments in applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

New and amended standards adopted by the group

Some accounting pronouncements which have become effective from January 1, 2022, and have therefore been adopted do not have a significant impact on the group's financial results or position.

Standards, amendments, and interpretations to existing standards that are not yet effective and have not been adopted early by the group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Basis of preparation

The group's financial statements have been prepared on an accrual basis and under the historical cost convention. Monetary amounts are expressed in Swedish currency, SEK, and are rounded to the nearest thousands, unless stated otherwise.

Principles of consolidation

The consolidated financial statements include the parent company and subsidiaries' operations until December 31, 2022. All subsidiaries have a closing date on December 31.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

All intercompany transactions and balances are eliminated upon consolidation, including unrealised gains and losses on transactions between group companies. In cases where unrealised losses on intra-group sales of assets are reversed upon consolidation, the impairment needs of the underlying asset are also assessed from a group perspective. Amounts recognised in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the group's accounting policies. Earnings and other comprehensive income for subsidiaries acquired during the year are reported from the date the acquisition or divestment takes effect, as applicable.

Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Contingent considerations are classified either as equity or financial liabilities. Amounts classified as financial liabilities are revalued at fair value each period. Any revaluation gains and losses are reported in the income statement. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Investments in associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method. The carrying amount of the investment in associates is increased or decreased to recognise the group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the group. Unrealised gains and losses on transactions between the group and its associates are eliminated to the extent of the group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The operation is assessed in its entirety, as a segment. The chief operating decision maker is the company's CEO, and is responsible for allocating resources and assessing performance of the operating segments.



Foreign currency translation

The consolidated financial statements are presented in the currency SEK, which is also the parent company's functional currency.

Transactions in foreign currencies are translated to the functional currency, SEK, based on the prevailing exchange rates at the transaction date. Profits and losses in foreign currency resulting from settlement of such transactions and due to the revaluation of monetary items using the closing rate are recognised as other operating income and other operating expenses.

Non-monetary items are translated not on the closing day but are valued at historic cost (restated at the transaction date).

In the group's financial statements, all assets, liabilities, and transactions of Group entities with a functional currency other than the SEK are translated into SEK upon consolidation. The functional currencies of entities within the group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into SEK at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into SEK at the closing rate. Income and expenses have been translated into SEK at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

Revenue

Revenue primarily relates to revenue from the provision of interactive content through agreements with platform operators such as Valve, Sony, and Microsoft.

Interactive content consists of software revenue from computer games played either offline or online, or a combination of offline and online. Software revenue is also obtained for downloadable content for computer games sold.

In assessing whether an income should be reported, the group follows a 5-step process:

- Identify the contract with the customer
- Identify the performance obligations
- Determination of the transaction price
- Allocate the transaction price on the performance obligations
- Recognise revenue as the performance obligation is satisfied.

Revenue from the sale of software for computer games and online services is recognised when the group fulfils the performance commitments by transferring control of the computer games and services to the customer. The transaction price of an agreement does not include amounts received on behalf of third parties, e.g., sales taxes such as sales tax, VAT, and similar taxes.

Revenue from the sale of software for computer games is made through the provision of a license to an intangible asset to be able to play the game offline, i.e., no internet connection is required to access the game or its content. The revenue related to the provision of the license is recognised as revenue at the time the control of the games is transferred to the customer.

Some software that can be played offline may also include gaming-related services that are provided over time and are dependent on an Internet connection. Game-related services can, for example, refer to multiplayer functionality, chat functions, etc. The Group makes ongoing assessments for games that can be played offline with regard to any significant performance commitment that is made up of the online services for the game. If the group's provision of the online services constitutes a significant performance commitment in addition to the provision of the offline game, the transaction price is allocated to several performance commitments. To the performance commitment relating to the offline game, revenue is recorded when the customer receives control of the license, and to the performance commitment relating to the online service, the revenue is accrued over an estimated period for the use of the service.

Currently, the group has not classified any revenue attributable to performance commitments for the provision of gaming-related services.

Revenue from computer games that can be played offline is mainly obtained from digital downloading. Revenue is usually recorded when the game can be downloaded by the end-user on a digital platform. Revenue from pre-orders and season passes is recorded based on when download of the game or content to the game can be made by the end user.

In some cases, the group enters into agreements with customers that include guaranteed revenue amounts and sales-based royalties in addition to the guarantee amounts in exchange for the provision of a gaming license in certain markets and / or certain platforms. These arrangements may include several performance commitments, including the provision of the license, rights to additional game releases and downloadable content, updates, and royalty payments from sales to the end user. Establishing performance commitments and transaction prices for guaranteed revenue amounts requires significant estimates and assessments by group management.

The group recognises a contractual debt when it has received compensation for unfulfilled performance commitments and recognises these amounts as a prepaid income in the statement of financial position. Similarly, if the group fulfils a performance commitment before the consideration is received, the group reports either a contract asset or accrued income in the statement of financial position, depending on whether anything other than the time aspect is decisive for when compensation is due.

Cost of goods sold

Cost of goods sold refers to the cost of game development, operation, and maintenance of games, as well as royalties to external game developers and other rights holders.



Selling expenses

Selling expenses refer to costs in sales, marketing, and PR.

Administrative expenses

Administrative expenses refer to costs for central support functions.

Other operating income and other operating expenses

Other operating income and other operating expenses are reported as income and expenses that are outside ordinary activities. The item mainly includes exchange rate gains and losses in operations as well as revaluation of contingent considerations reported in the income statement.

Income tax

The tax expense reported in the income statement consists of the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Calculation of current tax is based on tax rates enacted or substantively enacted at the reporting date. Deferred income tax is calculated using the liability method, on temporary differences.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the financial year. Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

Other intangible fixed assets

Initial recognition of intangible assets

Capitalised development expenditure

Expenditure on the research phase of a project to develop computer games are expensed in the period in which they arise.

Expenses directly attributable to a project's development phase are recognised as intangible assets provided they meet the following requirements:

- The development expenditure can be measured reliably
- That the project is technically and commercially feasible
- That the group has the intention and sufficient resources to complete the project
- The group have the ability to use or sell the software
- That the software will generate probable future economic benefits

Development expenditures that do not meet the criteria for capitalisation are expensed as incurred.

Directly attributable expenses include personnel costs incurred in the process of software development along with an appropriate portion of relevant overheads and external development costs invoiced.

Licenses, brands, and similar rights

Licenses, brands, and similar rights that meet the conditions to be reported separately in a business combination are accounted for as intangible assets and are initially measured at fair value.

Reporting in subsequent periods

All finite-lived intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line or degressive basis over their estimated useful lives. The choice of depreciation method is made for each game based on how the financial benefits of the games are expected to be consumed. Current games that apply a degressive method are depreciated by 1/3 during the first month of the period, 1/3 during month 2-6, and 1/3 during month 7-18. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

The following useful lives are applied:

- Brands 5–10 years
- Capitalised development 1,5 år

Internally developed software that has not yet been completed, and that has been activated, are not amortised but assessed for impairment.

Depreciation and write-downs of licenses, brands and similar rights, and capitalised development expenditure are included in cost of goods sold.

Subsequent expenditure on the maintenance of software and brands are expensed as incurred.

Property and equipment

IT equipment in the form of servers and other fixtures is initially recognised at cost. Thereafter, valuation at cost is reduced by accumulated depreciation and write-downs.

Depreciation of tangible fixed assets is linear of cost. The following useful lives are applied:

- Servers: 5 years
- Other property and equipment: 5 years

Significant estimates of useful life are updated as necessary, but at least once per year.

Right-of use assets

The group makes the use of leasing arrangements principally for the provision of office space. The rental contracts for offices are typically negotiated for terms of between 1 and 7 years and some of these have extension terms. The group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all the economic benefits of an identified asset for a period in exchange for consideration.



At lease commencement date, the group recognises a right-of-use asset and a lease liability in its consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability.

The group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The group also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate.

After initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

Payments under leases can also change when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate.

The group has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate to items of office equipment such as desks, chairs, and certain IT equipment. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Impairment testing of intangible and tangible fixed assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units, CGU: s). As a result, some assets are tested individually for impairment, and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever

events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved forecast. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors. Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

Except for goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Financial instruments

Recognition and measurement at initial recognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flow from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

Classification and initial measurement of financial instruments

All financial assets are initially measured at fair value adjusted for transaction costs where applicable.

Financial assets are classified into the following categories:

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

In the periods presented the corporation does not have any financial assets categorised as fair value through profit or loss or fair value through other comprehensive income.

The classification is determined by both:

- the entity's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are classified as financial expenses or financial income, except for impairment of trade receivables classified within selling expenses.



Subsequent measurement of financial assets

Financial assets measured at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions, and are not designated as fair value through profit or loss:

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

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

The group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

The group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and accrued revenue. To measure the expected credit losses, trade receivables and accrued revenue have been grouped based on shared credit risk characteristics and the days past due. The accrued revenue relates to unbilled work and has substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for accrued revenue.

Classification and subsequent measurement of financial liabilities

The group's financial liabilities include trade and other payables and other long-term liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the group designated a financial liability at fair value through profit or loss.

Financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at fair value through profit or loss, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value recognised in the income statement are included in financial income or financial expense, alternatively other income or other expenses.

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits at banks and similar institutions, together with other short-term highly liquid investments maturing within 90 days from the date of acquisition and that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Equity

Share capital represents the par value of the shares issued.

Translation reserve is comprised of foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into SEK.

Share premium includes any premiums received on the issue of new share capital. Any transaction costs associated with the issue of new shares are deducted from the premium, taking into account any income tax effects.

Retained earnings include all retained earnings and share-based compensation for the current and prior periods.

All transactions with the parent company owners are presented separately in equity.

Post employment benefits and short-term employee benefits

Post employment benefits

The group has only defined contribution pension plans. The group has no legal or constructive obligations to pay further fees in addition to the payment of the fixed amount recognised as an expense in the period in which the related personnel services are received.

Short-term benefits

Short-term employee benefits, including vacation pay liabilities are included in the items other liabilities and accrued expenses, valued at the undiscounted amount that the group expects to pay because of the unused entitlement. Short-term benefits are expensed in the period in which they are members and staff services were obtained.

Share based employee remuneration

The group operates equity-settled share-based remuneration plans for its employees. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

Social security contributions attributable to share-based employee remuneration for purchased services are expensed over the periods during which the services are performed. The provision that arises shall be revalued at each reporting date based on a



calculation of the contributions that may be paid when the instruments are exercised.

Provisions and contingent liabilities

Provisions for product warranties, legal disputes, loss of contract or other claims are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be needed and the amount can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring exists and management has either communicated the plan's main features to those affected or started implementation. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated amount required to settle the present obligation, based on the most reliable information available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is significant.

No liability is recognised if the outflow of financial resources due to existing obligations is unlikely. Such situations are reported as contingent liabilities unless the probability of an outflow of resources is remote.

Cashflow analysis

The cash flow statement is prepared using the indirect method. The reported cash flow includes only transactions involving cash payments.

NOTE 3. PARENT COMPANY ACCOUNTING PRINCIPLES

The Annual Report for the Parent Company has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RFR 2. RFR 2 states that the parent company in its annual accounts must apply International Financial Reporting Standards (IFRS) as adopted by the EU, to the extent possible within the framework of the Annual Accounts Act and taking into account the relationship between accounting and taxation. The recommendation specifies the exceptions and additions required in relation to IFRS.

The parent company applies the principles presented in the consolidated financial statements note 2, with the exceptions specified as follows. The principles have been applied to all periods indicated in the parent company's annual report.

Shares in subsidiaries

Shares in subsidiaries are recognised in the parent company using the cost method, less any impairment losses. Cost includes acquisition-related costs and any additional contingent liabilities.

Income tax

In the parent company, due to the relationship between accounting and taxation, the deferred tax liability on untaxed reserves are recognised as part of the untaxed reserves.

Fund for development expenses

Capitalised development expenditure is allocated to a fund for development expenditure. The fund is restricted equity and dissolve at the same rate as the company does depreciation or amortisation of capitalised development work.

Classification and presentation

Parent company income statement and balance sheet are presented in the form prescribed in the Swedish Annual Accounts Act. The main difference to IAS 1 concerns the presentation of equity and the occurrence of provisions as a separate heading in the balance sheet.

NOTE 4. KEY ESTIMATES AND ASSUMPTIONS

When preparing financial reports, the board of directors and the managing director must, in accordance with applied accounting and valuation principles, make certain estimates, assessments and assumptions that affect the accounting and valuation of assets, provisions, liabilities, revenues and expenses. The areas where such estimates and judgments can be of great importance to the group, and which may thus affect the income statement and balance sheets in the future, are described below.

Significant estimates

The following are the significant judgments company management make when applying the group's accounting policies that have the most significant effect on the financial statements.

Revenue recognition

Since the sale of games to the end user is done through platform holders such as Valve, Sony and Microsoft, assessments are made as to whether the group acts as the principal in the sale to the end user or whether the platform holder is considered the principal towards the end user and the platform holder is the group's customer. If the group acts as the principal, the revenue is reported based on the revenue from the end user with an outgoing cost item for the platform holder's fee, unlike if the platform holder is the principal and the revenue is reported net after deduction of the platform holder's fee. A company is considered to be the principal if you control the product or service before it is transferred to the customer. Indications used to evaluate who controls the goods or services before being transferred to the customer include, but are not limited to the following;

- The agreed terms between the parties involved providing the goods or services
- Who has the main responsibility for fulfilling the promise to provide the goods or services
- Who can, in their own opinion, determine the price of the game against customers

Several of the indicators are mixed and may vary by platform operator. Based on an evaluation of the specified factors for each platform holder, the group has currently made the assessment that it is not the principal in transactions with the end users, which results in revenue being reported based on what the Group receives in compensation from the platform holder.

See note 5 for additional information.

**Capitalised development costs for game development**

The division between research and development phases of new development of software and determining whether the requirements for capitalisation of development costs are met requires assessments. The group categorises new activations into two categories; proven and unproven. It is the group's assessment that proven games reach the development phase and can be activated after the prototype phase is completed, while unproven games reach the development phase and can only be activated after the alpha phase. After activation the group management monitors whether the reporting requirements for development costs continue to be fulfilled and if there are indications that the capitalised expenses may be subject to impairment. See note 19 for additional information.

Uncertainties in the estimates

Below is information on estimates and assumptions which have the most significant effect on recognition and measurement of assets, liabilities, income, and expenses. The outcome of these can differ significantly.

Contingent consideration Triumph Holding BV

The contingent consideration as part of the acquisition of Triumph Holding BV has is based on projected revenues up to and including 2025. The earn-out is conditional on the sellers' continued employment with the company and is recognised as a cost under direct costs when it arises.

Impairment of non-financial assets and goodwill

To assess impairment, management calculates the recoverable value of each asset or cash-generating unit based on expected future cash flows using an appropriate interest rate to discount the cash flow. Uncertainties lie in assumptions about future operating results and determination of an appropriate discount rate. See note 19–21, 26 for additional information on testing performed.

Useful lives of depreciable assets

Group management makes a review each closing day of its estimates of useful lives of depreciable assets, based on how long the group expects to use the assets. The uncertainty of these estimates depends on how well the launch of the game is received by the market and may affect the useful life. See note 19–20 for amortisation of intangible assets.



NOTE 5. SEGMENT REPORTING

Group management has established operating segments based on the information that is processed by the CEO and which form the basis for making strategic decisions. The business consists of a single segment. The revenue breakdown is illustrated below;

The group's and the parent company's revenues from customers based on where the platform partner is based are divided into the following geographical areas;

	Group		Parent company	
	2022	2021	2022	2021
USA	1,679,021	1,219,196	1,642,768	1,224,151
Sweden	21,318	16,846	66,791	41,742
Rest of Europe	234,297	176,402	243,070	151,592
Rest of the World	38,269	35,012	39,563	29,393
Total	1,972,906	1,447,456	1,992,191	1,446,878

During the year, KSEK 1,240,599 (KSEK 952,875) of the group's revenue came from one and the same customer.

An analysis of the group's revenue divided into major product categories is as follows;

	Group		Parent company	
	2022	2021	2022	2021
PC	1,678,253	1,187,470	1,678,253	1,187,470
Console	218,810	189,593	218,810	189,593
Mobile	41,766	53,681	4,654	21,778
Other	34,076	16,712	90,474	48,037
Total	1,972,906	1,447,456	1,992,191	1,446,878

Prepaid income amounted to KSEK 264,228 (KSEK 291,828) at the end of the period. Of these, KSEK 235,313 is expected to be reported as revenue during the next 12-month period, and KSEK 28,915 within 24 months.

The income for the year includes KSEK 185,118 (KSEK 101,576) which was included in prepaid income at the beginning of the year.

The group's tangible fixed assets distributed based on physical location amount to KSEK 10,116 (KSEK 14,242) in Sweden, and KSEK 7,445 (KSEK 7,779) in the rest of the world.

NOTE 6. AVERAGE NUMBER OF EMPLOYEES

Average number of employees

	2022		2021	
	Number	Of whom men	Number	Of whom men
Parent company				
Sweden	184	125	242	159
Subsidiaries				
Sweden	290	242	269	217
Netherlands	39	33	37	32
USA	80	57	95	66
Finland	24	17	26	18
France	27	22	26	21
Spain	28	23	21	19
Total for the group	672	519	716	532

Directors and senior executives

	2022		2021	
	Number	Of whom men	Number	Of whom men
Board of Directors	5	4	5	4
CEO and other senior executives	6	5	6	4

NOTE 7. SALARIES AND EMPLOYEE BENEFITS

Expenses recognised for employee compensation:

	Group		Parent company	
	2022	2021	2022	2021
Salaries - Board and senior management	14,943	17,860	13,222	17,860
Salaries - other employees	458,211	390,574	110,425	120,927
Pensions - Board and senior management	2,532	3,244	2,217	3,244
Pensions - other employees	31,441	32,077	12,342	15,536
Other social costs	109,609	101,531	42,634	47,676
Total	616,736	545,286	180,840	205,243

The group only has defined contribution pension plans.

NOTE 8. SENIOR EXECUTIVE REMUNERATION

Costs and obligations regarding pensions and the like to the board, CEO, and other senior executives:

2022							
Board & senior management	Salaries/ fees	Variable compensation	Other benefits	Pensions	Share based payments	Total	
Chairman of the Board Håkan Sjunnesson	770	-	-	-	-	770	
Board member Mathias Hermansson	418	-	-	-	-	418	
Board member Linda Höglund	358	-	-	-	-	358	
Board member Andras Vajlok	380	-	-	-	-	380	
CEO Fredrik Wester	6	-	-	-	-	6	
Other senior executives (8)	9,035	2,310	45	2,532	1,622	15,544	
Total	10,966	2,310	45	2,532	1,622	17,475	

2021							
Board & senior management	Salaries/ fees	Variable compensation	Other benefits	Pensions	Share based payments	Total	
Chairman of the Board (from 2021-09-01) Håkan Sjunnesson	650	-	-	-	-	650	
Board member, CEO (from 2021-09-01) Fredrik Wester	8	-	-	-	-	8	
Board member Mathias Hermansson	358	-	-	-	-	358	
Board member Linda Höglund	260	-	-	-	-	260	
Board member Andras Vajlok	358	-	-	-	-	358	
CEO (until 2021-09-01) Ebba Ljungerud	5,284	-95	10	1,426	-	6,625	
Other senior executives(10)	10,593	-184	55	1,818	564	12,846	
Total	17,510	-279	65	3,244	564	21,104	

The chairman of the board receives KSEK 640 in board fees and other board members receive KSEK 320. Chairman of the audit committee Håkan Sjunnesson receives KSEK 80 and members of the audit committee Andras Vajlok and Mattias Hermansson receive KSEK 60. Chairman of the remuneration committee Håkan Sjunnesson receives KSEK 50 and members of the remuneration committee Linda Höglund and Mattias Hermansson receive KSEK 38.

Outstanding pension obligations regarding the board and CEO amount to KSEK 0 (KSEK 0). The CEO has an agreed notice period of nine months, without severance pay. Other senior executives have a mutual notice period of 3–6 months.



NOTE 9. SHARE-BASED EMPLOYEE REMUNERATION

Employee stock option program 2022/2026

The annual general meeting on May 10, 2022 decided to introduce an employee stock option program aimed at employees in the group. A total of 527,500 options were subscribed with the right to subscribe for an equal number of shares in Paradox Interactive AB (publ). At the end of the period, the number of outstanding employee options amounted to 502,500.

Allotted employee options were issued free of charge at a market value of SEK 31.08 according to a valuation based on the Black & Scholes model. The exercise price for the options was set at SEK 236.39, and subscription of shares is expected to take place from August 2, 2025, to June 2, 2026. The exercise price corresponded to 120% of the average share price during the period May 3 to May 9, 2022. Vesting of options is conditional on continued employment in the company. Personnel-related costs excluding social security contributions for the program amount to KSEK 2,650 (KSEK 0) during the year. If these options are fully subscribed, the parent company's equity will be increased by KSEK 118,786.

Employee stock option program 2021/2025

The annual general meeting on May 18, 2021 decided to introduce an employee option program aimed at employees in the group. A total of 497,350 options were subscribed with the right to subscribe for an equal number of shares in Paradox Interactive AB (publ). At the end of the period, the number of outstanding employee options amounted to 314,100 with the right to subscribe for the same number of shares in Paradox Interactive AB (publ).

Allotted employee options were issued free of charge at a market value of SEK 30.08 according to a valuation based on the Black & Scholes model. The exercise price for the options was set at SEK 214.82, and subscription of shares is expected to take place from August 2, 2024, to June 3, 2025. The exercise price corresponded to 120% of the average share price during the period May 11 to May 17, 2021. Vesting of options is conditional on continued employment in the company. Personnel-related costs excluding social security contributions for the program amount to KSEK 2,728 (KSEK 2,051) during the year. If these options are fully subscribed, the parent company's equity will be increased by KSEK 67,475.

Warrant scheme 2020/2023

The annual general meeting on May 15, 2020 decided to introduce a warrant program aimed at employees in the group. A total of 292,600 options were subscribed with the right to subscribe for an equal number of shares in Paradox Interactive AB (publ). At the end of the period, the number of outstanding options amounted to 292,600 with the right to subscribe for the same number of shares in Paradox Interactive AB (publ).

Allotted warrants were issued free of charge at a market value of SEK 15.66 according to a valuation based on Black & Scholes. The exercise price for the options was set at SEK 264.26 and shares can be subscribed from June 15, 2023 to June 30, 2023. There are no vesting conditions for the options. Personnel-related costs excluding social security contributions for the program amount to KSEK 0 (KSEK 0) during the year. If these warrants are fully

subscribed, the parent company's equity will be increased by KSEK 77,322.

Warrant scheme 2019/2022

The annual general meeting on May 17, 2019 decided to introduce a warrant program aimed at employees in the group. A total of 259,850 options were subscribed with the right to subscribe for an equal number of shares in Paradox Interactive AB (publ).

Allocated warrants were issued free of charge in two rounds at a market value of SEK 16.97 and SEK 21.07, respectively, according to a valuation based on Black & Scholes. The exercise price for the options was set at SEK 175.01 and shares could be subscribed from June 15, 2022 to June 30, 2022. There were no vesting conditions for the options. Personnel-related costs excluding social security contributions for the program amount to KSEK 0 (KSEK 0) during the year.

The number of outstanding options before maturity amounted to 252,150, of which 224,791 were repurchased, 8,150 expired, and 19,209 were used for subscription. In total, options were repurchased to a value of KSEK 1,814, and premiums for subscribed options amounted to KSEK 3,362. The subscription of options resulted in a dilution of the share capital of 0 %.

Summary of issued warrants:

	Group	
	2022	2021
As at January 1	967,550	753,350
Granted during the year	527,500	499,850
Exercised during the year	-19,209	-
Forfeited during the year	-141,850	-285,650
Re-purchased during the year	-224,791	-
As at December 31	1,109,200	967,550
Vested and exercisable at December 31	-	253,350

NOTE 10. DEPRECIATION, AMORTISATION, AND WRITE-DOWNS PER FUNCTION

	Group		Parent company	
	2022	2021	2022	2021
Cost of goods sold	-460,407	-577,219	-306,905	-492,045
Selling expenses	-4,506	-4,779	-121	-120
Administrative expenses	-8,585	-7,857	-4,257	-4,200
Total	-473,498	-589,855	-311,283	-496,365

NOTE 11. REMUNERATION TO THE AUDITOR

	Group		Parent company	
	2022	2021	2022	2021
PwC				
Audit	1,003	1,062	1,003	1,062
Audit related assignments	-	-	-	-
Tax advice	93	-	93	-
Other services	60	1,645	60	1,645
Total	1,156	2,707	1,156	2,707

NOTE 12. OTHER INCOME

	Group		Parent company	
	2022	2021	2022	2021
Exchange gains	43,288	24,434	42,846	24,166
Profit on sale of intangible asset	-	4,268	-	4,268
Other remuneration and income	13,346	12,139	11,402	6,053
Total	56,635	40,841	54,248	34,487



NOTE 13. OTHER EXPENSES

	Group		Parent company	
	2022	2021	2022	2021
Exchange loss	-17,658	-3,943	-17,060	-4,262
Other expenses	-	-164	-	-
Total	-17,658	-4,107	-17,060	-4,262

NOTE 14. PROFIT FROM SHARES IN SUBSIDIARIES

	Parent company	
	2022	2021
Dividend from subsidiaries	-	43,143
Total	-	43,143

NOTE 15. FINANCIAL INCOME

	Group		Parent company	
	2022	2021	2022	2021
Interest income and similar items	3,952	545	1,952	341
Total	3,952	545	1,952	341

Of which interest income from group companies 191 205

NOTE 16. FINANCIAL COST

	Group		Parent company	
	2022	2021	2022	2021
Interest expense lease	-3,160	-3,553	-	-
Other interest expense	-3,498	-519	-2,391	-157
Total	-6,658	-4,072	-2,391	-157

Of which interest expense to group companies - -

NOTE 17. APPROPRIATIONS

	Parent company	
	2022	2021
Group contributions received	130,000	-
Reversal of tax allocation	270,000	193,100
Transfer to tax allocation	-200,000	-125,000
Total	200,000	68,100

NOTE 18. INCOME TAX

The major components of tax expense for the year and the relationship between the expected tax expense based on the Swedish effective tax rate of 20.6% (20.6%) and the reported tax expense in the income statement is as follows:

	Group		Parent company	
	2022	2021	2022	2021
Profit before tax	884,440	303,926	697,140	430,104
Tax according to applicable tax rate	-182,195	-62,609	-143,611	-88,602
Tax attributable to prior years	1,726	2,693	-144	-45
Adjustment for differences in foreign income	5,992	4,119	-	-
Other non-taxable income	309	-	4	8,887
Other non-deductible items	-1,562	-360	-1,464	-3,306
Recognised tax expense	-175,731	-56,157	-145,215	-83,065

Specification of recognised tax expense:

Current tax				
On net profit	-192,981	-44,270	-145,071	-83,020
Adjustment on prior year tax	1,726	2,693	-144	-45
Deferred tax expense				
Change in untaxed reserves	15,525	-14,580	-	-
Tax reported in the income statement	-175,731	-56,157	-145,215	-83,065

NOTE 19. CAPITALISED DEVELOPMENT

	Group		Parent company	
	2022	2021	2022	2021
Opening accumulated cost	2,588,094	1,839,082	2,514,352	1,776,137
Activated development	793,771	744,313	502,095	738,215
Exchange rate difference	1,703	4,699	-	-
Closing accumulated cost	3,383,569	2,588,094	3,016,447	2,514,352

Opening depreciation	-950,745	-717,045	-899,880	-670,680
Exchange rate difference	1,104	-3,618	-	-
Depreciation	-343,212	-230,054	-279,934	-229,200

Closing accumulated depreciation	-1,292,853	-950,745	-1,179,814	-899,880
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Opening accumulated write-downs	-438,848	-201,570	-428,538	-192,235
Exchange rate difference	-1,593	-975	-	-
Write-downs	-	-236,303	-	-236,303

Closing accumulated write-downs	-440,440	-438,848	-428,538	-428,538
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Closing residual value	1,650,275	1,198,502	1,408,095	1,185,934
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Impairment testing of balanced expenses for development work is carried out per game for the entire game portfolio. The recoverable amount per game was determined based on value-in-use calculations, which included a detailed three-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives of the games using a declining growth rate. The present value of the expected cash flow for each game is determined by applying a discount rate that corresponds to the market's assumption of the time value of money and specific risks of the games. All discount rates amounted to 18% (15%) during the year. Write-downs for the year amount to KSEK 0 (KSEK 236,303), where the comparative figure refers to unannounced games where development has been cancelled. At the end of the year, the three largest games in development account for 57% (56%) of the total amount.



NOTE 20. LICENSES, BRANDS AND SIMILAR RIGHTS

	Group		Parent company	
	2022	2021	2022	2021
Opening accumulated cost	478,954	463,222	176,665	173,430
Addition	-	3,235	-	3,235
Exchange rate difference	32,632	12,497	-	-
Closing accumulated cost	511,585	478,954	176,665	176,665
Opening accumulated depreciations	-236,549	-158,634	-103,115	-77,415
Exchange rate difference	-18,575	3,695	-	-
Depreciation	-87,035	-81,611	-26,130	-25,700
Outgoing accumulated depreciations	-342,159	-236,549	-129,245	-103,115
Opening accumulated write-downs	-9,925	-9,925	-9,925	-9,925
Closing accumulated write-downs	-9,925	-9,925	-9,925	-9,925
Closing residual value	159,501	232,480	37,495	63,625

Impairment testing of licenses, brands and similar rights is carried out per game based on the games to which the rights refer. The recoverable amount per game was determined based on value-in-use calculations, which included a detailed three-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives of the games using a declining growth rate. The present value of the expected cash flow for each game is determined by applying a discount rate that corresponds to the market's assumption of the time value of money and specific risks of the games. All discount rates amounted to 18% (15%) during the year. Write-downs for the year within the item amount to KSEK 0 (KSEK 0).

NOTE 21. GOODWILL

	Group	
	2022	2021
Opening accumulated cost	20,600	20,218
Exchange rate differences	1,816	381
Closing accumulated cost	22,415	20,600
Closing residual value	22,415	20,600

During the annual impairment test, goodwill is allocated to the cash-generating units that are expected to benefit from the synergy effects from the business combinations where goodwill arises. The goodwill is entirely attributable to current and future games developed by Iceflake Studios.

The recoverable amount for each game was determined based on value-in-use calculations, which included a detailed three-year forecast, followed by an extrapolation of expected cash flows for the games' remaining useful lives using a declining growth rate. The present value of the expected cash flow for each game is determined by applying a discount rate that corresponds to the market's assumption of the time value of money and specific risks of the games. For the games in question, all discount rates amounted to 18% (15%) during the year.

NOTE 22. PROPERTY, PLANT AND EQUIPMENT

	Group		Parent company	
	2022	2021	2022	2021
Opening accumulated cost	64,013	64,159	45,154	47,682
Addition	2,179	1,694	1,093	-
Sales and disposals	-56	-2,528	-	-2,528
Exchange rate difference	1,697	688	-	-
Outgoing accumulated cost	67,833	64,013	46,248	45,154
Opening accumulated depreciations	-41,992	-37,630	-30,912	-28,276
Disposals	56	2,528	-	2,528
Exchange rate difference	-1,076	-423	-	-
Depreciation	-7,260	-6,428	-5,220	-5,164
Outgoing accumulated depreciations	-50,272	-41,992	-36,132	-30,912
Closing residual value	17,561	22,022	10,116	14,242

NOTE 23. RIGHT-OF USE ASSETS

	Group	
	2022	2021
Opening accumulated cost	246,017	244,154
Acquisition	4,267	-
Divestment	-399	-
Exchange differences	4,142	1,863
Outgoing accumulated cost	254,028	246,017
Opening accumulated depreciations	-80,744	-44,714
Depreciations	-35,938	-35,460
Divestment	399	-
Exchange differences	-1,627	-571
Outgoing accumulated depreciations	-117,910	-80,744
Closing residual value	136,118	165,273

NOTE 24. LEASES

	Group	
	2022	2021
Short term	35,616	34,536
Long term	104,845	134,438
Changes in lease liabilities are presented below;		
	Group	
	2022	2021
Opening balance	168,974	201,904
Amortisation as part of cash flow	-35,371	-33,994
Translation difference	6,858	1,064
Closing balance	140,461	168,974

The group's cash flow includes interest on the lease liabilities in the current business amounting to KSEK 3,160 (KSEK 3,553).

The group rents offices for publishing operations and development studios. Except for short-term lease agreements and for lease agreements for which the underlying asset has a low value, a right of use and a lease liability are reported in the statement of financial position. Variable lease fees that do not depend on an index or price (e.g., lease fees based on the group's turnover) are excluded in the initial calculation of lease liability and assets. The group classifies its rights of use in the category rights of use as part of tangible fixed assets, see note 23.

At the end of the year, the group has four office premises classified as right-of-use assets. Remaining maturity amounts to 0–6 years, with an average remaining maturity of 4 years. All agreements are



signed with an extension option, five of the agreements have variable fees related to the index. One of the agreements has the option of termination during the agreement period.

The lease liability is guaranteed by the underlying asset being pledged as security for the liability. Future minimum lease payments amount to the following:

Minimum lease fees	Within 1 year	2-3 years	4-5 years	After 5 years	Total
2022-12-31					
Lease fees	38,111	76,221	29,432	2,414	146,178
Financial expenses	-2,494	-2,806	-373	-43	-5,717
Present value	35,616	73,415	29,059	2,370	140,461

Minimum lease fees	Within 1 year	2-3 years	4-5 years	After 5 years	Total
2021-12-31					
Lease fees	37,593	72,982	63,200	3,747	177,523
Financial expenses	-3,076	-4,082	-1,288	-102	-8,549
Present value	34,518	68,900	61,912	3,645	168,975

Lease agreements that are not recognised as a liability

The group has chosen not to report a lease liability for short-term lease agreements (leases with an expected lease term of 12 months or less) and for leases for which the underlying asset has a low value. Payments in respect of such leases are expensed on a straight-line basis. In addition, some variable leasing fees are not allowed to be recognised as leasing liabilities, which is why they are also expensed on an ongoing basis. The cost of leasing fees that are not included in the calculation of the lease debt is as follows:

	Group	
	2022	2021
Short-term leases	2,740	1,892
Lease agreements with assets of low value	896	944
Variable lease payments	9,667	6,122
Total	13,303	8,958

NOTE 25. FINANCIAL ASSETS AND LIABILITIES

See the accounting principles for a description of each category of financial assets and liabilities and the related accounting policies. The carrying values of financial assets and liabilities are as follows:

	Amortised cost	Fair value through profit or loss	Total
2022-12-31			
Other long term receivables	18,695	-	18,695
Accounts receivables	259,948	-	259,948
Other current assets	34,769	-	34,769
Cash and cash equivalents	747,506	-	747,506
Total assets	1,060,917	-	1,060,917
Accounts payable	52,487	-	52,487
Other liabilities	33,725	-	33,725
Total liabilities	86,212	-	86,212

	Amortised cost	Fair value through profit or loss	Total
2021-12-31			
Other long term receivables	18,589	-	18,589
Accounts receivables	133,780	-	133,780
Other current assets	24,534	-	24,534
Cash and cash equivalents	599,724	-	599,724
Total assets	776,628	-	776,628
Other long term liabilities	422	-	422
Accounts payable	97,016	-	97,016
Other liabilities	28,283	-	28,283
Total liabilities	125,721	-	125,721

A description of the group's risks related to financial instruments is found in note 41.

The carrying value of financial assets and liabilities have been considered a reasonable estimate of fair value.

NOTE 26. SHARES IN SUBSIDIARIES

Name	Operation	Share	Book value
Triumph Holding BV	Developer	18,000	40,900
Paradox Development Studio AB	Developer	100,000	90
Harebrained Holdings Inc	Developer	10,000,000	66,572
Paradox Interactive Inc	Developer	1,000,000	0
Playrion Game Studio SAS	Developer	-	169,791
Iceflake Studios OY	Developer	417	28,427
Paradox Tinto SL	Developer	3,000	31
World of Darkness LLC	Licensing	-	-
			305,812

All holdings are wholly owned by the parent company.

	Parent company	
	2022	2021
Opening accumulated cost	305,812	305,812
Outgoing accumulated cost	305,812	305,812

Impairment testing of shares in subsidiaries takes place per holding. The salvage value per holding was determined based on value-in-use calculations, which included a detailed three-year forecast, followed by an extrapolation of expected cash flows for the holdings' remaining useful periods without growth. The present value of the expected cash flow for each game is determined by applying a discount rate that corresponds to the market's assumption of the time value of money and specific risks of the holdings. All discount rates amounted to 15% (15%) during the year.

Based on these assumptions, the value in use exceeds the reported value for all holdings, but the sensitivity of the calculations indicates that the value could not be maintained if the discount rate increased by 1 percentage point. An increase in the discount rate by 1% (1%) would lead to an impairment requirement of KSEK 2,771 (KSEK 0).



NOTE 27. INVESTMENTS IN ASSOCIATES

	Group		Parent company	
	2022	2021	2022	2021
Opening balance	31,082	24,669	16,766	16,766
Share of equity	1,473	6,413	–	–
Outgoing balance	32,555	31,082	16,766	16,766

2022		Holding	Equity shar
Hardsuit Labs Inc		33%	1,473

2021		Holding	Equity shar
Hardsuit Labs Inc		33%	6,413

All holdings are non-significant investments in associates.

NOTE 28. OTHER LONG TERM ASSETS

	Group		Parent company	
	2022	2021	2022	2021
Opening balance	18,590	1,234	17,393	60
Deposits	–	17,333	–	17,333
Translation differences	105	22	–	–
Outgoing balance	18,695	18,590	17,393	17,393

NOTE 29. ACCOUNTS RECEIVABLE

	Group		Parent company	
	2022	2021	2022	2021
Accounts receivable	259,948	133,780	255,031	130,840
gross				
Provision for expected credit loss	–	–	–	–
Total	259,948	133,780	255,031	130,840

All amounts are short-term. Book value net of accounts receivable is considered a reasonable approximation of fair value. All the group's account receivables have been reviewed for indications of a need for write-downs. No significant accounts receivable had to be written down, like the previous year. For age analysis of the group's accounts receivable, see credit risk, note 41.

NOTE 30. PREPAID EXPENSES AND ACCRUED REVENUES

	Group		Parent company	
	2022	2021	2022	2021
Prepaid rent	11,325	10,431	11,223	10,220
Prepaid royalty	14,217	–	14,217	–
Other prepaid costs	14,481	14,475	13,176	13,734
Accrued revenue	21,353	31,381	21,353	31,381
Total	61,376	56,287	59,969	55,335

NOTE 31. CASH AND CASH EQUIVALENTS

	Group		Parent company	
	2022	2021	2022	2021
Balances with banks	747,506	599,724	448,013	469,881
Total	747,506	599,724	448,013	469,881

NOTE 32. EQUITY

Share capital

The share capital in the parent company consists solely of fully paid ordinary shares with a nominal (quota value) value of SEK 0.005. All shares have the same right to dividends and repayment of invested capital and correspond to one vote at the parent company's general meeting.

	Parent company	
	2022	2021
Subscribed and paid shares:		
At the beginning of the year	105,600,000	105,600,000
Issued shares	19,209	–
Total at the end of the year	105,619,209	105,600,000

Issued shares refer to shares issued as part of the group's warrant schemes, see note 9.

Share premium reserve

Amount received for shares issued in excess of par value (share premium) is included in share premium reserve, after the deduction of registration and other charges and net of related tax benefits. Costs of new shares are recognised directly in equity amounted to KSEK 0 (KSEK 0).

Reserves

Exchange differences on translating foreign operations.

NOTE 33. UNTAXED RESERVES

	Parent company	
	2022	2021
Untaxed reserves:		
fiscal year 2017	–	30,000
fiscal year 2018	–	120,000
fiscal year 2019	–	120,000
fiscal year 2020	160,000	160,000
fiscal year 2021	125,000	125,000
fiscal year 2022	200,000	–
Total	485,000	555,000

NOTE 34. DEFERRED TAX LIABILITIES

Reported amounts relate to temporary differences attributable to:

	Group	
	2022	2021
Untaxed reserves	104,150	118,670
Intangible assets from acquisitions	33,070	44,936
Closing balance	137,220	163,606

Deferred tax is related to untaxed reserves in the parent company, as well as deferred tax on intangible assets from acquisitions. Changes in deferred tax have been reported in the income statement.

NOTE 35. OTHER LIABILITIES

	Group		Parent company	
	2022	2021	2022	2021
Liabilities to employees	9,166	–	3,261	–
VAT liabilities	10,409	–	–	–
Purchase price, Iceflake Studios	–	10,609	–	10,609
Other liabilities	14,150	17,674	1,079	3,131
Total	33,725	28,283	4,339	13,740

Conditional purchase price regarding the acquisition of Harebrained Schemes valued at fair value in level 3 is recorded at KSEK 0 (KSEK 0).



NOTE 36. ACCRUED EXPENSES AND PREPAID REVENUES

	Group		Parent company	
	2022	2021	2022	2021
Accrued personnel costs	114,694	71,628	48,184	32,902
Accrued royalty costs	25,950	17,960	25,950	17,960
Prepaid revenues	261,586	291,828	261,586	291,828
Other accrued costs	16,398	15,134	11,040	13,947
Total	418,628	396,550	346,760	356,637

All the reported amounts of deferred income are considered as current as the maturity is less than one year.

NOTE 37. ASSETS PLEDGED AND CONTINGENT LIABILITIES

	Group		Parent company	
	2022	2021	2022	2021
Assets pledged				
Business mortgage	19,600	19,600	19,600	19,600
Pledged bank funds	17,393	17,393	17,393	17,393
Total	36,993	36,993	36,993	36,993

Contingent liabilities	None	None	None	None
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NOTE 38. TRANSACTIONS WITH RELATED PARTIES

The group's related parties include all companies within the group, the board, the CEO, and other senior executives. At the end of the year, the parent company had receivables from subsidiaries of KSEK 79,656 (KSEK 35,176), and liabilities to subsidiaries of KSEK 28,016 (KSEK 21,409). Receivables and liabilities between group companies have been eliminated in the consolidated accounts. The parent company's sales to subsidiaries during the year amounted to KSEK 56,384 (KSEK 31,523), and purchases amounted to KSEK 798,503 (KSEK 468,100). Dividends from subsidiaries to the parent company amounted to KSEK 0 (KSEK 43,143). Group contributions from subsidiaries amounted to KSEK 130,000 (KSEK 0). The parent company's purchases from associated companies during the year amounted to KSEK 0 (KSEK 14,739). Sales and purchases between group companies mainly refer to the development activities carried out in the subsidiaries. Sales and purchases between group companies have been eliminated in the consolidated accounts. Receivables and liabilities between group companies run on market terms. Outstanding balances are usually settled with cash.

Remuneration to senior executives is provided in Note 9
Remuneration to senior executives.

No other transactions with related parties have taken place during the reported periods.

NOTE 39. SUBSEQUENT EVENTS

No significant events have taken place after the end of the period.

NOTE 40. DEFINITIONS

The company presents certain key performance measures that are not defined by IFRS. The company believes that these measures provide valuable supplementary information for the company's stakeholders as they enable evaluation of the company's development and financial position.

Gross profit

	Group	
	2022	2021
Revenues	1,972,906	1,447,456
Cost of goods sold	-862,629	-880,971
Gross profit	1,110,277	566,485

Definition: Revenues minus cost of goods sold.

Reason for use: A measure of profitability used to demonstrate efficiency before fixed overhead and marketing costs.

Operating profit

	Group	
	2022	2021
Revenues	1,972,906	1,447,456
Cost of goods sold	-862,629	-880,971
Selling expenses	-170,490	-192,867
Administrative expenses	-91,618	-102,899
Other income	56,635	40,841
Other expenses	-17,658	-4,107
Operating profit	887,146	307,453

Definition: Revenues minus all costs within the business.

Reason for use: A measure of profitability used to show the performance of the operational business.

Operating margin

	Group	
	2022	2021
Revenues	1,972,906	1,447,456
Operating profit	887,146	307,453
Operating margin	45%	21%

Definition: Revenues minus all costs within the business.

Reason for use: A measure of profitability used to show the performance of the operational business.

Profit margin

	Group	
	2022	2021
Revenues	1,972,906	1,447,456
Profit after financial items	884,440	303,926
Profit margin	45%	21%

Definition: Profit after financial items as a percentage of revenues.

Reason for use: The key figure is used to show profitability after financial items.

Equity/assets ratio

	Group	
	2022	2021
Equity	2,292,377	1,661,563
Total assets	3,141,427	2,522,693
Equity/assets ratio	73%	66%

Definition: Equity as a percentage of total assets.

Reason for use: The key figure is used to demonstrate financial ability and independence to run the business.



Equity per share

	Group	
	2022	2021
Equity	2,292,377	1,661,563
Number of shares, thousands	105,619	105,600
Equity per share	21.70	15.73

Definition: Equity divided by the number of shares at the end of the period.

Reason for use: The key figure is used to demonstrate changes in shareholders' capital over time.

NOTE 41. FINANCIAL RISKS

Risk management objectives and policies

The group is exposed to various risks in relation to financial instruments. For summary information on the group's financial assets and financial liabilities divided into categories, see note 25.

The group's risk management is coordinated in close cooperation with the board and focuses on actively securing the group's short to medium-term cash flows by minimising the exposure to the volatile financial markets.

The group does not engage in active trading of financial assets for speculative purposes and only issues a limited number of warrants to employees. The most significant financial risks to which the group is exposed are described below.

Currency risk

Exposure to changes in exchange rates arises from the group's sales to and purchases from other countries. These sales and purchases are mainly made in US dollars (USD), British pounds (GBP) and euros (EUR). The result is also affected by the translation of balance sheet items to Swedish kronor and the translation of foreign subsidiaries' results, and their balance sheet items to the group's accounting currency SEK. As a rule, the risk exposure to exchange rate changes for future cash flows is not hedged with financial instruments. However, the group's policy enables hedging after the board's approval. No currency hedging was done during the year or the previous year.

Of the group's total revenue, 2% (3%) is in Swedish kronor. Of the group's total costs, 40% (47%) are in Swedish kronor. Considering this exposure, a sensitivity analysis of income and expenses in the income statement has been carried out. If the Swedish krona had strengthened against all other currencies by 10%, the year's result would have been KSEK 108,254 (KSEK 69,959) lower.

The group's currency risk in financial instruments is primarily related to accounts receivable and trade payables and other liabilities in Sweden. As of the balance sheet date, outstanding balances net in USD amount to KSEK 199,271 (KSEK 111,235), net in EUR amount to KSEK 44,316 (KSEK -18,480). In a sensitivity analysis where the Swedish krona strengthens against the USD by 10%, the year's profit after tax is affected by KSEK -15,822 (KSEK -8,832) and in a sensitivity analysis where the Swedish krona strengthens against the EUR by 10%, the year's profit after tax is affected by KSEK -3,518 (KSEK 1,467).

Interest risk

At the end of the year, the group had no interest-bearing liabilities. Changes in the interest rate situation affect the return the group

receives on cash and cash equivalents. The risk of a lower interest rate is not deemed to be significant.

Credit risk

Credit risk is the risk that a counterparty will not fulfil an obligation to the group. The group is exposed to this risk for various financial instruments, such as cash and cash equivalents in banks, accounts receivable and other receivables.

The group continuously monitors cancellations from customers and other counterparties. The group works with a few different major customers who provide the group's games on different platforms. The credit terms with these usually vary between 0 and 30 days. The ongoing credit risk is managed through a regular review of the age analysis.

The group has certain receivables that are not regulated at the agreed due date but are not considered to be unsafe. The amounts on December 31, after the specified time after the due date are:

	2022	2021
Overdue:		
Less than three months	15,883	2,125
More than three but not more than six months	4,282	61
More than six but not more than twelve months	287	-
More than a year	-	-
Total	20,452	2,186

The group has also analysed the effects of historical credit losses over the past three years to apply these to forward-looking expected loan losses. As there are no loan losses, the forward-looking credit loss amounts to KSEK 0 at the beginning and end of the year.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are well-known institutions with high credit ratings from external assessors.

Liquidity risk

The liquidity risk is the risk that the group will not be able to meet its payment obligations due to lack of liquidity. The group manages liquidity needs by monitoring forecasted inflows and outflows in the business. Long-term liquidity needs for a period of 36 months are identified quarterly. The net cash requirements are compared with available cash and cash equivalents to determine that there is a safety margin. The group's goal is to have cash and cash equivalents amounting to at least KSEK 200,000. This target was achieved during the reporting periods. At the end of the year, interest-bearing liabilities amounted to KSEK 0 (KSEK 0). Financial liabilities mainly consist of accounts payables and other liabilities, all within a term of 12 months. In addition to this, the group also has leasing liabilities for which the outflow of leasing fees is presented in note 24.

Capital management

At the end of the year, the group had no (0) external liabilities for financing the operations. The capital consists of equity.



NOTE 42. EARNINGS PER SHARE AND DIVIDEND

Earnings per share

Both earnings per share before and after dilution has been calculated using the profit attributable to shareholders of the parent company as the numerator, i.e., no adjustments of the result needed to be made during the period.

Reconciliation of weighted average number of shares used to calculate earnings per share after dilution can be reconciled to the weighted average number of ordinary shares used in the calculation of earnings per share as follows:

Number of shares	2022	2021
Weighted average number of shares used to calculate earnings per share before dilution	105,609,605	105,600,000
Adjustments for calculation of diluted earnings per share:		
Options	114,205	155,565
Weighted average number of shares used to calculate earnings per share after dilution	105,723,810	105,755,565

Options granted to employees in the group's option programs are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required terms would have been met up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of earnings per share before dilution. Details relating to the options are set out in note 9.

Dividend

During 2022, Paradox Interactive paid a dividend of KSEK 105,600 (KSEK 105,600) for the financial year 2021 to its shareholders. This corresponds to a dividend of SEK 1.00 per share (SEK 1.00 per share).

For the financial year 2022, the board proposes a dividend of KSEK 211,238, corresponding to SEK 2.00 per share. As the parent company's dividend must be approved by the general meeting, no liability for the dividend is reported in the group's financial statements for 2022.



NOTE 43. APPROVAL OF THE FINANCIAL STATEMENTS

Consolidated financial statements for the reporting period ended 31 December 2022 (including comparatives) were approved by the board on April 18, 2023.

The board of directors and the CEO certify that the financial statements have been prepared in accordance with GAAP, the consolidated financial statements have been prepared under the international accounting standards referred to in European Parliament and Council Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards and give a true and fair view of the company's and the Group's position and earnings and that the management report gives a fair review of the development of the company's and group's operations, position and results and describes significant risks and uncertainties that the company and the companies included in the group face.

Stockholm 2023-04-18

Håkan Sjunnesson
Chairman of the Board

Fredrik Wester
CEO

Andras Vajlok

Mathias Hermansson

Linda Höglund

Stockholm 2023-04-18

Öhrlings PricewaterhouseCoopers AB

Aleksander Lyckow
Authorised Public Accountant



AUDITOR'S REPORT

To the general meeting of the shareholders of Paradox Interactive AB (publ), corporate identity number 556667-4759

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Paradox Interactive AB (publ) for the year 2022, except for the corporate governance report and the sustainability report on pages 33-38 and 39-47 respectively. The annual accounts and consolidated accounts of the company are included on 30-75 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report and the sustainability report on pages 33-38 and 39-47 respectively. 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 consolidated income statement and consolidated statement of financial position the group.

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.

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

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 1-29. 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 Director's and the Managing Director

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

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

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

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 Paradox Interactive AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

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

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

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

Auditor's responsibility

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

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

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

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

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

The auditor's examination of the corporate governance report

The Board of Directors is responsible for that the corporate governance report on pages 33-38 has been prepared in accordance with the Annual Accounts Act. Our examination of the corporate governance report is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance report. This means that our examination of the corporate governance report is different and substantially 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 opinions.

A corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Auditor's report on the statutory sustainability report

It is the board of directors who is responsible for the statutory sustainability report on pages 39-47 and that it has been prepared in accordance with the Annual Accounts Act.

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.

A statutory sustainability report has been prepared.

Öhrlings PricewaterhouseCoopers AB was appointed auditor of Paradox Interactive AB (publ) by the general meeting of the shareholders on 10 May 2022 and has been the company's auditor since May 2021.

Stockholm, 18 April 2023
Öhrlings PricewaterhouseCoopers AB

Aleksander Lyckow
Authorized Public Accountant



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