


# ANNUAL REPORT 2023

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in case of any discrepancies between this version and the Swedish,
the Swedish version shall prevail.

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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 six studios in six countries that develop gaming experiences for the company's over six 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 universe.

The games are developed by Paradox Development Studio which consists of PDS Black, PDS Gold, PDS Green and PDS Red in Stockholm. Internationally, games are developed by 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. In 2004, the business became independent and Paradox Interactive stood on its own two feet, with seven employees. Since then, the company has created games that have been enjoyed for endless hours around the world, grown with studios in several countries, and today has 622 employees.



Stellaris
*First Contact*

# COMMENTS BY THE CEO

**TOWARDS NEW HEIGHTS**

2023 has, in many ways, been a really exciting year in Paradox's history. We've delivered on all of our strategic focus areas, we've broken revenue records by over 30 percent, we've grown our monthly player base, we have a really good cash flow, and we have released a lot of great content that our players love. That said, there is plenty of room for improvement. The profit margin for the year is not at a level we are happy with and some of our new games have not turned out as we hoped. In other words, we have a lot left to do. Looking back at the year that has been, it can best be described in terms of our growth strategy.

The foundation of our business and growth is to expand our core business, i.e. our active and long-lived strategy and management games. In the past year, we have grown our games and their player base with many good expansions, we have offered more ways to take part of our DLC catalogue, worked actively on both pricing and localization and continued to maintain a close dialogue with our players. We are still not satisfied with the release cadence, but with that said, our games were very strong in a market that was otherwise characterized by unusually high competition. We should be proud of that.

Our other way to grow is by adding new games to our portfolio and in 2023 we have done so through several game releases. In the first half we released the fantastic Age of Wonders 4 which was received better than we expected. In the second half of the year, results were more mixed as we released Cities: Skylines II, The Lamplighters League and Star Trek: Infinite. Cities: Skylines II was our big release and although many of our fans bought the game, we are not happy that we did not live up to the expectations on performance and were not able to release on all platforms. It is something we have, and continue to, work hard on. At the same time, we believe in the future of the game and have a lot planned, which we really look forward to telling you more about!

As for The Lamplighters League, we made a big write-down on the game as it fell far short of our commercial expectations. It does not affect our long-term finances but affects the result for 2023.

Last but not least, we look for growth potential outside our core areas through small investments in projects with higher risk. That effort has picked up speed during the year and we have released five experimental titles. Many of the games have been good; some haven't found their market while others have started to build a small but loyal player base. This is an area where we test a lot that is new to us but with each release, we gain many new insights about the way forward and how to explore segments around our core competencies.

In 2024, we will continue to focus on growing our stable core and increasing the pace of development, to continue building a focused project portfolio within our core segments in which we look forward to taking new steps for many years to come and of course exploring new segments. We have the creativity, skills, and focus to do this, so I am very much looking forward to reaching new heights.

**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 marketing campaigns aimed at the intended players. After the games' release, downloadable content is often developed that deepens and broadens the games' systems, and mechanics, or provides more opportunities for the player to create their story. This extends the life of the game and at the same time creates stable revenue from the game for several years. The games are mainly distributed through platform operators and other 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.

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, new forms of entertainment, and new technologies.

**FINANCING**

Game development, marketing and organisation are financed by the cash flow from operating activities. This enables the company to grow in a sustainable manner and with good profitability.

**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.

# GROWTH STRATEGY

**STOCK UP**

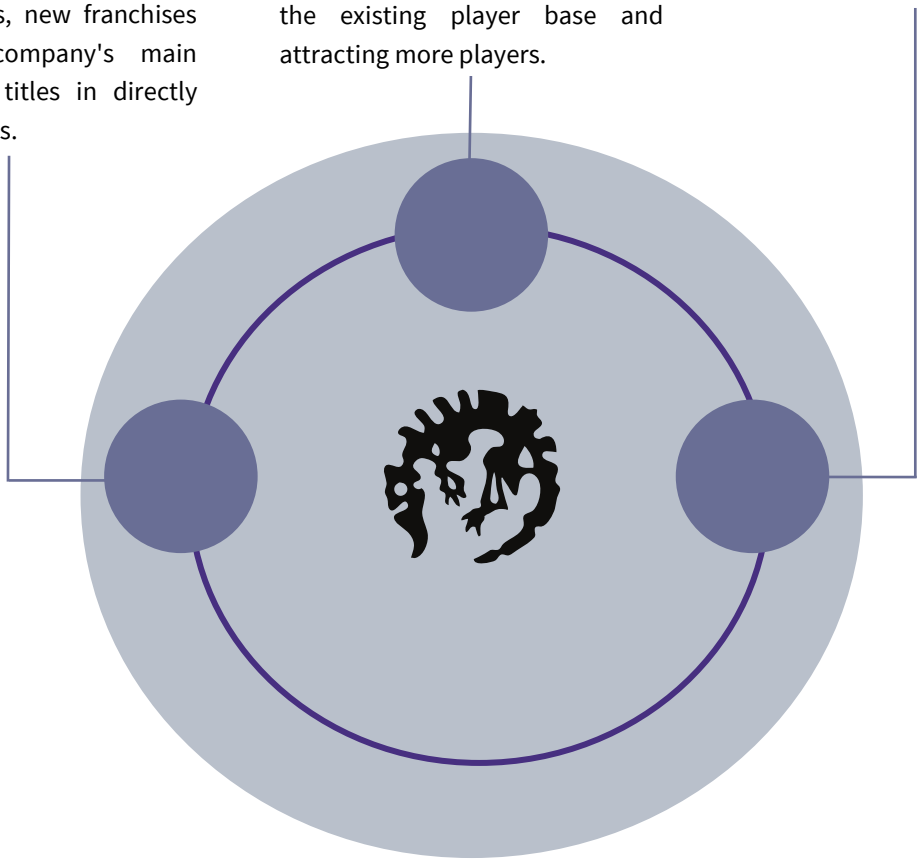
By expanding the company's game portfolio with primarily self-developed titles, Paradox wants to add more games that have a long lifespan. The focus is on developing sequels to existing games, new franchises within the company's main segment and titles in directly adjacent genres.

**DIG IN**

By continuing to develop the company's long-lived core games with new content, improving player services and offering more ways to enjoy the games, the company can grow by developing the existing player base and attracting more players.

**BREAK OUT**

Through smaller investments in experimental and externally developed projects in adjacent gaming segments, Paradox seeks to find new and untested games with strong growth potential.



Paradox has three strategic focus areas to grow its player base and turnover: Dig in, Stock up and Break-out. All areas aim to strengthen and expand the important core business with long-lived games and revenues in the short and long term.

All focus areas rest on the staff's creativity, development cadence and quality awareness. Decentralized decision-making close to games and players ensures that the company takes advantage of the developers' skills and creativity and develops content that players demand.

# THE GAMES MARKET

Paradox publishes and develops games for the global gaming market. For the most part, the group releases games for PC, but also for 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.

### THE GAMES MARKET IN GENERAL

In the beginning of 2024, the analysis firm Newzoo estimated that the global gaming market's revenue amounted to USD 184 billion in 2023, which is an increase of 0.6 percent compared to the previous year. The expectation is that the gaming market will continue to grow in the coming years and Newzoo has estimated that the gaming market will have a turnover of USD 205.4 billion by 2026.

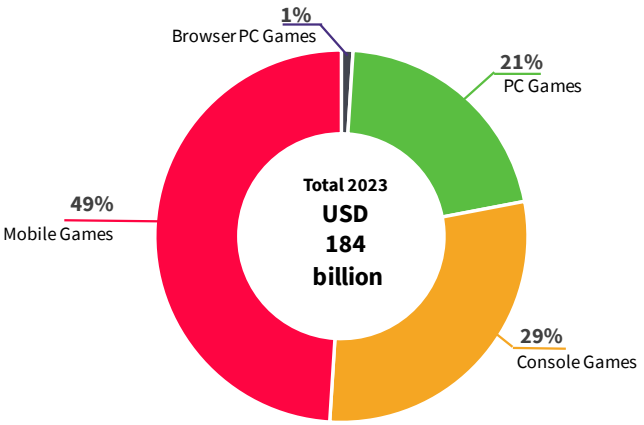
According to Newzoo, mobile platforms are expected to decrease their revenue by 1.4 percent year-on-year in 2023. However, mobile gaming remains the largest segment, accounting for 49 percent of the market's total revenue. Console games were the second largest segment in 2023. The segment grew by 1.7 percent year on year and is estimated to account for 29 percent of the market's total revenue. PC games account for 21 percent and is the segment that is estimated to grow the fastest in 2023 with 5.3 percent. Browser-based PC games continue to decline in revenue, in 2023 revenue decreased by 16.9 percent on an annual basis.

By the end of 2023, there will be approximately 3.3 billion players worldwide according to Newzoo, a growth of 4.3 percent compared to 2022. Although all regions continue to grow in the number of players Asia-Pacific continues to be the largest region with 52 percent of the global player base and has seen continued growth of 2.4 year on year. Overall, Newzoo predicts that the global player base will grow to approximately 3.7 billion players by 2026.

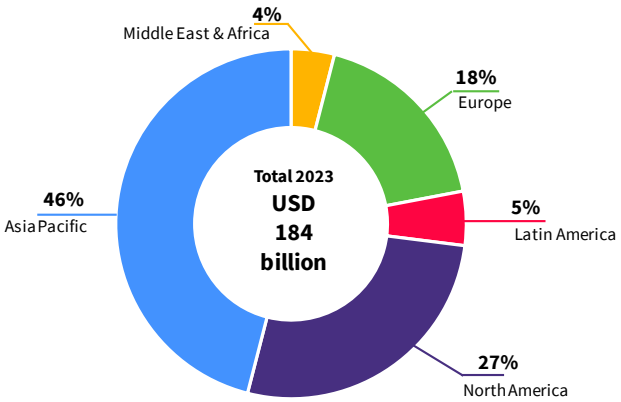
### PARADOX'S SEGMENT

Generally, 2023 has been marked by releases of major titles in all genres. This has caused competition for players' attention, especially on major distribution platforms, to increase noticeably. Likewise, players are more selective with their purchases. That said, demand for Paradox games has continued to be strong, judging by this year's sales.

### SEGMENT BREAKDOWN OF GLOBAL GAME REVENUES




### REGIONAL BREAKDOWN OF GLOBAL GAME REVENUES




*Source: Newzoo Global Games Market Report 2023*

# 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 40–46.

**IP HOLDER**

The IP owner holds the rights to intangible assets. Paradox owns most of its intangible assets; including Age of Wonders, Cities: Skylines, Crusader Kings, Europa Universalis, Hearts of Iron, Prison Architect, Stellaris, the Surviving games, and Victoria.

**DEVELOPER**

Paradox has six proprietary development studios and well-established relationships with several partner studios that develop new titles, sequels within the company's franchises, adapt existing titles to new platforms, or produce new downloadable content for existing titles.

**PUBLISHER**

As a publisher, Paradox evaluates, finances and markets games developed by the company's studios as well as external studios. Paradox publishes games through the main label Paradox Interactive and the experimental label Paradox Arc.

**PLATFORMS**

Players buy and play games through distribution platforms. Paradox has well-established collaborations with the biggest players such as Valve, Microsoft, Sony, and Epic.

**PLAYERS**

The number of players in 2023 amounted to 3.3 billion (according to Newzoo). Paradox continuously strives to create a stronger community around the games and thereby strengthen the players' engagement. By the end of the year Paradox's Monthly Active Users exceeded six million.



# GAME DEVELOPMENT

**Paradox game development focuses on creating new content for its most popular titles while developing new base games.**

In the past year, Paradox has developed new content for all of the company's core games, for example Arms Against Tyranny for Hearts of Iron IV, King of Kings for Europa Universalis IV, Tours and Tournaments for Crusader Kings III and Paragons for Stellaris. In total, Paradox and its partner studios have released 22 DLCs for its active titles in 2023, complemented by several major free updates of systems and features.

In May, the wholly owned studio Triumph released the highly anticipated 4X strategy game Age of Wonders 4 for PC and console. The mix of strategy, role-playing and the ability to create your own fantasy story led to a very positive reception for the game. Additionally, after the game's launch, two DLCs were released for the game, Dragon Dawn and Empires & Ashes, both of which were well received.

In October, then-wholly-owned studio Harebrained Schemes released The Lamplighters Leagues for PC and console. The game had a lukewarm reception and did not meet commercial expectations, which led to ending active development at the turn of the year.

### CONTINUED FOCUS ON THE CORE

In 2023, the focus has continued to be on strengthening the development of the company's core games. During the year, Grand Strategy development in Sweden has been focused on Stockholm.

Paradox’s studios have also tested new ways to meet players' demand for new content. Astral Planes for Stellaris was the first DLC to be developed by an external studio and Crusader Kings III's community got to vote on the next DLC theme which ended up being Wards & Wardens. Additionally, Crusader Kings III began experimenting with Content Creator Packs (CCPs) during the year, leading to a new CCP in January 2024.

The company's game studios are also constantly experimenting with new tools in game development, including those linked to generative AI.

### ACCESSIBILITY AND MULTIPLAYER

In recent years, Paradox has focused on making it easier to start playing its more complex titles and increasing the games' value for players.

The ambition is to continuously make the games easier to appreciate even for completely new players, without losing the depth that characterises the games. Among other things, this is done through better user interfaces, better introductions to the games, better instructions and a greater breadth of guides and other material.

During the year, several games updated their multiplayer functionality. For example, in Stellaris you can now build your space empire together with other players. In addition, Hearts of Iron IV has introduced HOI IV Frontlines, an eSports community hub where players can organise their own tournaments and competitions.

**INTERVIEW**

## LENNART SAS – STUDIO MANAGER AND GAME DIRECTOR, TRIUMPH STUDIOS

**You've had a big year with Age of Wonders 4 releasing in May and have already released two DLCs. How does it feel?**

Few things beat the feeling of seeing a game we've worked so hard with be welcomed by a large audience. Age of Wonders 4 is also the first game that Triumph developed in its entirety as part of Paradox Interactive after the acquisition. It is proof of a successful integration, so it is doubly gratifying.

**What has been most challenging and most rewarding about releasing the game?**

When making sequels, striking a balance between innovation and the brand's original values is a major challenge. With Age of Wonders' history going back decades; we aimed to make a bold new premise and ensure its relevance in today's market. With our unique faction creation system and new roleplaying features, we took a risk, and it was very rewarding seeing players embrace it.



**What do you think is the recipe for success with Age of Wonders 4?**

Making and selling a game is a mammoth creative, technical and commercial challenge, with many questions that need answering. Being part of the Paradox group gave us many new insights during knowledge shares. A highly skilled team is needed, but it's important that all the people involved form the same vision for the game in their heads.

We invested a lot of time on alignment and communication, not just with people within the development team, but also with the publishing team in Stockholm. This allowed us to present a strong premise and quality game to our audience and take them along for the journey.

**You have a High Council of loyal fans who provide feedback and ideas, how have you worked with them during development?**

The loyal fans in the High Council give us learnings from an early stage of development. This was especially important for the radical new features we designed to attract new players. We anticipated part of the old guard would need to get used to these types of changes, and their feedback allowed us to adjust features and messaging. We continue this great relation with our loyal fans to expand and improve the game during live development.

**You have already added dragons and alchemy to the game, what are your future plans?**

We have two announced expansions coming in '24: Primal Fury; which is all about the raw powers of nature and Eldritch Realms, which sends otherworldly horrors to challenge the players. Who knows, there may be more down the line - as a grand scale fantasy strategy there is no limit of things we can add!

## 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.



# PUBLISHING

**Publishing is responsible for the games' marketing, sales and commercial development and consists of two units: Paradox Interactive and Paradox Arc. The main label Paradox Interactive works closely with internal studios and major third-party developers within the company's core segments. The experimental publisher Paradox Arc's task is to find, continuously evaluate and launch smaller and experimental titles in segments that are outside of Paradox Interactive's focus areas.**

**PARADOX INTERACTIVE**

In the past year, Paradox Interactive has worked intensely with marketing and launching new titles. In 2023, Paradox Interactive has released Age of Wonders 4, The Lamplighters League, Star Trek: Infinite and Cities: Skylines II. Additionally, the life simulator Life by You, factory builder Foundry and 4X strategy game Millennia have been announced, with 2024 release window.

The biggest event of the year was the release of the city-building game Cities: Skylines II, developed by long-time partner Colossal Order. The game has attracted many players and after the turn of the year the game had sold over a million copies. At launch, however, several players experienced performance issues, which developer Colossal Order worked hard to improve.

**GROW PARADOX'S CORE**

Paradox Interactive has continued to work to ensure that the company's active titles continue to grow through the sale of new DLCs, package the games' often extensive DLC catalogue, price, and localise to new markets, and strengthen the relationship with distribution partners in order to reach new audiences and find more ways to partake of the games.

To provide players with more exciting experiences, Paradox has increasingly worked to develop content together with its players. For example, content creators and modders for Cities: Skylines have made Content Creator Packs, which include new music or new buildings.

**PARADOX ARC**

Paradox Arc searches for cost-effective games that are deemed to have higher risk but good potential and which can eventually become part of Paradox's core portfolio. In 2023, the publisher launched several new titles; Surviving the Abyss, Mechabellum, Space Trash Scavenger and Stellaris Nexus were released in early access. In addition, Starminer was announced, Stardeus continued development in early access, and Across the Obelisk grew with two expansions and was moved to the main label for further development.

INTERVIEW

# TESS LINDHOLM – PRODUCT MARKETING MANAGER, CITIES: SKYLINES II
# MARINE MAZEL – BUSINESS OWNER, AGE OF WONDERS 4

**You've both helped launch eagerly awaited sequels in the past year. How were your respective releases, anything that surprised you?**

***Tess:*** The release was a true rollercoaster. Upon launch the reception from the players was very mixed. Some instantly dug in with a smooth player experience and were super excited, whereas others had significant issues with performance that affected their ability to enjoy the game. This resulted in a very divided player community with very different needs, one part that wanted more and new content, whereas the other part wanted performance improving updates. The developers and the marketing teams had to quickly reshuffle priorities, ensuring that everyone can enjoy the player experiences, with a number of rapid paced patches to improve performance.



***Marine:*** The release of Age of Wonders 4 went beyond our expectations. We knew we had a great game on our hands thanks to Triumph Studios' amazing work, and all of our marketing metrics during the campaign were showing that Age of Wonders 4 was more appealing to the audience than the previous entry in the series; but the reception and marketing momentum around release was truly fantastic.

**Can you give some insight into how you've worked with the games post-release?**

***Tess:*** In general, a base game release is just the beginning of a long journey together with our players. For Cities: Skylines II we've had a split focus since release. A large aspect has been to have a candid, transparent and frequent dialogue with players to see what and where we need to improve the game, and have focused on fixing performance and other issues. Secondly, it's been to create trust and excitement on where Cities: Skylines II is going. We are planning for a long term life cycle for the game, just as with the predecessor, and the game will evolve over time.We have great content planned, and are now gearing up for adding the crown jewel, modding, that we know for many is core to the player experience .

***Marine:*** The base game release was a major event in the project, but it's only the starting point. We make plans to not only support, but grow, Age of Wonders 4, reaching more people, understanding our players better, improving how we communicate with them, and how marketing can represent as accurately as possible a game that is deep, complex, and ever-expanding. So we keep improving processes and trying new things.

**2023 was a year with many big games hitting the market, how has that affected your tactical choices?**

***Tess:*** We knew the year was going to be intense in terms of releases, so we wanted to carve out space for Cities: Skylines II early in the year and planned for a long marketing campaign. We made a big announcement mid-spring and launched a series of feature highlights, influencer, and PR campaigns. The goal was to establish a countdown to release, keeping Cities: Skylines II top of mind throughout the period, and have a committed audience already before launch. We also made the decision early on to differentiate ourselves from other games by using only in game recordings for our trailers and highlights, to showcase the game as is, instead of having animations or CGI.

***Marine:*** We knew that with so many major releases slated for 2023, we would be fighting fiercely for players' attention. We decided to have a short marketing campaign (four months from

announcement to release) to make sure that we would only present highly relevant content to our players while building up the hype. This is also why we wanted to show gameplay from the game as early as possible, to show something concrete to players, to make the game feel tangible to them.

**What's been most crucial for getting a good launch?**

***Tess:*** Close collaboration with the developers makes or breaks any marketing effort and we've had a very tight knit relationship with Colossal Order. We've spent a lot of time and focus to ensure that their vision and passion for the game were front and center of all marketing efforts and that they establish a direct relationship with our players. That also enabled us to build awareness and engagement for the game, for example via ongoing feature highlights and working closely with our community and a variety of influencers.

***Marine:*** Outside of the game, a crucial aspect for us has been the quality of the collaboration between the marketing and publishing teams, and Triumph Studios. We had great builds of the game available to us to organize press and content creators previews and reviews, close collaboration with the studio to craft the marketing assets, and communication was (and still is!) open, respectful and in high spirits.

**Both games have a very active existing community, how have you worked with the fans before, during and after launch?**

***Tess:*** Cities: Skylines has an absolutely amazing community, their engagement and enthusiasm has made it to the franchise it is. With the complexity, depth and freedom of Cities: Skylines we're always surprised with what they come up with. Outside of our ongoing dialogue with our players, we have worked in close collaboration with some of the most popular content creators ahead and after release. We contracted some of the most successful modders from Cities: Skylines to develop what we call Creator Packs for the game as well as other assets that will be available for free through the modding library. These creators are some of our most dedicated fans and vital for Cities: Skylines II and the library of creative mods that we know is important for our players.

***Marine:*** The Age of Wonders franchise has been around since 1999, and we have a very dedicated and experienced player base with high standards for the strategy games they enjoy. Of course, the development team is constantly working with the community feedback, but from a marketing perspective, what we really wanted before release was to put Triumph Studios into the spotlight and show the game to our fans as early as possible in the campaign. Now that the game is here, we work to keep the community informed and engaged, and hopefully with us on this journey for a long time!

# THE PLAYERS

**Paradox exists to create experiences that players love, and players' sustained engagement strengthens the games' financial longevity and helps Paradox secure recurring and stable revenue over time. They are a source of feedback, ideas, content and energy that make the games even better and long lasting.**

The company always strives to strengthen the relationship with, and the commitment of, its players. This is mainly done by offering the players various services that increase the games value and by having a dialogue with the players.

## PLAYER SERVICES

### Mods

User-generated content is a key factor in creating player value. That players have the freedom to adapt and improve the games themselves is a strength that drives both game experience and sales. Therefore, the company provides access to the game's code to enable players to make changes to, among other things, mechanics and graphics. As of 2023, Paradox's active games had over 500,000 mods available.

Paradox also has its own modding platform where players, whether using PC or console, can download and use the same mods.

### Multiplayer

The ability to play with and against each other is becoming increasingly popular and adds an extra dimension to the experience of the games. To continue to promote multiplayer, Paradox has during the year arranged tournaments together with external partners and updated the functionality for multiplayer in several games. Paradox Arc has also experimented with dedicated multiplayer games, such as Mechabellum and Stellaris Nexus.

### Wikis

Paradox Wiki serves as a knowledge bank for those who want to immerse themselves in Paradox games, by collecting information, guides and strategies. Paradox employs moderators who ensure the quality of the content and develop the Wikis so that they continue to maintain a good level. In 2023, the Wiki pages had approximately 88 million page views.

## PLAYER DIALOGUE

### Forums

The Paradox forum is one of the company's most important places to build a community around its games. Players can immerse themselves in the games, get inspiration, share insights, game strategies, mechanics and at the same time connect with others who share their interests. Equally important is that Paradox developers can directly discuss with, and receive feedback from, players, for example when they share Developer Diaries about upcoming updates to the games. In total, the forums had around 42 million page views during the year.

### Player meet-ups and streams

In order to strengthen its community and create more natural meeting places for fans, Paradox annually conducts various player meet-ups, where developers, content creators and players can interact with each other, learn about game news and broaden their interest in Paradox games. During the year, Grandest Lan was held for both Europa Universalis IV and Heart of Iron IV, where players met in a multi-day role-playing event and experienced medieval and WWII diplomacy, in-game and out-of-game. On YouTube and Twitch, daily live broadcasts are made 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 February, the Paradox Announcement Show was also broadcasted, where the biggest game news of the year was presented to players.

## THE PLAYERS IN NUMBERS

**6M+**
MAU

**98,985,493**
planets conquered in Stellaris

**743,961,844**
units created in Europa Universalis IV

**3,808,123**
dogs and cats petted in Crusader Kings III

**80,061**
Trans-Siberian railroads built in Victoria 3

**2,365,171**
Paradox Plazas built in Cities: Skylines

**235,552,772**
peace conferences led by players in Hearts of Iron IV

# ORGANISATION

**In 2023, Paradox has continued to streamline its organisation, in line with the company's strategic direction. At the end of the year, Paradox Arctic in Umeå and Paradox Thalassic in Malmö were closed down to focus the Swedish development of Grand Strategy games on Stockholm. In addition, Seattle-based studio Harebrained Scheme's development team continued as an independent studio after the turn of the year. At the end of the year, the company had 622 employees globally, the majority of whom work in Sweden.**

**PARADOX INTERACTIVE**
*Stockholm,Sweden*

**Founded:** 1999, but current company registered in 2004

**Description:** Paradox Interactive 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. 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 Hearts of Iron IV.

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

**PARADOX TECTONIC**
*Berkeley, California*

**Founded:** 2019

**Description:** Paradox Tectonic started up in 2019 and leads the development of Life by You, which is to be released in Early Access in 2024.

**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:** -

**ICEFLAKE STUDIOS**

*Tampere, Finland*

**Founded:** 2007

**Description:** Iceflake Studios consists of a team of experienced game developers and has created games for both PC and consoles. The studio was acquired in 2020 during the development of Surviving the Aftermath which was released in version 1.0 in 2021; the game's final DLC was released in 2023.

**Developed games:** Surviving the Aftermath.

**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 2022 they released 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*

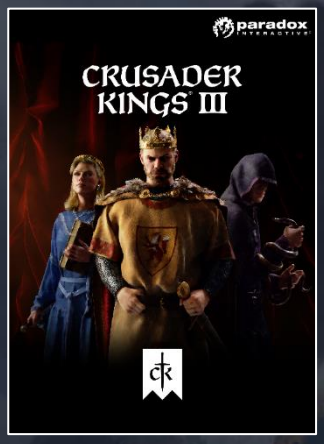
**Founded:** 1997

**Description:** Triumph Studios are the creators of the critically acclaimed Age of Wonders and Overlord series. The studio was acquired by Paradox in 2017. In May 2023 they released Age of Wonders 4 and have expanded the game with two DLCs during the year.

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

# GAMES

**At the end of the year, Paradox's portfolio consisted of 15 games, nine strategy games, five management games and a deck builder. In addition, Paradox Arc released five games. In 2023, the main label's portfolio has been expanded with four games: Age of Wonders 4, The Lamplighters League, Star Trek: Infinite and Cities: Skylines II. The biggest titles, in terms of revenue and players, are Cities: Skylines, Cities: Skylines II, Crusader Kings III, Hearts of Iron IV and Stellaris.**




**CRUSADER KINGS III**

**Release date:** 1 September 2020

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

**Price:** USD 49.99

**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 2023:** Tours & Tournaments (PC), Wards & Wardens (PC), Legacy of Persia (PC), Royal Court (XBOX/PS), Fate of Iberia (XBOX/PS)




**EUROPA UNIVERSALIS IV**

**Release date:** 13 August 2013

**Platforms:** PC

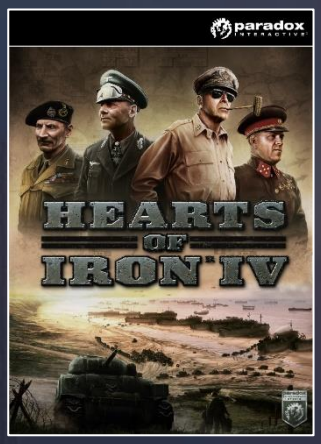
**Price:** USD 39.99

**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 2023:** Domination (PC), King of Kings (PC)




**HEARTS OF IRON IV**

**Release date:** 6 June 2016

**Platforms:** PC

**Price:** USD 39.99

**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 2023:** Arms Against Tyranny (PC)




**STELLARIS**

**Release date:** 9 May 2016

**Platforms:** PC, XBOX ONE, PLAYSTATION 4

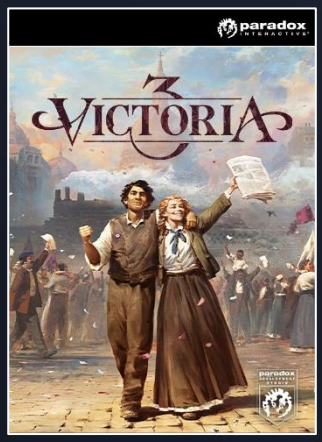
**Price:** USD 39.99

**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 2023:** First Contact (PC), Paragons (PC), Astral Planes (PC), Overlord (XBOX/PS), Toxoids Species Pack (XBOX/PS)




**VICTORIA 3**

**Release date:** 25 October 2022

**Platforms:** PC

**Price:** USD 49.99

**Description:** 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. 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 2023:** Voice of the People (PC), Dawn of Wonder (PC), Colossus of the South (PC)




**AGE OF WONDERS 4**

**Release date:** 2 May 2023

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

**Price:** USD 49.99

**Description:** Rule a fantasy realm of your own design! Explore new magical realms in Age of Wonders' signature blend of 4X strategy and turn-based tactical combat. Control a faction that grows and changes as you expand your empire with each turn!

**Publisher:** Paradox Interactive

**Developer:** Triumph Studios

**Releaser 2023:** Dragon Dawn (PC/XBOX/PS), Empire & Ashes (PC/XBOX/PS)




**STAR TREK: INIFINITE**

**Release date:** 12 October 2023

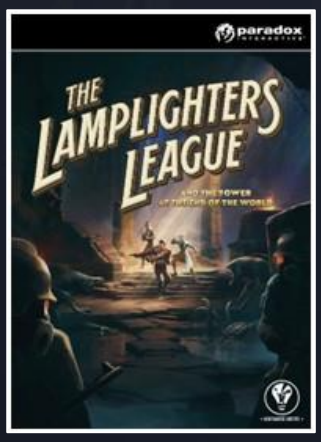
**Platforms:** PC

**Price:** USD 29.99

**Description:** Star Trek: Infinite is a grand strategy experience that lets you play your own Star Trek story as the leader of one of four major factions in the galaxy. Follow the specially crafted story or blaze your own trail in the first Star Trek grand strategy game.

**Publisher:** Paradox Interactive

**Developer:** Nimble Giant Entertainment




**THE LAMPLIGHTERS LEAGUE**

**Release date:** 3 October 2023

**Platforms:** PC, Xbox Series X|S

**Price:** USD 49.99

**Description:** Recruit a team of misfits with unique abilities and unforgettable personalities, and chase the Banished Court to the ends of the earth in a mix of real-time infiltration, turn-based tactical combat, and a character-driven story of adventure and intrigue.

**Publisher:** Paradox Interactive

**Developer:** Harebrained Schemes




**EMPIRE OF SIN**

**Release date:** 1 December 2020

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

**Price:** USD 39.99

**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 2023:** -




**AIRPORT SIMULATOR: FIRST CLASS**

**Release date:** 12 October 2022

**Platforms:** iOS, Android

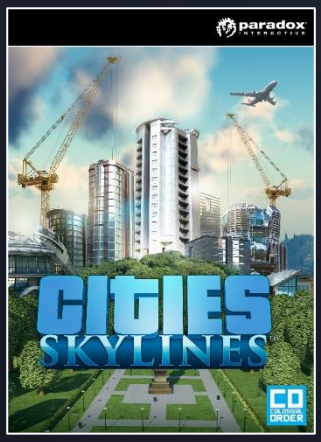
**Price:** Free

**Description:** Airport Simulator: First Class allows players to build, develop, and manage the operations of an entire airport. 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

**Releases 2023:** Continuous updates.




**CITIES: SKYLINES**

**Release date:** 10 March 2015

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

**Price:** USD 27.99

**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 2023:** Hotels & Retreats (PC/XBOX/PS)




**CITIES: SKYLINES II**

**Release date:** 24 October 2023

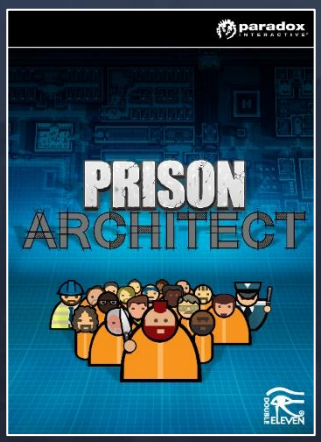
**Platforms:** PC

**Price:** USD 59.99

**Description:** Raise a city from the ground up and transform it into a thriving metropolis with the most realistic city builder ever. Push your creativity and problem-solving to build on a scale you've never experienced. With deep simulation and a living economy, this is world-building without limits.

**Publisher:** Paradox Interactive

**Developer:** Colossal Order




**PRISON ARCHITECT**

**Release date:** 6 October 2015

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

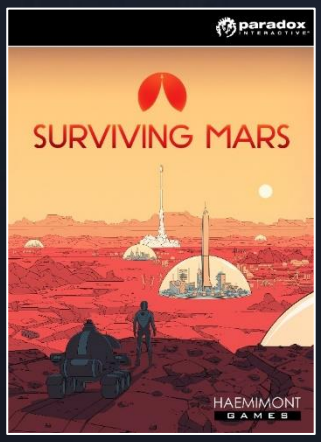
**Price:** USD 24.99

**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 2023:** Jungle Pack (PC/XBOX/PLAYSTATION)




**SURVIVING MARS**

**Release date:** 15 March 2018

**Platforms:** PC, XBOX, PLAYSTATION

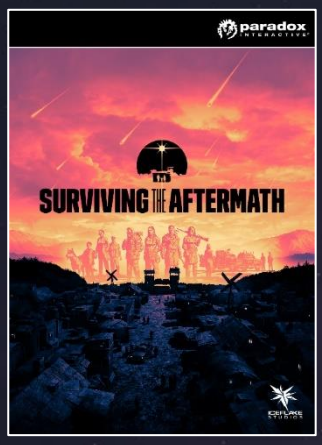
**Price:** USD 29.99

**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 2023:** -




**SURVIVING THE AFTERMATH**

**Release date:** 20 October 2019

**Platforms:** PC, XBOX, PLAYSTATION, SWITCH

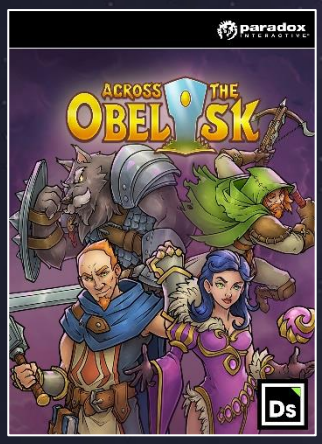
**Price:** USD 29.99

**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 2023:** Rebirth (PC/XBOX/PS/SWITCH)




**ACROSS THE OBELISK**

**Release date:** 16 August 2022

**Platforms:** PC

**Price:** USD 19.99

**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 Interactive

**Developer:** Dreamsite Games

**Releases 2023:** Wolf Wars (PC), Sands of Uliminin (PC), Amelia, the Queen (PC)




**STARDEUS**

**Release date:** 12 October 2022 (Early Access)

**Platforms:** PC

**Price:** USD 29.99

**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 2023:** Continuous Early Access-updates.




**MECHABELLUM**

**Release date:** 11 May 2023 (Early Access)

**Platforms:** PC

**Price:** USD 14.99

**Description:** Mechabellum is an epic auto-battler taking place on the newly colonized planet of Far-Away. You're the Commander of an army of mechs fighting it out in massive PvP battles. Customize and level up your units, strategically place them on the battlefield and watch them destroy your enemies.

**Publisher:** Paradox Arc

**Developer:** Game River




**SPACE TRASH SCAVENGER**

**Release date:** 9 November 2023 (Early Access)

**Platforms:** PC

**Price:** USD 19.99

**Description:** Grab your jetpack and explore procedural asteroid fields, derelict spaceships and abandoned outposts. Build your Space Rig to process scavenged trash. Craft, trade and fight your way home in this interstellar, open-world survival sandbox.

**Publisher:** Paradox Arc

**Developer:** SquarePlay Games




**STELLARIS NEXUS**

**Release date:** 12 December 2023 (Early Access)

**Platforms:** PC

**Price:** USD 14.99

**Description:** Stellaris Nexus is a social strategy game offering all the depth of a full spectrum 4X experience played start to finish in about 1 hour. Choose a unique faction and leader and challenge up to 7 other players, plotting, battling and backstabbing your way to galactic dominance.

**Publisher:** Paradox Arc

**Developer:** Whatboy Games




**SURVIVING THE ABYSS**

**Release date:** 17 January 2023 (Early Access)

**Platforms:** PC

**Price:** USD 19.99

**Description:** You have been tasked with managing a deep-sea science facility working to perfect cloning. Explore the darkness and keep your crew alive in this hardcore survival colony builder. And beware. The darkness hides untold horrors.

**Publisher:** Paradox Arc

**Developer:** Rocket Flair Studios




**KNIGHTS OF PEN & PAPER 3**

**Release date:** 7 March 2023

**Platforms:** PC

**Price:** USD 12.79

**Description:** Enter the new and improved world of chivalry, class warfare and off-beat pop references. Knights of Pen & Paper 3 is a true sequel to the turn-based, retro style, pixel-art adventure full of danger and saving throws you hold so dear!

**Publisher:** Paradox Arc

**Developer:** Kyy Games

# ADMINISTRATION REPORT

The Board and the CEO of Paradox Interactive AB (publ), 556667-4759, hereby present the annual report for the financial year 2023.

## 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 six studios in six countries that develop gaming experiences for the company's over six 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.

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, 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;

- Age of Wonders 4, developed by Triumph Studios, was released to PC, Playstation 5 and Xbox Series X|S.
- Cities: Skylines II, developed by Colossal Order, was released to PC.
- Knights of Pen & Paper 3, developed by Kyy Games was released to PC and published by Paradox Arc.
- Mechabellum, developed by Game River was released in Early Access and published by Paradox Arc.
- Space Trash Scavenger, developed by SquarePlay Games, River was released in Early Access and published by Paradox Arc.
- Star Trek: Infinite, developed by Nimble Giant Entertainment, was released to PC.
- Stellaris Nexus, developed by Whatboy Games, was released in Early Access and published by Paradox Arc.
- Surviving the Abyss developed by Rocket Flair Studios was released i Early Access to PC and published by Paradox Arc.
- The Lamplighters League, developed by Harebrained Schemes, was released to PC and Xbox series X|S. Based on revised forecasted sales figures for the game, it was decided to write down the game's remaining balanced development cost with MSEK 170.9 in addition to planned amortisation of MSEK 149.6.

Downloadable content was released as below;

- Across the Obelisk – Amelia the Queen, Sands of Ulminin, The Wolf Wars
- Age of Wonders 4 – Dragon Dawn, Empire & Ashes
- Cities: Skylines – Hotels & Retreats
- Crusader Kings III – Legacy of Persia, Tours and Tournaments, Wards & Wardens
- Europa Universalis IV – Domination, King of Kings
- Hearts of Iron IV – Arms Against Tyranny
- Prison Architect – Jungle Pack
- Stellaris – Galactic Paragons, First Contact, Astral Planes
- Surviving the Aftermath – Rebirth
- Victoria 3 – Colossus of the South, Dawn of Wonder, Voice of the People

The following games and downloadable content were ported to console;

- Cities: Skylines – Remastered was released to Playstation 5 and Xbox Series X|S.
- Stellaris – Overlord
- Crusader Kings III – Royal Court

Other events;

- Paradox Interactive sold its shares in Hardsuit Labs to Keywords Studios, which affects profit after financial items by MSEK 15.4.

## EXPECTED FUTURE DEVELOPMENT

In the coming year, continued good profitability is expected. Six announced games are awaiting release; Vampire: the Masquerade - Bloodlines 2, developed by Hardsuit Labs and The Chinese Room, Life By You, developed by Paradox Tectonic, Prison Architect 2, developed by Double Eleven, Millennia, developed by C Prompt Games, Escape the Mad Empire, developed by XperimentalZ Games, and Foundry, developed by Channel 3 Entertainment. Development is also underway on several yet to be announced games.

## REVENUES AND PROFIT

Turnover amounted to MSEK 2,642.1 (MSEK 1,972.9), an increase of 34 % compared to the previous year. The revenue for the year is mainly attributable to Cities: Skylines, Cities: Skylines II, Crusader Kings III, Hearts of Iron IV, and Stellaris.

Cost of goods sold amounted to MSEK 1,567.3 (MSEK 862.6), attributable to game development, development support, operation and maintenance of games, costs for licenses, trademarks, and similar rights, and revenue-based contingent consideration to development studios and other rights holders.

Amortisation on released games amounts to MSEK 677.8 (MSEK 342.2). Amortisation has increased because of the launch of new games and downloadable content. Of the amortisations, The

Lamplighters League amounts to MSEK 149.6. The game was released in October and has been amortised with three months of scheduled degressive amortisation.

Write-downs for the period within cost of goods sold amount to MSEK 185.4 (MSEK 0.0). The write-downs mainly refer to The Lamplighters League, amounting to MSEK 170.9. The write-down of The Lamplighters League resulted in the remaining capitalised development at year-end being written down to MSEK 0.0, based on revised forecasted sales figures for the game.

Amortisation of licenses, trademarks and similar rights amounts to MSEK 82.5 (MSEK 87.2)

In addition to amortisations and write-downs within the item, a total of MSEK 586.8 (SEK 402.2 million) was expensed regarding non-capitalised development costs, development support, operation and maintenance of games, royalties and revenue based earn-outs. The change is largely explained by an increase in royalties compared to the comparative period as a result of the release of Cities: Skylines II, developed by external game developer Colossal Order. Revenue-based contingent consideration is higher than last year due to the release of Age of Wonders 4 developed by Triumph Studios.

Non-capitalised development costs have increased compared to the comparison period as a result of the activation of several of the group's ongoing externally developed games starting in a later development phase compared to the previous year. The post-release development of The Lamplighters League has been expensed directly, which also contributed to an increase in non-capitalised development costs. Costs for development support, operation and maintenance of games have also increased compared to the comparison period.

Selling expenses for the period amounted to MSEK 291.1 (MSEK 170.5). Costs have increased mainly as a result of the release of Cities: Skylines II and Age of Wonders 4, but also costs for future game releases contribute to the increase.

Administration costs for the period amounted to MSEK 99.2 (MSEK 91.6). Costs for administration are generally unchanged over time and are relatively unaffected by the rest of the business.

Other operating income amounted to MSEK 20.9 (MSEK 56.6), and other operating expenses to MSEK -47.4 (MSEK -17.7). 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 657.9 (MSEK 887.1). Financial items amounted to MSEK 29.9 (MSEK -2.7). Financial items mainly consist of interest on lease liabilities and interest received on cash and cash equivalents. During the year, the shares in the associated company Hardsuit Labs was sold to Keywords Studios, which affects financial items by MSEK 15.4 (MSEK 0.0).

Profit after financial items amounted to MSEK 687.8 (MSEK 884.4), and profit after tax amounted to MSEK 530.6 (MSEK 708.7).

## FINANCIAL POSITION

Capitalised development amounted to MSEK 1,463.2 (MSEK 1,650.3) 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. The decrease is mainly attributed to the release of The Lamplighters League which has resulted in large amortisations and write-downs within the item.

Licenses, brands, and similar rights amounted to MSEK 105.5 (MSEK 159.5).

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

Right-of-use assets for offices amounted to MSEK 112.5 (MSEK 136.1).

Shares in associated companies amount to MSEK 0.0 (MSEK 32.6) at the end of the period. The change is attributable to sale of the shares in the Seattle-based development studio Hardsuit Labs.

Accounts receivable at the end of the period amounted to MSEK 358.2 (MSEK 259.9).

Bonds amount to MSEK 197.1 (MSEK 0.0) at the end of the period. All bonds are short-term and refer to the investment of excess liquidity.

Cash and cash equivalents at the end of the period amount to MSEK 1,098.0 (MSEK 747.5).

Equity amounts to MSEK 2,620.5 (MSEK 2,292.4), of which MSEK 530.6 (MSEK 708.7) consists of accumulated profit for the year.

Long-term leasing liabilities amount to MSEK 76.0 (MSEK 104.9), consisting of liabilities for office premises.

Deferred tax liabilities amount to MSEK 144.0 (MSEK 137.2) mainly attributable to untaxed reserves and intangible assets from acquisitions.

Short-term leasing liabilities amount to MSEK 32.6 (MSEK 35.6), consisting of short term liabilities for office premises.

Accrued expenses and prepaid income amount to MSEK 493.9 (MSEK 418.6) at the end of the period. Prepaid income has increased compared to the previous year.

## CASH FLOW

The period's cash flow from operating activities amounted to MSEK 1,451.8 (MSEK 1,084.7), primarily attributable to the operating profit, adjusted of depreciation, amortisation and write-down. Cash flow from investment activities amounted to MSEK -848.3 (MSEK -807.0), mainly referring to investments in gaming projects. During the year MSEK 336.4 (MSEK 0.0) was also invested in bonds, and 141.1 MSEK (0.0 MSEK) of the bonds were sold. Cash flow from financing activities amounted to MSEK -249.0 (MSEK -141.0) mainly relating to a dividend to shareholders amounting to MSEK -211.2 (MSEK -105.6) and amortisation 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, 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. 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 2,647.8 (MSEK 1,992.2). Operating profit amounted to MSEK 282.0 (MSEK 497.6). Profit after financial items amounted to MSEK 331.1 (MSEK 497.1). Group contributions received from subsidiaries amounted to MSEK 220.0 (MSEK 130.0), and the change in tax allocation reserves amounted to MSEK -120.0 (MSEK 70.0). Profit after tax amounted to MSEK 333.5 (MSEK 551.9).

## 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 42 financial risk management.

## FIVE-YEAR SUMMARY

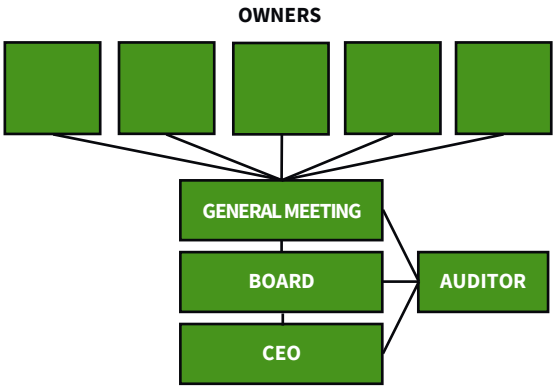
| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Revenues, KSEK | 2,642,107 | 1,972,906 | 1,447,456 | 1,793,794 | 1,289,332 |
| Operating profit, KSEK | 657,868 | 887,146 | 307,453 | 632,108 | 473,530 |
| Profit after financial items, KSEK | 687,759 | 884,440 | 303,926 | 628,030 | 466,849 |
| Profit after tax, KSEK | 530,625 | 708,709 | 247,770 | 490,575 | 374,080 |
| | | | | | |
| Operating margin | 25% | 45% | 21% | 35% | 37% |
| Profit margin | 26% | 45% | 21% | 35% | 36% |
| Equity/assets ratio | 73% | 73% | 66% | 60% | 58% |
| | | | | | |
| Cash, KSEK | 1,098,025 | 747,506 | 599,724 | 767,561 | 554,227 |
| Equity, KSEK | 2,620,455 | 2,292,377 | 1,661,563 | 1,508,158 | 1,125,176 |
| Total assets, KSEK | 3,580,126 | 3,141,427 | 2,522,693 | 2,518,068 | 1,942,307 |
| | | | | | |
| Number of shares by the end of the period before dilution | 105,623,025 | 105,619,209 | 105,600,000 | 105,600,000 | 105,600,000 |
| Number of shares by the end of the period after dilution | 105,885,175 | 105,619,209 | 105,853,350 | 105,889,000 | 105,600,000 |
| Average number of shares before dilution | 105,621,117 | 105,609,605 | 105,600,000 | 105,600,000 | 105,600,000 |
| Average number of shares after dilution | 106,153,901 | 105,723,810 | 105,755,565 | 105,839,159 | 105,600,000 |
| | | | | | |
| Equity per share before dilution, SEK | 24.81 | 21.70 | 15.73 | 14.28 | 10.66 |
| Equity per share after dilution, SEK | 24.75 | 21.70 | 15.70 | 14.24 | 10.66 |
| Earnings per share before dilution, SEK | 5.02 | 6.71 | 2.35 | 4.65 | 3.54 |
| Earnings per share after dilution, SEK | 4.99 | 6.70 | 2.34 | 4.64 | 3.54 |
| Dividend per share, SEK | 3.00 | 2.00 | 1.00 | 1.00 | 1.00 |
| | | | | | |
| Average number of employees | 649 | 672 | 716 | 567 | 453 |
| Number of employees at the end of the year | 625 | 656 | 721 | 662 | 479 |

*For definition of key figures, see note 41.*

# 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 75.

## 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
- 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 105,623,025 shares, where one share carries one vote at general meetings. The number of shareholders was 16,762 as of December 31, 2023. The largest shareholders at the end of 2023 were WesterInvest AB (Fredrik Wester) with 33.4% of the share capital, Investment AB Spiltan with 17.2%, 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 notice of the general meeting. 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 on adoption of the income statement and balance sheet and, if applicable, the consolidated income statement and the consolidated balance sheet, on the disposition of the company's profit or loss as shown in the adopted balance sheet, 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 2023**

The AGM 2023 was held on May 17 in Stockholm. At the meeting 70 % 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 2 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 2022. 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 2024 AGM, and that the board within shall elect a new chairman in the event that such chairman's assignment ends prematurely.

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 670,000 to the chairman of the board and SEK 335,000 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 nomination committee's proposal, to adopt the principles for the nomination committee ahead of the 2024 AGM.

The AGM decided in line with the board's proposal to authorise 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 2023/2027, 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 warrant program as well as securing social security contributions.

**Attendance on the Annual General Meeting**

| Year | % of votes | % of capital |
|---|---|---|
| 2023 | 70 | 70 |
| 2022 | 66 | 66 |
| 2021 | 70 | 70 |
| 2020 | 73 | 73 |
| 2019 | 83 | 83 |

**Annual General Meeting 2024**

The 2024 Annual General Meeting takes place on May 15 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 2024**

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, 2023, 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)
Håkan Sjunnesson (chairman of the board)
Oscar Ingdahl (appointed by Westerinvest AB)
James Mitchell (appointed by Tencent Holdings Limited)

## 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 organisation 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 organised and carried out efficiently. At the 2023 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 organisation, 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 organise 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 2023 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 characterised 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 2023**
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 2023, the board has held thirteen 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 2023 have been questions about, but not exclusively, investment strategies, acquisitions, interim and annual reports, dividend proposals.

**Composition of the board and attendance in 2023**

| Name | Board meetings | Audit committee | Remuneration committee |
|---|---|---|---|
| Håkan Sjunnesson | 12/13 | 5/5 | 1/1 |
| Fredrik Wester | 11/13 | - | - |
| Mathias Hermansson | 11/13 | 4/5 | 1/1 |
| Linda Höglund | 13/13 | - | 1/1 |
| Andras Vajlok | 13/13 | 5/5 | - |

**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 670,000 to the chairman of the board and SEK 335,000 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 2023**

| | | |
|---|---|---|
| 6/2 2023 | Regular meeting | Approval of the year-end report. |
| 9/2 2023 | Regular meeting | Reviewing fixed items. |
| 10/3 2023 | Regular meeting | Reviewing fixed items. |
| 18/4 2023 | Regular meeting | Reviewing fixed items. Approval of the annual report. |
| 26/4 2023 | Regular meeting | Approval of interim report. |
| 17/5 2023 | Constituent meeting | Adoption of policies, guidelines, and instructions. Confirmation members and chairman of the Audit committee and the Remuneration committee. |
| 7/6 2023 | Regular meeting | Reviewing fixed items. |
| 26/7 2023 | Regular meeting | Approval of interim report. |
| 7/9 2023 | Regular meeting | Reviewing fixed items. |
| 10/10 2023 | Regular meeting | Utvärdering av spelsläpp. |
| 19/10 2023 | Regular meeting | Reviewing fixed items. |
| 25/10 2023 | Regular meeting | Approval of interim report. |
| 19/12 2023 | 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 2023 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 2023 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, 360 Player AB and Stark Futures SL.
**Shareholding in the company:** 35,235,937 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:** Venture partner Mundi Ventures, 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, Analyst Investment banking 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, Jumpgate, Renewable Ventures Nordic, Besedo, The Gifted Company, Gazella and Silfverlok 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 North Group Sweden Invest AB and NorthGroup Sthlm AB.
**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:** 72,000 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, 72,000 warrants – direct ownership.

**MATTIAS LILJA**
**Position:** Chief of Staff (COS) and Deputy CEO
**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 - direct ownership, 49,500 warrants – direct ownership.

**HENRIK FÅHRAEUS**
**Position:** Chief Creative Officer (COO)
**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.
**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 organisation, 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 622 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. The company's materiality analysis was evaluated and updated 2022.

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 6-7, 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 and guidelines:

- The Employee Handbook and Work Environment Policy
- Code of Conduct for all employees. A Code of Conduct for suppliers was developed in 2023 and implementation began.
- 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 2023 Paradox has, amongst other things, invited players and shareholders to a company day where Senor Management describe corporate strategy, gave insight into the player base, business model and game development.



## SUSTAINABILITY RISKS

| AREA | 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. | Paradox has zero tolerance for all forms of toxic behaviour and has Community Management teams as well as terms of use to counteract offensive posts. The company also offers employees training in social media and player contact. |
| | Games with high complexity risk reducing their availability, which can affect the company's revenue and exclude players. | 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. |
| | 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. | The premium model is based around the player paying once for access to content, and microtransactions that encourage spontaneous purchases are generally not used. |
| **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. |

| AREA | 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 2023, a Code of Conduct for suppliers has been developed and started to be implemented. |
| | 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. | Paradox produces 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. |
| | 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. A new 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. |

## 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 622 employees to enable them to perform.

Paradox's operations are to be built on a strong foundation of security, trust, inclusion and player focus. 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 2023, Paradox’s Engagement Index has increased to 7,9 (7,8). The result is in line with the company’s long-term goals and a strong focus continues to be on creating a good working environment for all employees.

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 2023, staff turnover continued to be at a high level of 25 percent (22 percent). The higher turnover is a result of Paradox having three fewer studios at the end of the year.

**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 preconditions for good mental and physical health, Paradox implements various health initiatives for its employees, offers therapeutic support with external behavioural scientists as well as wellness allowances, also, sick leave is followed up on an ongoing basis. Furthermore, activities are arranged that encourage social bonding and community, which the company considers to be an important dimension of well-being. The company's game development projects are also planned so that they are carried out as far as possible without overtime work.

| | 2023 | 2022 | 2021 | Goal 2025 |
|---|---|---|---|---|
| Attendance rate | 98 % | 97 % | 98 % | ≥ 97 % |
| My workload is sustainable | 7,8 | 7,9 | 7,7 | ≥ 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 the goals but will continue to strive for employees to have a good balance between work and free time. During 2024, the company will continue to focus further on promoting 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 so-called toolbox trainings that will support them in their managerial role, for example via training in work environment, salary setting, rehabilitation and leadership. In addition, the Great Leaders management course is offered. In 2023, targeted training for new managers and about the company's values has been carried out. Furthermore, the company has encouraged internal informal exchange and sharing between managers, through conferences, case assignments and inspirational lectures.

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.

| | 2023 | 2022 | 2021 | Goal 2025 |
|---|---|---|---|---|
| Internal recruitments | 21 % | 25 % | 22 % | ≥ 25 % |
| I see a path for my career development […] | 7,2 | 7,1 | 6,9 | ≥ 7,3 |
| My manager encourages and supports my development | 8,3 | 8,4 | 8,2 | ≥ 8,2 |

*Internal recruitments are calculated on the basis of all internal appointments made to all recruitments made during the year. Positions appointed without internal advertising are not include. 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 2023, the number of internal recruitments decreased by 4 percentage points compared to 2022. At the same time, employees' view of career development has increased marginally (+0.1) and development support from managers has decreased marginally (-0.1) each on a ten-point scale and remains in line with the company's long-term goals. The reduced internal recruitment is explained by the fact that in several cases the company made direct recruitments for internal positions without them being advertised externally or internally, in connection with reorganisations.

**Diversity and inclusion**

The making and selling of fantastic games require 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 2023, all of the company's employees have undergone training in identifying and handling harassment in the workplace with additional training steps for managers and HR employees. In 2024, the systematic work of educating and training employees and managers, developing case management and measuring the results through an annual survey will continue. An extra focus will be on identifying and reducing suppression techniques. More information on the outcome of the work for 2023 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 2023 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 22,5 percent in 2023 compared to 20 percent in 2022. A good and strong diversity and equality are important for Paradox's development and the company will continue to work to be a very good and attractive employer. To ensure the ability to both attract and retain female employees, Paradox focuses on the treatment of female employees, in terms of equal treatment and conditions for salary and career development. The starting point is that continued 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 | 2023 | 2022 | 2021 | Goal 2025 |
|---|---|---|---|---|---|
| I am rewarded fairly (e.g., salary, promotion) for my contribution to Paradox Group | *Woman* | 7,1 | 6,8 | 6,6 | ≥ 7,1 |
| | *Man* | 6,8 | 6,7 | 6,5 | ≥ 7,1 |
| People from all backgrounds are treated fairly at Paradox Group | *Woman* | 8,2 | 8,0 | 6,7 | ≥ 8,5 |
| | *Man* | 8,4 | 8,4 | 7,7 | ≥ 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 more satisfied than men with, for example, salary and promotion, and the result is in line with the company's long-term goals. In 2023, efforts continued with salary mapping, where unjustified salary differences between the genders, in terms of seniority level and role, are adjusted. The work progresses systematically on an annual basis and during the year fewer unjustified pay differences were identified compared to 2022.

In terms of equal treatment, the result for women has increased marginally (+ 0.1) compared to 2022. However, to a greater extent than women, men still feel that people from all backgrounds are treated fairly, which is an area that the company will continue to work on in 2024 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 2023, the work against toxic forum behaviour has continued, including through technical tools that can quickly flag up offensive posts, training staff and active moderation of the company's platforms and channels.

**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 for new players
- Player contact and transparency
- Protecting privacy
- Guidelines for game development

***Simplifying 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. During 2023, the majority of presentations were held with game developers as well as the company's management. 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 which is reviewed annually.

***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. A new Code of Conduct for suppliers were, based on the ten principles of the UN Global Compact, was developed, and began to 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 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. The company has not been able to include all of Scope 3 in its calculations. For example, it was not possible to measure the players' electricity consumption when they play one of Paradox's games on computer or console.

**Emissions per category**

Paradox's total emissions increased to 747 $tCO_2e$ (676 $tCO_2e$). The increase is an effect of changed calculation standards for air travel as well as more long- and medium-distance flights and increased electricity consumption. In terms of emission areas, business travel is the largest with emissions of 343 $tCO_2e$ (220 $tCO_2e$), followed by electricity and heat with emissions of 282 $tCO_2e$ (285 $tCO_2e$) and then purchased goods and services with emissions of 117 $tCO_2e$ (164 $tCO_2e$).

**Distribution per category, market-based reporting, $tCO_2e$**

| Category | 2023 | 2022 | 2021 |
|---|---|---|---|
| Business travel | 343 | 220 | 55 |
| Electricity and heating * | 282 | 285 | 298 |
| Purchased goods and services | 117 | 166 | 120 |
| Servers | 5 | 6 | 23 |
| **Total** | **747** | **678** | **497** |

** 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 220 $tCO_2e$ (214 $tCO_2e$), mainly through the company's offices. 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. The increase from 2022 consists of a slightly increased energy consumption, amongst others for the company's headquarters, as well as increased emission factors for international offices. In the past year, the offices in Umeå and Malmö were vacated, and the company vacated Harebrained Scheme's office in Seattle towards the end of the year. In the report, however, the emission figures are presented on a full-year basis, hence they are likely to be lower than what is stated in the calculations.

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 is the company's single largest climate-influencing factor within this scope. The increase is partly due to a change in calculation standard, with an increase in emissions for each passenger kilometre by air, as well as more long- and medium-haul air travel. The latter factor is connected to increased event attendance due to specific marketing efforts for gaming projects.

The purchase of IT equipment for the company's operation and employees is the second largest climate influencing factor within Scope 3 with 117 $tCO_2e$ (164 $tCO_2e$). The reduction can be explained by fewer purchases made during the year.

Upstream emissions from the use of electricity and heat are the third largest climate influencing factor within Scope 3 with 62 $tCO_2e$ (72 $tCO_2e$). The reduction is attributable, among other things, to reduced kWh/m2 for electricity and heating as well as better data for certain offices.

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

To ensure reasonable travel, Paradox favours 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.

**Impact per Scope, location-based reporting, $tCO_2e$**

| Scope | 2023 | 2022 | 2021 |
|---|---|---|---|
| 2 | 159 | 169 | 193 |
| 3 | 514 | 452 | 256 |
| **Total** | **672** | **621** | **449** |

**Impact per Scope, market-based reporting, $tCO_2e$**

| Scope | 2023 | 2022 | 2021 |
|---|---|---|---|
| 2 | 220 | 214 | 236 |
| 3 | 527 | 464 | 261 |
| **Total** | **747** | **678** | **497** |

**Environmental impact**

Paradox works to limit the company's environmental impact by minimising 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 minimise 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 an Employee Handbook and manuals for managers, a Code of Conduct and an Anti-corruption Policy as a support for how employees 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 2023, no whistleblower reports were received that staff acted unethically or corruptly.

In 2024, the company's employees will continue to be trained in anti-corruption.

## 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 17.2%, 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 | 29,748,416 |
| Retained earnings | 423,566,389 |
| Profit for the year | 333,540,445 |
| | **786,855,250** |

The board of directors proposes

| | |
|---|---|
| Distribution to shareholders SEK 3.00 per share | 316,869,075 |
| Retained earnings be carried forward | 469,986,175 |
| | **786,855,250** |

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 | 2023-01-01<br>2023-12-31 | 2022-01-01<br>2022-12-31 |
|---|---|---|---|
| Revenues | 5 | 2,642,107 | 1,972,906 |
| Cost of goods sold | 7, 8, 9, 10 | -1,567,321 | -862,629 |
| **Gross profit** | | **1,074,786** | **1,110,277** |
| | | | |
| Selling expenses | 7, 8, 9, 10 | -291,180 | -170,490 |
| Administrative expenses | 7, 8, 9, 10, 11 | -99,225 | -91,618 |
| Other income | 12 | 20,916 | 56,635 |
| Other expenses | 13 | -47,428 | -17,658 |
| **Operating profit** | | **657,868** | **887,146** |
| | | | |
| Financial income | 14 | 15,440 | – |
| Financial income | 15 | 25,086 | 3,952 |
| Financial expense | 16 | -10,635 | -6,658 |
| **Profit after financial items** | | **687,759** | **884,440** |
| | | | |
| Tax expense | 18 | -157,134 | -175,731 |
| **Profit for the year** | | **530,625** | **708,709** |

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

| | | | |
|---|---|---|---|
| Earnings per share attributable to parent company shareholders (SEK): | | | |
| - before dilution | 43 | 5.02 | 6.71 |
| - after dilution | 43 | 4.99 | 6.70 |

# OTHER COMPREHENSIVE INCOME, GROUP (KSEK)

| | 2023-01-01<br>2023-12-31 | 2022-01-01<br>2022-12-31 |
|---|---|---|
| Profit for the year | 530,625 | 708,709 |
| | | |
| **OTHER COMPREHENSIVE INCOME** | | |
| *Items that may be reclassified to profit or loss* | | |
| Translation differences | 2,493 | 20,780 |
| **Total comprehensive income for the year** | **533,118** | **729,489** |

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

# BALANCE SHEET, GROUP (KSEK)

| | Note | 2023-12-31 | 2022-12-31 |
|---|---|---|---|
| **ASSETS** | | | |
| **Fixed assets** | | | |
| **Intangible fixed assets** | | | |
| Capitalised development | 19 | 1,463,202 | 1,650,275 |
| Licenses, brands and similar rights | 20 | 105,532 | 159,501 |
| Goodwill | 21 | 22,350 | 22,415 |
| **Total intangible fixed assets** | | **1,591,084** | **1,832,191** |
| | | | |
| **Tangible fixed assets** | | | |
| Property and equipment | 22 | 13,034 | 17,561 |
| Right-of-use assets | 23, 24 | 112,515 | 136,118 |
| **Total tangible fixed assets** | | **125,549** | **153,680** |
| | | | |
| **Financial assets** | | | |
| Investments in associates | 27 | – | 32,555 |
| Other long term assets | 28 | 18,691 | 18,695 |
| **Total financial assets** | | **18,691** | **51,249** |
| | | | |
| **Total fixed assets** | | **1,735,323** | **2,037,120** |
| | | | |
| **Working capital** | | | |
| **Current assets** | | | |
| Accounts receivable | 29 | 358,219 | 259,948 |
| Tax assets | | 63,251 | 709 |
| Other receivables | | 70,420 | 34,769 |
| Bonds | 30 | 57,837 | 61,376 |
| Prepaid expenses and accrued revenues | 31 | 197,051 | – |
| **Total current assets** | | **746,778** | **356,802** |
| | | | |
| **Cash and cash equivalents** | **32** | **1,098,025** | **747,506** |
| | | | |
| **Total working capital** | | **1,844,803** | **1,104,307** |
| | | | |
| **TOTAL ASSETS** | | **3,580,126** | **3,141,427** |

# BALANCE SHEET, GROUP (KSEK)

| | Note | 2023-12-31 | 2022-12-31 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | **33** | | |
| Share capital | | 528 | 528 |
| Share premium reserve | | 29,748 | 29,542 |
| Reserves | | 22,684 | 25,176 |
| Retained earnings including profit for the year | | 2,567,495 | 2,237,131 |
| **Total equity** | | **2,620,455** | **2,292,377** |
| | | | |
| **Long term liabilities** | | | |
| Lease liabilities | 24 | 75,997 | 104,845 |
| Deferred tax liabilities | 35 | 144,044 | 137,220 |
| **Total long term liabilities** | | **220,041** | **242,065** |
| | | | |
| **Current liabilities** | | | |
| Accounts payable | | 52,481 | 52,487 |
| Current tax liabilities | | 95,427 | 66,529 |
| Lease liabilities | 24 | 32,583 | 35,616 |
| Other liabilities | 36 | 65,275 | 33,725 |
| Accrued expenses and prepaid revenues | 37 | 493,864 | 418,628 |
| **Total current liabilities** | | **739,630** | **606,985** |
| | | | |
| **Total liabilities** | | **959,671** | **849,050** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **3,580,126** | **3,141,427** |

# EQUITY, GROUP (KSEK)

| | Note | Share capital | Other capital contributed | Reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| 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** | **33** | **528** | **29,542** | **25,176** | **2,237,131** | **2,292,377** |
| At the beginning of the period 2023-01-01 | | 528 | 29,542 | 25,176 | 2,237,131 | 2,292,377 |
| Profit for the year | | – | – | – | 530,625 | 530,625 |
| **Other comprehensive income** | | | | | | |
| Exchange differences | | – | – | -2,493 | – | -2,493 |
| **Other comprehensive income** | | **–** | **–** | **-2,493** | **–** | **-2,493** |
| **Total comprehensive income** | | **–** | **–** | **-2,493** | **530,625** | **528,132** |
| **Transactions with owners** | | | | | | |
| Premiums when redeeming warrants | | 0 | 1,008 | – | – | 1,008 |
| Re-purchase warrants | | – | -802 | – | – | -802 |
| Share-based payments staff | | – | – | – | 10,978 | 10,978 |
| Dividend | | – | – | – | -211,238 | -211,238 |
| **Total transactions with owners** | | **0** | **206** | **–** | **-200,260** | **-200,054** |
| **AT THE END OF THE PERIOD 2023-12-31** | **33** | **528** | **29,748** | **22,684** | **2,567,495** | **2,620,455** |

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

# CASH FLOW, GROUP (KSEK)

| | Note | 2023-01-01<br>2023-12-31 | 2022-01-01<br>2022-12-31 |
|---|---|---|---|
| **Current operations** | | | |
| Operating profit | | 657,868 | 887,146 |
| Adjustment of depreciation, amortisation and write-downs | | 990,312 | 473,498 |
| Other adjustments | | 6,079 | 4,362 |
| Interest received | | 25,086 | 3,952 |
| Interest paid | 24 | -10,635 | -6,658 |
| Tax paid | | -184,436 | -126,703 |
| **Cash flow from current operations before changes in working capital** | | **1,484,275** | **1,235,598** |
| **Changes in working capital** | | | |
| Change in current receivables | | -138,630 | -141,060 |
| Change in current liabilities | | 106,196 | -9,799 |
| **Cash flow from current operations** | | **1,451,842** | **1,084,740** |
| | | | |
| **Investing activities** | | | |
| Cash flow from sales of associated companies | | 53,174 | – |
| Investments in capitalised development | | -676,045 | -793,771 |
| Investments in licenses, brands and similar rights | | -27,103 | – |
| Investments in equipment | | -3,050 | -2,119 |
| Investments in subsidiaries | | – | -11,055 |
| Investments in bonds | | -336,355 | – |
| Sales of bonds | | 141,100 | – |
| Investments in other financial assets | | – | -25 |
| **Cash flow from investing activities** | | **-848,278** | **-806,969** |
| | | | |
| **Financing activities** | | | |
| Amortisation of lease liability | 24 | -37,722 | -35,371 |
| Paid dividend | | -211,238 | -105,600 |
| **Cash flow from financing activities** | | **-248,960** | **-140,971** |
| | | | |
| **Cash flow for the year** | | **354,604** | **136,800** |
| Cash and cash equivalents at the beginning of the year | | 747,506 | 599,724 |
| Exchange rate effect | | -4,084 | 10,981 |
| **Cash and cash equivalents at the end of the year** | **32** | **1,098,025** | **747,506** |

# INCOME STATMENT, PARENT COMPANY (KSEK)

| | Note | 2023-01-01<br>2023-12-31 | 2022-01-01<br>2022-12-31 |
|---|---|---|---|
| Revenues | 5 | 2,647,805 | 1,992,191 |
| Cost of goods sold | 7, 8, 9, 10 | -1,962,066 | -1,276,664 |
| **Gross profit** | | **685,739** | **715,528** |
| | | | |
| Selling expenses | 7, 8, 9, 10 | -272,670 | -163,264 |
| Administrative expenses | 7, 8, 9, 10, 11 | -99,437 | -91,873 |
| Other income | 12 | 15,260 | 54,248 |
| Other expenses | 13 | -46,926 | -17,060 |
| **Operating profit** | | **281,967** | **497,578** |
| | | | |
| Profit from shares in subsidiaries | 14 | 35,381 | – |
| Financial income | 15 | 20,769 | 1,952 |
| Financial expense | 16 | -7,003 | -2,391 |
| **Profit after financial items** | | **331,113** | **497,140** |
| | | | |
| Appropriations | 17 | 100,000 | 200,000 |
| Tax expense | 18 | -97,573 | -145,215 |
| **Profit for the year and total comp income for the year** | | **333,541** | **551,925** |
| | | | |
| **OTHER COMPREHENSIVE INCOME, PARENT COMPANY (KSEK)** | | | |
| Comprehensive income | | – | – |
| **Total comprehensive income for the year** | | **333,541** | **551,925** |

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 | 2023-12-31 | 2022-12-31 |
|---|---|---|---|
| **ASSETS** | | | |
| **Fixed assets** | | | |
| **Intangible fixed assets** | | | |
| Capitalised development | 19 | 1,098,525 | 1,408,095 |
| Licenses, brands and similar rights | 20 | 34,855 | 37,495 |
| **Total intangible fixed assets** | | **1,133,379** | **1,445,590** |
| | | | |
| **Tangible fixed assets** | | | |
| Property and equipment | 22 | 6,143 | 10,116 |
| **Total tangible fixed assets** | | **6,143** | **10,116** |
| | | | |
| **Financial assets** | | | |
| Shares in subsidiaries | 26 | 305,812 | 305,812 |
| Investments in associates | 27 | – | 16,766 |
| Other long term assets | 28 | 17,393 | 17,393 |
| **Total financial assets** | | **323,204** | **339,970** |
| | | | |
| **Total fixed assets** | | **1,462,726** | **1,795,677** |
| | | | |
| **Working capital** | | | |
| | | | |
| **Current assets** | | | |
| Accounts receivable | 29 | 350,400 | 255,031 |
| Receivables from group companies | | 19,144 | 79,656 |
| Tax assets | | 58,560 | – |
| Other receivables | | 65,968 | 28,163 |
| Prepaid expenses and accrued revenues | 30 | 64,945 | 59,969 |
| Bonds | 31 | 197,051 | – |
| **Total current assets** | | **756,068** | **422,818** |
| | | | |
| **Cash and cash equivalents** | **32** | **780,059** | **448,013** |
| | | | |
| **Total working capital** | | **1,536,126** | **870,832** |
| | | | |
| **TOTAL ASSETS** | | **2,998,853** | **2,666,508** |

# BALANCE SHEET, PARENT COMPANY (KSEK)

| | Note | 2023-12-31 | 2022-12-31 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | **33** | | |
| *Restricted equity* | | | |
| Share capital | | 528 | 528 |
| Capitalised development reserve | | 1,098,525 | 1,408,095 |
| *Non-restricted equity* | | | |
| Share premium reserve | | 29,748 | 29,542 |
| Retained earnings | | 423,566 | -237,669 |
| Profit for the year | | 333,541 | 551,925 |
| **Total equity** | | **1,885,908** | **1,752,422** |
| | | | |
| **Untaxed reserves** | **34** | **605,000** | **485,000** |
| | | | |
| **Current liabilities** | | | |
| Accounts payable | | 43,965 | 45,619 |
| Liabilities to group companies | 39 | 25,393 | 28,016 |
| Current tax liabilities | | – | 4,352 |
| Other liabilities | 36 | 4,122 | 4,339 |
| Accrued expenses and prepaid revenues | 37 | 434,465 | 346,760 |
| **Total current liabilities** | | **507,944** | **429,086** |
| | | | |
| **Total liabilities** | | **507,944** | **429,086** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **2,998,853** | **2,666,508** |

# EQUITY, PARENT COMPANY (KSEK)

| | Note | Capitalised development reserve | Share premium reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| At the beginning of the period 2022-01-01 | | 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 | | – | 3,362 | – | 3,362 |
| Re-purchase of warrants | | – | -1,814 | – | -1,814 |
| Sharebased payments to employees | | – | – | 5,378 | 5,378 |
| Dividend | | – | – | -105,600 | -105,600 |
| **Total transactions with owners** | | **–** | **1,548** | **-100,222** | **-98,674** |
| **AT THE END OF THE PERIOD 2022-12-31** | **33** | **1,408,095** | **29,542** | **314,256** | **1,752,422** |
| At the beginning of the period 2023-01-01 | | 1,408,095 | 29,542 | 314,256 | 1,752,422 |
| Profit for the year | | **–** | **–** | 333,541 | 333,541 |
| Other comprehensive income | | **–** | **–** | **–** | – |
| **Total comprehensive income** | | **–** | **–** | **333,541** | **333,541** |
| Transfer to capitalised development reserve | | -309,571 | **–** | 309,571 | – |
| **Transactions with owners** | | | | | |
| Premiums when redeeming warrants | | – | 1,008 | – | 1,008 |
| Re-purchase warrants | | – | -802 | – | -802 |
| Sharebased payments to employees | | – | – | 10,978 | 10,978 |
| Dividend | | – | – | -211,238 | -211,238 |
| **Total transactions with owners** | | **–** | **206** | **-200,260** | **-200,054** |
| **AT THE END OF THE PERIOD 2023-12-31** | **33** | **1,098,525** | **29,748** | **757,107** | **1,885,908** |

# CASH FLOW, PARENT COMPANY (KSEK)

| | Note | 2023-01-01<br>2023-12-31 | 2022-01-01<br>2022-12-31 |
|---|---|---|---|
| **Current operations** | | | |
| Operating profit | | 281,967 | 497,578 |
| Adjustment of depreciation, amortisation and write-downs | | 679,980 | 311,283 |
| Other adjustments | | 7,397 | 7,023 |
| Interest received | | 18,973 | 2,067 |
| Interest paid | | -3 | -2,505 |
| Tax paid | | -164,725 | -121,041 |
| **Cash flow from current operations before changes in working capital** | | **823,588** | **694,404** |
| **Changes in working capital** | | | |
| Change in current receivables | | -157,314 | -92,606 |
| Change in current liabilities | | 252,887 | -3,798 |
| **Cash flow from current operations** | | **919,161** | **598,000** |
| | | | |
| **Investing activities** | | | |
| Cash flow from sales of associated companies | | 53,174 | – |
| Investments in capitalised development | | -335,236 | -502,095 |
| Investments in licenses, brands and similar rights | | -27,103 | – |
| Investments in equipment | | -1,457 | -1,093 |
| Investments in subsidiaries | | – | -11,055 |
| Investments in bonds | | -336,355 | – |
| Sales of bonds | | 141,100 | – |
| Investments in other financial assets | | – | -25 |
| **Cash flow from investing activities** | | **-505,877** | **-514,268** |
| | | | |
| **Financing activities** | | | |
| Received deposits | | 130,000 | – |
| Paid dividend | | -211,238 | -105,600 |
| **Cash flow from financing activities** | | **-81,238** | **-105,600** |
| | | | |
| **Cash flow for the year** | | **332,046** | **-21,867** |
| Cash and cash equivalents at the beginning of the year | | 448,013 | 469,880 |
| **Cash and cash equivalents at the end of the year** | **32** | **780,059** | **448,013** |

# 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, 2023, including comparative figures, was approved for publication by the Board of Directors on April 12, 2024, see note 44.

## 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, 2023, 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 1 January 2023 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, 2023. 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 or divested 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 years

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 liablities**
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 30 April 2026. 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 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| USA | 2,285,109 | 1,679,021 | 2,226,981 | 1,642,768 |
| Sweden | 49,873 | 21,318 | 106,215 | 66,791 |
| Rest of Europe | 258,575 | 234,297 | 271,297 | 243,070 |
| Rest of the World | 48,550 | 38,269 | 43,313 | 39,563 |
| **Total** | **2,642,107** | **1,972,906** | **2,647,805** | **1,992,191** |

During the year, KSEK 1,749,521 (KSEK 1,240,599) 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 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| PC | 2,202,494 | 1,678,253 | 2,202,613 | 1,678,253 |
| Console | 310,562 | 218,810 | 310,562 | 218,810 |
| Mobile | 65,756 | 41,766 | 1,372 | 4,654 |
| Other | 63,295 | 34,076 | 133,258 | 90,474 |
| **Total** | **2,642,107** | **1,972,906** | **2,647,805** | **1,992,191** |

Prepaid income amounted to KSEK 252,719 (KSEK 264,228) at the end of the period. Of these, KSEK 252,719 is expected to be reported as revenue during the next 12-month period, and KSEK 0 within 24 months.

The income for the year includes KSEK 194,440 (KSEK 185,118) 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 6,143 (KSEK 10,116) in Sweden, and KSEK 6,891 (KSEK 7,445) in the rest of the world.

## NOTE 6. AVERAGE NUMBER OF EMPLOYEES

**Average number of employees**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Number | Of whom men | Number | Of whom men |
| ***Parent company*** | | | | |
| Sweden | 173 | 118 | 184 | 125 |
| ***Subsidiaries*** | | | | |
| Sweden | 299 | 244 | 290 | 242 |
| Netherlands | 37 | 32 | 39 | 33 |
| USA | 59 | 41 | 80 | 57 |
| Finland | 23 | 17 | 24 | 17 |
| France | 29 | 25 | 27 | 22 |
| Spain | 29 | 26 | 28 | 23 |
| **Total for the group** | **649** | **503** | **672** | **519** |

**Directors and senior executives**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Number | Of whom men | Number | Of whom men |
| Board of Directors | 5 | 4 | 5 | 4 |
| CEO and other senior executives | 6 | 5 | 6 | 5 |

## NOTE 7. SALARIES AND EMPLOYEE BENEFITS

Expenses recognised for employee compensation:

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Salaries - Board and senior management | 15,851 | 14,943 | 13,728 | 13,222 |
| Salaries - other employees | 468,604 | 458,211 | 111,582 | 110,425 |
| Pensions - Board and senior management | 2,416 | 2,532 | 2,093 | 2,217 |
| Pensions - other employees | 32,497 | 31,441 | 11,320 | 12,342 |
| Other social costs | 117,924 | 109,609 | 43,072 | 42,634 |
| **Total** | **637,292** | **616,736** | **181,796** | **180,840** |

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:

| 2023<br>Board & senior management | Salaries/ fees | Variable compen-sation | Other benefits | Pensions | Share based payments | Total |
|---|---|---|---|---|---|---|
| Chairman of the Board Håkan Sjunnesson | 800 | – | – | – | – | 800 |
| Board member Mathias Hermansson | 433 | – | – | – | – | 433 |
| Board member Linda Höglund | 395 | – | – | – | – | 395 |
| Board member Andras Vajlok | 373 | – | – | – | – | 373 |
| CEO Fredrik Wester | 0 | – | – | – | – | 0 |
| Other senior executives (8) | 9,262 | 1,160 | 11 | 2,416 | 3,419 | 16,267 |
| **Total** | **11,262** | **1,160** | **11** | **2,416** | **3,419** | **18,267** |

| 2022<br>Board & senior management | Salaries/ fees | Variable compen-sation | 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 | – | – | 0 | – | 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** |

The chairman of the board receives KSEK 670 in board fees and other board members receive KSEK 335. 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 6 months.

## NOTE 9. SHARE-BASED EMPLOYEE REMUNERATION

**Employee stock option program 2023/2027**
The annual general meeting on May 17, 2023, decided to introduce an employee stock option program aimed at employees in the group. A total of 520,000 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 507,500.

Allotted employee options were issued free of charge at a market value of SEK 55.82 according to a valuation based on the Black & Scholes model. The exercise price for the options was set at SEK 300.53, and subscription of shares is expected to take place 30 days after the publication of the company's Interim Report for the second quarter of 2026, the third quarter of 2026, and the first quarter of 2027 respectively. The exercise price corresponded to 120% of the average share price during the period April 28 to May 5, 2023. Vesting of options is conditional on continued employment in the company. Personnel-related costs excluding social security contributions for the program amount to KSEK 4,745 (KSEK 0) during the year. If these options are fully subscribed, the parent company's equity will be increased by KSEK 152,519.

**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 442,500.

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 4,448 (KSEK 2,650) during the year. If these options are fully subscribed, the parent company's equity will be increased by KSEK 104,603.

**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 262,150 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 1,786 (KSEK 2,728) during the year. If these options are fully subscribed, the parent company's equity will be increased by KSEK 56,315.

**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 could be subscribed from June 15, 2023, to June 30, 2023. 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 warrants before maturity amounted to 292,600, of which 266,034 units were repurchased, 22,750 units expired, and 3,816 units were exercised. In total, options were repurchased to a value of KSEK 802, and received premiums for exercised options amounted to KSEK 1,008. The exercised options resulted in a dilution of the share capital by 0%.

Summary of issued warrants:

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| As at January 1 | 1,109,200 | 967,550 |
| Granted during the year | 520,000 | 527,500 |
| Exercised during the year | -3,816 | -19,209 |
| Forfeited during the year | -147,200 | -141,850 |
| Re-purchased during the year | -266,034 | -224,791 |
| **As at December 31** | **1,212,150** | **1,109,200** |
| | | |
| Vested and exercisable at December 31 | 262,150 | 253,350 |

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

| | Group | | Parent company | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Cost of goods sold | -980,561 | -460,407 | -675,392 | -306,905 |
| Selling expenses | -3,119 | -4,506 | -121 | -121 |
| Administrative expenses | -6,633 | -8,585 | -4,467 | -4,257 |
| **Total** | **-990,312** | **-473,498** | **-679,980** | **-311,283** |

## NOTE 11. REMUNERATION TO THE AUDITOR

| | Group | | Parent company | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| **PwC** | | | | |
| Audit | 944 | 1,003 | 944 | 1,003 |
| Audit related assignments | – | – | – | – |
| Tax advise | 58 | 93 | 58 | 93 |
| Other services | – | 60 | – | 60 |
| **Total** | **1,002** | **1,156** | **1,002** | **1,156** |

## NOTE 12. OTHER INCOME

| | Group | | Parent company | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Exchange gains | 10,134 | 43,288 | 9,554 | 42,846 |
| Other income | 10,782 | 13,346 | 5,706 | 11,402 |
| **Total** | **20,916** | **56,635** | **15,260** | **54,248** |

## NOTE 13. OTHER EXPENSES

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Exchange loss | -47,428 | -17,658 | -46,926 | -17,060 |
| Other expenses | – | – | – | – |
| **Total** | **-47,428** | **-17,658** | **-46,926** | **-17,060** |

## NOTE 14. PROFIT FROM SHARES IN ASSOCIATED COMPANIES

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Result from sales of shares | 15,440 | – | 35,381 | – |
| **Total** | **15,440** | **–** | **35,381** | **–** |

The change is attributable to the sale of Seattle-based Hardsuit Labs.

## NOTE 15. FINANCIAL INCOME

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Interest income and similar items | 22,491 | 3,952 | 18,973 | 1,952 |
| Gain from sale of short term investments | 2,595 | – | 1,796 | – |
| **Total** | **25,086** | **3,952** | **20,769** | **1,952** |
| | | | | |
| Of which interest income from group companies | | | – | 191 |

## NOTE 16. FINANCIAL COST

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Interest expense lease | -2,623 | -3,160 | – | – |
| Other interest expense | -8,012 | -3,498 | -7,003 | -2,391 |
| **Total** | **-10,635** | **-6,658** | **-7,003** | **-2,391** |
| | | | | |
| Of which interest expense to group companies | | | – | – |

## NOTE 17. APPROPRIATIONS

| | Parent company | |
|---|---|---|
| | 2023 | 2022 |
| Group contributions received | 220,000 | 130,000 |
| Reversal of tax allocation | – | 270,000 |
| Transfer to tax allocation | -120,000 | -200,000 |
| **Total** | **100,000** | **200,000** |

## 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 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Profit before tax | 687,759 | 884,440 | 431,113 | 697,140 |
| | | | | |
| Tax according to applicable tax rate | -141,678 | -182,195 | -88,809 | -143,611 |
| Tax attributable to prior years | -6,663 | 1,726 | -3,341 | -144 |
| Adjustment for differences in foreign tax rates | -3,241 | 5,992 | – | – |
| Other | -1,594 | – | -1,594 | – |
| Other non-taxable income | 7,411 | 309 | 7,409 | 4 |
| Other non-deductible items | -11,368 | -1,562 | -11,237 | -1,464 |
| **Recognised tax expense** | **-157,134** | **-175,731** | **-97,573** | **-145,215** |
| | | | | |
| Specification of recognised tax expense: | | | | |
| **Current tax** | | | | |
| On net profit | -138,155 | -192,981 | -92,637 | -145,071 |
| Adjustment on prior year tax | -6,663 | 1,726 | -3,341 | -144 |
| Other | -1,594 | – | -1,594 | – |
| **Deferred tax** | | | | |
| Change in temporary differences | -10,722 | 15,525 | – | – |
| **Tax reported in the income statement** | **-157,134** | **-175,731** | **-97,573** | **-145,215** |

## NOTE 19. CAPITALISED DEVELOPMENT

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Opening accumulated cost | 3,383,569 | 2,588,094 | 3,016,447 | 2,514,352 |
| Activated development | 676,045 | 793,771 | 335,236 | 502,095 |
| Exchange rate differences | -1,710 | 1,703 | – | – |
| **Closing accumulated cost** | **4,057,904** | **3,383,569** | **3,351,683** | **3,016,447** |
| | | | | |
| Opening amortisation | -1,292,853 | -950,745 | -1,179,814 | -899,880 |
| Exchange rate differences | 1,409 | 1,104 | – | – |
| Amortisation | -677,839 | -343,212 | -459,377 | -279,934 |
| **Closing accumulated amortisation** | **-1,969,283** | **-1,292,853** | **-1,639,191** | **-1,179,814** |
| | | | | |
| Opening accumulated write-downs | -440,440 | -438,848 | -428,538 | -428,538 |
| Exchange rate differences | 451 | -1,593 | – | – |
| Write-downs | -185,430 | – | -185,430 | – |
| **Closing accumulated write-downs** | **-625,419** | **-440,440** | **-613,967** | **-428,538** |
| | | | | |
| **Closing residual value** | **1,463,202** | **1,650,275** | **1,098,525** | **1,408,095** |

Impairment testing of capitalized development 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% (18%) during the year. Write-downs for the year amount to KSEK 184,530 (KSEK 0). The write-downs mainly refer to The Lamplighers League, amounting to KSEK 170,810. The write-down of The Lamplighters League has resulted in the remaining capitalised development at year-end being to be written down to KSEK 0, based on revised forecasted sales figures for the game. Other write-downs mainly refer to games not yet announced where development has been cancelled. At the end of the year, the three largest games in development account for 60% (57%) of the total amount.

## NOTE 20. LICENSES, BRANDS AND SIMILAR RIGHTS

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Opening accumulated cost | 511,585 | 478,954 | 176,665 | 176,665 |
| Addition | 27,103 | – | 27,103 | – |
| differences | -4,637 | 32,632 | – | – |
| **Closing accumulated cost** | **534,052** | **511,585** | **203,768** | **176,665** |
| Opening accumulated amortisation | -342,159 | -236,549 | -129,245 | -103,115 |
| differences | 5,905 | -18,575 | – | – |
| Amortisation | -82,340 | -87,035 | -29,744 | -26,130 |
| **Outgoing accumulated amortisation** | **-418,595** | **-342,159** | **-158,988** | **-129,245** |
| 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** | **105,532** | **159,501** | **34,855** | **37,495** |

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% (18%) during the year. Write-downs for the year within the item amount to KSEK 0 (KSEK 0).

## NOTE 21. GOODWILL

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| Opening accumulated cost | 22,415 | 20,600 |
| Exchange rate differences | -65 | 1,816 |
| **Closing accumulated cost** | **22,350** | **22,415** |
| **Closing residual value** | **22,350** | **22,415** |

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% (18%) during the year.

## NOTE 22. PROPERTY, PLANT AND EQUIPMENT

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Opening accumulated cost | 67,833 | 64,013 | 46,248 | 45,154 |
| Addition | 3,012 | 2,179 | 1,457 | 1,093 |
| Sales and disposals | -121 | -56 | – | – |
| Exchange rate difference | -448 | 1,697 | – | – |
| **Outgoing accumulated cost** | **70,276** | **67,833** | **47,704** | **46,248** |
| Opening accumulated depreciations | -50,272 | -41,992 | -36,132 | -30,912 |
| Disposals | 58 | 56 | – | – |
| Exchange rate difference | 382 | -1,076 | – | – |
| Depreciation | -7,411 | -7,260 | -5,430 | -5,220 |
| **Outgoing accumulated depreciations** | **-57,242** | **-50,272** | **-41,562** | **-36,132** |
| **Closing residual value** | **13,034** | **17,561** | **6,143** | **10,116** |

## NOTE 23. RIGHT-OF USE ASSETS

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| Opening accumulated cost | 254,028 | 246,017 |
| Acquisition | 14,280 | 4,267 |
| Divestment | -1,665 | -399 |
| Exchange differences | -850 | 4,142 |
| **Outgoing accumulated cost** | **265,793** | **254,028** |
| Opening accumulated depreciations | -117,910 | -80,744 |
| Depreciations | -37,675 | -35,938 |
| Divestment | 1,665 | 399 |
| Exchange differences | 643 | -1,627 |
| **Outgoing accumulated depreciations** | **-153,278** | **-117,910** |
| **Closing residual value** | **112,515** | **136,118** |

## NOTE 24. LEASES

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| Short term | 32,583 | 35,616 |
| Long term | 75,997 | 104,845 |

Changes in lease liabilities are presented below;

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| Opening balance | 140,461 | 168,974 |
| Amortisation as part of cash flow | -37,722 | -35,371 |
| Translation difference | 5,841 | 6,858 |
| **Closing balance** | **108,580** | **140,461** |

The group's cash flow includes interest on the lease liabilities in the current business amounting to KSEK 2,623 (KSEK 3,160).

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 0–5 years, with an average remaining maturity of 3 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 2023-12-31 | Within 1 year | 2-3 years | 4-5 years | After 5 years | Total |
|---|---|---|---|---|---|
| Lease fees | 34,555 | 73,374 | 3,168 | 1,027 | 112,124 |
| Financial expenses | -1,972 | -1,466 | -97 | -9 | -3,544 |
| **Present value** | **32,583** | **71,908** | **3,071** | **1,018** | **108,580** |

| Minimum lease fees 2022-12-31 | Within 1 year | 2-3 years | 4-5 years | After 5 years | Total |
|---|---|---|---|---|---|
| Lease fees | 38,111 | 76,221 | 29,432 | 2,414 | 177,523 |
| Financial expenses | -2,494 | -2,806 | -373 | -43 | -8,549 |
| **Present value** | **35,616** | **73,415** | **29,059** | **2,370** | **140,461** |

**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 | |
|---|---|---|
| | 2023 | 2022 |
| Short-term leases | 2,801 | 2,740 |
| Lease agreements with assets of low value | 1,078 | 896 |
| Variable lease payments | 12,253 | 9,667 |
| **Total** | **16,132** | 13,303 |

## 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:

| 2023-12-31 | Amortised cost | Fair value through profit or loss | Total |
|---|---|---|---|
| Other long term receivables | 18,691 | – | 18,691 |
| Accounts receivables | 358,219 | – | 358,219 |
| Other current assets | 70,420 | – | 70,420 |
| Bonds | 197,051 | – | 197,051 |
| Cash and cash equivalents | 1,098,025 | – | 1,098,025 |
| **Total assets** | **1,742,405** | **–** | **1,742,405** |
| Accounts payable | 52,481 | – | 52,481 |
| Other liabilities | 65,275 | – | 65,275 |
| **Total liabilities** | **117,756** | **–** | **117,756** |

| 2022-12-31 | Amortised cost | Fair value through profit or loss | Total |
|---|---|---|---|
| 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** |

A description of the group's risks related to financial instruments is found in note 42.

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 | 3,150 | 169,791 |
| Iceflake Studios OY | Developer | 417 | 28,427 |
| Paradox Tinto SL | Developer | 3,000 | 31 |
| World of Darkness | Licensing | – | – |
| | | | **305,812** |

All holdings are wholly owned by the parent company.

| | Parent company | |
|---|---|---|
| | 2023 | 2022 |
| Opening accumulated cost | 305,812 | 305,812 |
| Change during the year | – | – |
| **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 7,431 (KSEK 2,771).

## NOTE 27. INVESTMENTS IN ASSOCIATES

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Opening balance | 32,555 | 31,082 | 16,766 | 16,766 |
| Share of equity | 4,153 | 1,474 | – | – |
| Divestment | -36,708 | – | -16,766 | – |
| **Outgoing balance** | **–** | **32,555** | **–** | **16,766** |

| 2023 | Holding | Equity share |
|---|---|---|
| Hardsuit Labs Inc | 33% | 4,153 |

| 2022 | Holding | Equity share |
|---|---|---|
| Hardsuit Labs Inc | 33% | 1,474 |

All holdings are non-significant investments in associates.

## NOTE 28. OTHER LONG TERM ASSETS

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Opening balance | 18,695 | 18,590 | 17,393 | 17,393 |
| Exchange differences | -4 | 105 | – | – |
| **Outgoing balance** | **18,691** | **18,695** | **17,393** | **17,393** |

Other long-term assets refer to deposits for rental agreements.

## NOTE 29. ACCOUNTS RECEIVABLE

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Accounts receivable gross | 358,219 | 259,948 | 350,400 | 255,031 |
| Provision for expected credit loss | – | – | – | – |
| **Total** | **358,219** | **259,948** | **350,400** | **255,031** |

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 42.

## NOTE 30. PREPAID EXPENSES AND ACCRUED REVENUES

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Prepaid rent | 3,525 | 11,325 | 11,742 | 11,223 |
| Prepaid royalty | 23,263 | 14,217 | 23,263 | 14,217 |
| Other prepaid costs | 16,692 | 14,481 | 15,583 | 13,176 |
| Accrued revenue | 14,357 | 21,353 | 14,357 | 21,353 |
| **Total** | **57,837** | **61,376** | **64,945** | **59,969** |

## NOTE 31. BONDS

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Opening balance | – | – | – | – |
| Invested | 336,355 | – | 336,355 | – |
| Sales | -139,304 | – | -139,304 | – |
| **Total** | **197,051** | – | **197,051** | – |

Book value for bonds is considered a reasonable approximation of fair value as these are of a short-term nature. All bonds are issued in SEK. Because of this, there is no currency risk exposure. There is also no exposure to price risk because the investments will be held to maturity. Further information on the group's risk exposure can be found in note 42 Financial risk management.

## NOTE 32. CASH AND CASH EQUIVALENTS

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Balances with banks | 1,098,025 | 747,506 | 780,059 | 448,013 |
| **Total** | **1,098,025** | **747,506** | **780,059** | **448,013** |

## NOTE 33. 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 | |
|---|---|---|
| | 2023 | 2022 |
| Subscribed and paid shares: | | |
| At the beginning of the year | 105,619,209 | 105,600,000 |
| Issued shares | 3,816 | 19,209 |
| **Total at the end of the year** | **105,623,025** | **105,619,209** |

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 34. UNTAXED RESERVES

| | Parent company | |
|---|---|---|
| | 2023 | 2022 |
| Untaxed reserves: | | |
| fiscal year 2020 | 160,000 | 160,000 |
| fiscal year 2021 | 125,000 | 125,000 |
| fiscal year 2022 | 200,000 | 200,000 |
| fiscal year 2022 | 120,000 | – |
| **Total** | **605,000** | **485,000** |

## NOTE 35. DEFERRED TAX LIABILITIES

Reported amounts relate to temporary differences attributable to:

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| Untaxed reserves | 124,630 | 104,150 |
| Intangible assets from acquisitions | 19,414 | 33,070 |
| **Closing balance** | **144,044** | **137,220** |

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 36. OTHER LIABILITIES

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Liabilities to employees | 6,702 | 9,166 | 2,765 | 3,261 |
| VAT liabilities | 44,614 | 10,409 | – | – |
| Other liabilities | 13,960 | 14,150 | 1,357 | 1,079 |
| **Total** | **65,275** | **33,725** | **4,122** | **4,339** |

## NOTE 37. ACCRUED EXPENSES AND PREPAID REVENUES

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Accrued personnel costs | 104,918 | 114,694 | 47,139 | 48,184 |
| Accrued royalty costs | 128,466 | 25,950 | 128,466 | 25,950 |
| Prepaid revenues | 249,207 | 261,586 | 249,207 | 261,586 |
| Other accrued costs | 11,273 | 16,398 | 9,653 | 11,040 |
| **Total** | **493,864** | **418,628** | **434,465** | **346,760** |

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

## NOTE 38. ASSETS PLEDGED AND CONTINGENT LIABILITIES

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **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 |

## NOTE 39. 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 19,144 (KSEK 79,656), and liabilities to subsidiaries of KSEK 25,393 (KSEK 28,016). 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 67,946 (KSEK 56,384), and purchases amounted to KSEK 929,606 (KSEK 798,503). Group contributions from subsidiaries amounted to KSEK 220,000 (KSEK 130,000). 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 8 Remuneration to senior executives.

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

## NOTE 40. SUBSEQUENT EVENTS

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

## NOTE 41. 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 | |
|---|---|---|
| | 2023 | 2022 |
| Revenues | 2,642,107 | 1,972,906 |
| Cost of goods sold | -1,567,321 | -862,629 |
| **Gross profit** | **1,074,786** | **1,110,277** |

Definition: Revenues minus cost of goods sold.
Reason for use: A measure of profitability used to demonstrate efficiency before administration costs and marketing costs.

### Operating profit

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| Revenues | 2,642,107 | 1,972,906 |
| Cost of goods sold | -1,567,321 | -862,629 |
| Selling expenses | -291,180 | -170,490 |
| Administrative expenses | -99,225 | -91,618 |
| Other income | 20,916 | 56,635 |
| Other expenses | -47,428 | -17,658 |
| **Operating profit** | **657,868** | **887,146** |

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 | |
|---|---|---|
| | 2023 | 2022 |
| Revenues | 2,642,107 | 1,972,906 |
| Operating profit | 657,868 | 887,146 |
| **Operating margin** | **25%** | **45%** |

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 | |
|---|---|---|
| | 2023 | 2022 |
| Revenues | 2,642,107 | 1,972,906 |
| Profit after financial items | 687,759 | 884,440 |
| **Profit margin** | **26%** | **45%** |

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 | |
|---|---|---|
| | 2023 | 2022 |
| Equity | 2,620,455 | 2,292,377 |
| Total assets | 3,580,126 | 3,141,427 |
| **Equity/assets ratio** | **73%** | **73%** |

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 | |
|---|---|---|
| | 2023 | 2022 |
| Equity | 2,620,455 | 2,292,377 |
| Number of shares, thousands | 105,623 | 105,619 |
| **Equity per share** | **24.81** | **21.70** |

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 42. 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 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% (2%) is in Swedish kronor. Of the group's total costs, 39% (40%) 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 86,422 (KSEK 108,254) 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 237,374 (KSEK 199,271), net in EUR amount to KSEK 62,784 (KSEK 44,316). In a sensitivity analysis where the Swedish krona strengthens against the USD by 10%, the year's profit after tax is affected by KSEK -18 847 (KSEK -15,822) 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 -4 985 (KSEK -3,518).

**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:

| | 2023 | 2022 |
|---|---|---|
| Overdue: | | |
| Less than three months | 122,388 | 15,883 |
| More than three but not more that six months | – | 4,282 |
| More than six but not more than twelve months | 604 | 287 |
| More than a year | – | – |
| **Total** | **122,992** | **20,452** |

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.

All investments in bonds are considered to have low credit risk as the issuer of all bonds has an investment grade rating with at least credit rating AA by independent rating institutes. Taking this into account, no credit loss reserve is reported for the group's holdings in bonds.

**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 43. 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 | 2023 | 2022 |
|---|---|---|
| Weighted average number of shares used to calculate earnings per share before dilution | 105,623,025 | 105,609,605 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options | 176,331 | 114,205 |
| Weighted average number of shares used to calculate earnings per share after dilution | 105,799,356 | 105,723,810 |

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 2023, Paradox Interactive paid a dividend of KSEK 211,238 (KSEK 105,600) for the financial year 2022 to its shareholders. This corresponds to a dividend of SEK 2.00 per share (SEK 1.00 per share).

For the financial year 2023, the board proposes a dividend of KSEK 316,869, corresponding to SEK 3.00 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 2023.

## NOTE 44. APPROVAL OF THE FINANCIAL STATEMENTS

Consolidated financial statements for the reporting period ended 31 December 2023 (including comparatives) were approved by the board on April 12, 2024.

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 2024-04-12

| | |
|---|---|
| Håkan Sjunnesson<br>Chairman of the Board | Fredrik Wester<br>CEO |
| Andras Vajlok | Mathias Hermansson |
| Linda Höglund | |

Stockholm 2024-04-12

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 2023, except for the corporate governance report and the sustainability report on pages 34–39 and 40–46 respectively. The annual accounts and consolidated accounts of the company are included on pages 30–74 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report and the sustainability report on pages 34–39 and 40–46 respectively. The statutory administration report is consistent with 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 of 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 can be 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 Directors and the Managing Director**

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

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

**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

Directors and the Managing Director of Paradox Interactive AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

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

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

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act. A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

**The Auditor´s examination of the corporate governance report**
The Board of Directors is responsible for that the corporate governance report on pages 34-39 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 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 40-46 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.

Stockholm, 12 April 2024
Öhrlings PricewaterhouseCoopers AB

Aleksander Lyckow
Authorized Public Accountant


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