

INTERIM REPORT

JANUARY - SEPTEMBER 2022

*Please note that this is a translation for information purposes only – in case of any discrepancies between this version and the Swedish, the Swedish version shall prevail.



INTERIM REPORT

JANUARY - SEPTEMBER 2022

THIRD QUARTER

- Revenues amounted to MSEK 458.0 (MSEK 289.4), an increase by 58 % compared to the same period last year.
- Operating profit amounted to MSEK 220.6 (MSEK -44.6).
- Profit after financial items amounted to MSEK 219.5 (MSEK -45.4), and profit after tax amounted to MSEK 175.9 (MSEK -33.2).
- Cash flow from operating activities amounted to MSEK 242.3 (MSEK 59.4), and cash flow from investing activities amounted to MSEK -167.6 (MSEK -151.4).
- By the end of the period cash amounted to MSEK 665.9 (MSEK 552.3).
- Earnings per share before dilution amounted to SEK 1.67 (SEK -0.31) and after dilution SEK 1.67 (SEK -0.31).
- Revenues in the quarter are mainly attributable to Cities: Skylines, Crusader Kings III, Europa Universalis IV, Hearts of Iron IV and Stellaris.

IMPORTANT EVENTS IN THE THIRD QUARTER

- New downloadable content for the following games was released during the quarter; By Blood Alone for Hearts of Iron IV, Friends & Foes for Crusader Kings III, Toxoids for Stellaris, Plazas and Promenades for Cities: Skylines, Lions of the North for Europa Universalis IV.
- Across the Obelisk was released in version 1.0.
- New ports of downloadable content were released during the quarter; Aquatics Species Pack for Stellaris: Console Edition.

FIRST NINE MONTHS 2022

- Revenues amounted to MSEK 1,392.9 (MSEK 1,056.9), an increase by 32 % compared to the same period last year.
- Operating profit amounted to MSEK 642.7 (MSEK 159.3), an increase by 303 %.
- Profit after financial items amounted to MSEK 640.2 (MSEK 156.4), and profit after tax amounted to MSEK 514.5 (MSEK 131.9).
- Earnings per share before dilution amounted to SEK 4.87 (SEK 1.25) and after dilution SEK 4.86 (SEK 1.25).

SUBSEQUENT EVENTS

- The new game Victoria 3, developed by Paradox Development Studio, was released on 25 October.

COMMENTS BY THE CEO

Upwards. Onwards!

We've come a long way in the last 12 months and in the past quarter a lot has gone Paradox's way. We've released a string of excellent DLCs for our best-selling games, we've made good progress in the development of our unannounced projects, and we've gotten the first results from our work with finding new experimental titles. At the same time, we have gotten a significant boost from the strong currency tailwinds. All this gives us a profit margin of 48 percent for the quarter.

In an insecure world, our strong position with a stable cash flow, well-financed game projects, a strong cash position and no interest-bearing loans means that we can have a relentless focus on our purpose, goal and vision: to give our players and fans an experience worth their time and money. Now we are working to release the games that we hope will be a part of defining Paradox's game portfolio in the coming years.

However, it is a long-term effort, so let's look at the present in a little more detail. If we're going to flesh out the quarter's finer nuances, there are two aspects that are (always) worth discussing more: the games and the players.

Faster. Better. Stronger.

We have had a good release cadence for downloadable content in the past quarter. The number of releases is certainly unusually high for a single quarter, but it is not just a coincidence. To a large extent, it is the result of an effort to increase focus on our most played titles and an orderly and focused effort from strong and committed studios who feel a great deal of ownership over their games. As always, the number of releases in a quarter will vary, but we continue to work hard to establish ourselves at a higher release cadence for our downloadable content.

In the quarter, we also introduced Paradox Arc, which publishes smaller and, for us, more experimental game projects that complement our portfolio but where the scope may be smaller, the game's audience is more niche, or its genre is a bit outside of our core business. Arc's first title, *Across the Obelisk,* was released in August and the next title, *Stardeus,* was released for Early Access after the end of the quarter. The reception has exceeded expectations and even if the impact on the quarter's results is small, we are looking forward to seeing how the coming experiments will fare. The goal is to publish several experimental games each year and hopefully find some that can develop and grow over time.

Last but certainly not least, after the end of the quarter, Victoria 3 has been released and met with positive reviews and a good enthusiasm from our players, which we hope to see the effects of in the fourth quarter.

All in all, this makes us confident that we have chosen the right path for further developing and strengthening Paradox's portfolio of games.

Energy boost from our players

If we look at the players, our "raison d'être" if you will, the quarter has given us a fantastic boost of energy. We organized our first physical PDXCON since 2019 and were finally able to meet many of our most dedicated players on site in Stockholm. The exchange of thoughts and experiences regarding our games as well as all the exciting discussions that took place on and off stage further confirmed why the proximity to our players is so important for us as a company. The dialogue and commitment we work to both maintain and increase on a daily basis gives our game portfolio and the individual games the stability necessary to grow.

Now, we have to make sure to nurture our players' commitment. The employee conference we arranged in August clearly showed that our employees have more than enough motivation to meet our players' expectations of us.

Fredrik Wester, CEO

PARADOX INTERACTIVE AT A GLANCE

Paradox Interactive is one of the premier developers and publishers of strategy and management games on PC and consoles. By developing long-lived games with downloadable content, renewing its game portfolio with engaging games and having a close relationship to its players, the company creates the strategy and management segments' best gaming experiences.

The group today consists of publishing business and nine studios in six countries that develop gaming experiences for the company's over five million monthly active players. Amongst its most important active games are Cities: Skylines, Hearts of Iron IV, Crusader Kings III, Europa Universalis IV, Victoria 3, Stellaris, Surviving Mars, Surviving the Aftermath and Prison Architect.

Paradox strives for a healthy profit margin, a stable operating cash flow and strong growth. Thus, enabling stable operations and continuous investments in the company's future.

5+
Million MAU

11
Active games

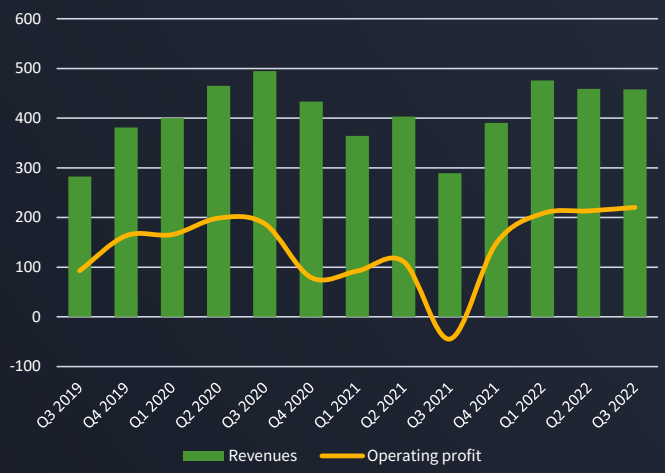
44 %
R12 profit margin

15
Games in pipeline

Rolling 12 month revenues and operating profit



Quarterly revenues and operating profit



RELEASES IN THE PERIOD



Europa Universalis IV: Lions of the North

Release date: 13 September 2022

Platforms: PC

Description: Europa Universalis IV: Lions of the North adds new mission trees and historical options for a number of Baltic Sea nations. Many of these options include new “branching missions'' which allow greater variety and replayability as you explore different alternate histories through the decisions you make.

Publisher: Paradox Interactive

Developer: Paradox Tinto



Crusader Kings III: Friends & Foes

Release date: 12 September 2022

Platforms: PC

Description: Your relationships matter more than ever, and with [Crusader Kings III: Friends & Foes, witness those closest to you come alive in the most intimate detail. Over one hundred unique new experiences of medieval larger-than-life drama wait to be discovered in the new event pack. From rival noble houses holding lifelong grudges to childhood bullies, summer crushes, and spoiling spouses with lavish gifts. Your ruler’s everyday existence has never been more fraught - or more exciting.

Publisher: Paradox Interactive

Developer: Paradox Development Studio

RELEASES IN THE PERIOD



Heart of Iron IV: By Blood Alone

Release date: 27 September 2022

Platforms: PC

Description: Build a new empire, resist foreign aggression or explore the limits of neutrality. This new expansion for Paradox Interactive's World War II grand strategy wargame adds new alternate history options and gameplay variety for three nations, as well as other significant changes.

Publisher: Paradox Interactive

Developer: Paradox Development Studio



Cities: Skylines – Plazas and Promenades

Release date: 14 September 2022

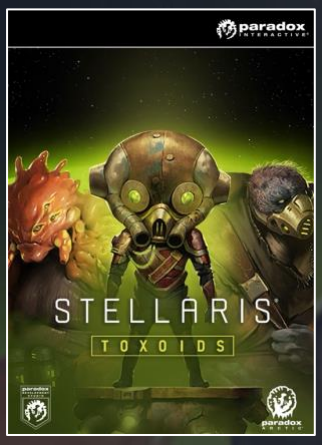
Platforms: PC, XBOX ONE, PLAYSTATION 4, NINTENDO SWITCH

Description: Say goodbye to noise and pollution and hello to pedestrian streets, carfree areas, and modern plazas. It's time to level up your Cities with this environment-friendly expansion.

Publisher: Paradox Interactive

Developer: Colossal Order

RELEASES IN THE PERIOD



Stellaris: Toxoids Species Pack

Release date: 20 September 2022

Platforms: PC

Description: Rise from the primordial ooze all the way to the stars! The Toxoids Species Pack gives players the chance to gamble the future of their planets for immediate gains and make the tough sacrifices necessary to survive a hostile galaxy.

Publisher: Paradox Interactive

Developer: Paradox Development Studio and Paradox Arctic



Stellaris: Console Edition – Aquatics Species Pack

Release date: 25 August 2022

Platforms: XBOX ONE, PLAYSTATION 4

Description: Embrace the life of a seafaring civilization as you sail the open expanses of the galaxy with Stellaris' most immersive pack yet: the Aquatics Species Pack! Let a wave of new customizable options for your empire crash into Stellaris, with a treasure trove of new species portraits, ship set, origins and more.

Publisher: Paradox Interactive

Developer: Paradox Development Studio and Tantalus Media

RELEASES IN THE PERIOD



Across the Obelisk

Release date: 16 August 2022

Platforms: PC

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

Publisher: Paradox Arc

Developer: Dreamsite Games

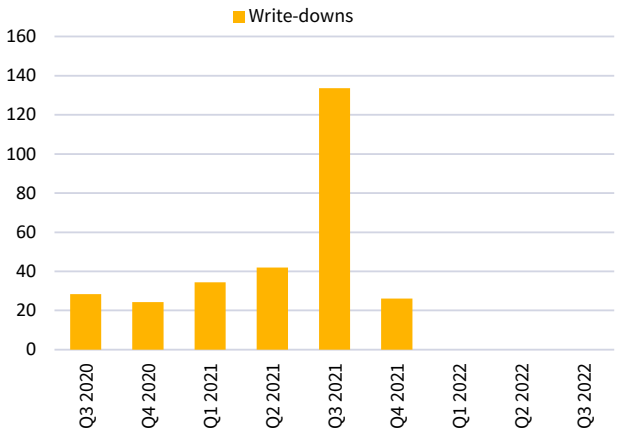
FINANCIAL OVERVIEW

REVENUE AND PROFIT THIRD QUARTER

Revenues amounted to MSEK 458.0 (MSEK 289.4), an increase by 58 % compared to the same period last year. New downloadable content for the following games was released during the quarter; By Blood Alone for Hearts of Iron IV, Friends & Foes for Crusader Kings III, Toxoids for Stellaris, Plazas and Promenades for Cities: Skylines, Lions of the North for Europa Universalis IV. Across the Obelisk was released in version 1.0. New ports of downloadable content were released during the quarter; Aquatics Species Pack for Stellaris: Console Edition. Revenues in the quarter are mainly attributable to Cities: Skylines, Crusader Kings III, Europa Universalis IV, Hearts of Iron IV and Stellaris.

Cost of goods sold amounted to MSEK 197.5 (MSEK 277.6), attributable to game development, development support, operation and maintenance of games, costs of licenses, brands, and similar rights, as well as royalties to development studios and external rights holders.

Amortisation of released games during the period amounted to MSEK 55.6 (MSEK 45.1). The amortisations have increased as a result of new games released. The write-downs for the period in cost of goods sold amount to MSEK 0.0 (MSEK 133.7). Write-downs in the comparison period refers to games not yet announced where development has been cancelled.

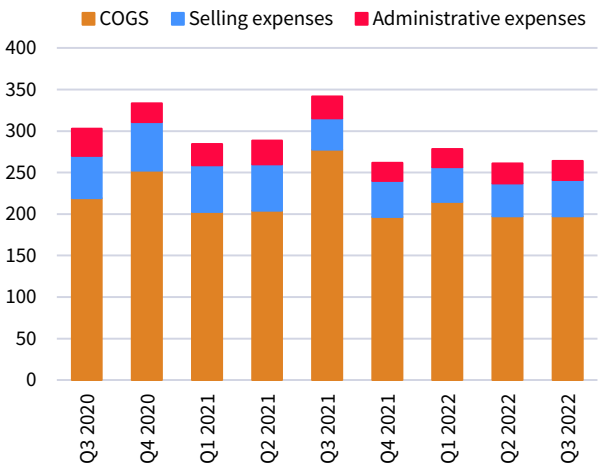


Amortisations of licenses, brands, and similar rights amounts to MSEK 22.1 (MSEK 20.4).

In addition to depreciation, amortisation and write-downs within the item, a total of MSEK 111.9 (MSEK 70.6) was expensed regarding non-capitalised development costs, development support, operation and maintenance of games, and royalties. Non-capitalised development costs have increased compared with the comparison period as the capitalisation of the group's externally developed games starts in a later development phase than the previous period. This is the result of a changed assessment regarding activability that was introduced in 2021 for new games. The changed assessment has had no impact on the comparative figures. Costs for development support, operation and maintenance of games are lower than the comparison period. Cost of royalties is higher compared to the same period last year.

Selling expenses for the period amounted to MSEK 43.7 (MSEK 37.8). Work with increasing efficiency within the marketing organization has led to a general underlying cost reduction within the item. At the same time, costs have increased as a result of more game releases compared to the same period last year. During the quarter, the group's trade fair PDXCON also took place, which last year took place in the second quarter.

Administrative expenses for the period amounted to MSEK 22.9 (MSEK 26.4). Costs for administration are generally unchanged over time and are relatively unaffected by other operations, this quarter as well.



Other income amounted to MSEK 27.0 (MSEK 7.8), and other expenses to MSEK -0.3 (MSEK -0.0). Other income and other expenses consist primarily of exchange rate effects on the group's cash and cash equivalents, operating receivables, and operating liabilities during the quarter.

Operating profit amounted to MSEK 220.6 (MSEK -44.6). Financial items amounted to MSEK -1.1 (MSEK -0.8). Financial items primarily consist of interest on lease liabilities.

Profit after financial items amounted to MSEK 219.5 (MSEK -45.4), and profit after tax amounted to MSEK 175.9 (MSEK -33.2).

FINANCIAL POSITION

Capitalised development amounted to MSEK 1,519.1 (MSEK 1,091.6) by the end of the period. The item refers to both games that have not yet been completed and games that have been released and subsequently amortised. The increase in the item is primarily attributable to games that have not yet been completed.



Licenses, brands, and similar rights amounted to MSEK 180.6 (MSEK 248.8).

Goodwill amounted to MSEK 22.0 (MSEK 20.5) attributable to the acquisition of Iceflake Studios.

Right-of-use assets for offices amounted to MSEK 145.3 (MSEK 173.9).

Shares in associates amount to MSEK 31.7 (MSEK 26.0) by the end of the period, relating mainly to 33 % of shares in Seattle-based development studio Hardsuit Labs. The shares are valued at the equity method.

Accounts receivable amounted to MSEK 196.6 (MSEK 109.9).

Cash and cash equivalents amounted to MSEK 665.9 (MSEK 552.3).

Shareholders' equity amounts to MSEK 2,098.5 (MSEK 1,526.4), of which MSEK 514.5 (MSEK 131.9) consists of accumulated profit for the year.

Long term lease liabilities amount to MSEK 114.0 (MSEK 142.6) consisting of liabilities for office premises.

Deferred tax liabilities amount to MSEK 155.5 (MSEK 170.4), mainly relating to untaxed reserves and intangible assets from acquisitions.

Short term lease liabilities amount to MSEK 35.6 (MSEK 34.7) consisting of short-term liabilities for office premises.

Other current liabilities amount to MSEK 34.2 (MSEK 52.6), the decrease mainly consists of payments made on acquisitions.

Accrued expenses and prepaid income amounts to MSEK 325.0 (MSEK 350.2) by the end of the period. Accrued costs for variable remuneration to employees have increased in relation to the comparison period because of a higher overall profit. Prepaid revenue is lower than the comparison period due to fewer and smaller ongoing pre-orders and season passes.

CASH FLOW THIRD QUARTER

Cash flow from operating activities amounted to MSEK 242.3 (MSEK 59.4), primarily attributable to the operating profit. Cash flow from investing activities amounted to MSEK -167.6 (MSEK -151.4), mainly referring to investments in game development. Cash flow from financing activities amounted to MSEK -9.0 (MSEK -8.5) relating mainly to amoritisation of leasing debt for office premises.

THE FIRST NINE MONTHS IN SUMMARY

Revenues amounted to MSEK 1,392.9 (MSEK 1,056.9) an increase by 32 % compared to the same period last

year. Cost of goods sold amounted to MSEK 609.4 (MSEK 684.6), primarily attributable to game development, development support, operation and maintenance of games, as well as royalties to third parties. Write-downs within cost of goods sold amounts to MSEK 0.0 (MSEK 210.1). Cost of royalties is higher compared to the same period last year due to higher sales of royalty generating games.

Operating profit amounted to MSEK 642.7 (MSEK 159.3), an increase by 303 %. Profit after financial items amounted to MSEK 640.2 (MSEK 156.4), and profit after tax amounted to MSEK 514.5 (MSEK 131.9). Cash flow from operating activities amounted to MSEK 740.5 (MSEK 467.4). Cash flow from investing activities amounted to MSEK -555.3 (MSEK -552.9). Cash flow from financing activities amounted to MSEK -132.2 (MSEK -131.0).

RELATED PARTY TRANSACTIONS

No transactions have taken place between the group and related parties that have affected the group’s position and results.

PARENT COMPANY THIRD QUARTER

The parent company houses 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 these 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.

Parent company revenues for the quarter amounted to MSEK 475.9. (MSEK 289.4). Operating profit amounted to MSEK 138.2 (MSEK -38.7). Profit after financial items amounted to MSEK 137.4 (MSEK -38.7). Profit after tax amounted to MSEK 109.1 (MSEK 17.4).

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting as well as RFR 1 and the annual accounts act. The parent company applies the Swedish Financial Reporting Board's recommendation RFR 2, accounting for legal entities. Accounting principles and calculation bases are in accordance with the principles applied in the company's most recent annual report. The carrying amount of the Group's long term financial instruments valued at accrued acquisition value essentially corresponds to its fair value as the interest rate is in parity with current market interest rates. The carrying amount of the Group's short-term financial instruments valued at accrued acquisition value essentially corresponds to its fair value as the discounting effect is not significant. Accounting principles and calculation bases are in accordance with the principles applied in the company's most recent annual report.

RISKS AND UNCERTAINTIES

Paradox is, like most companies, exposed to certain risks in its operations. The risks and uncertainties are described in the Annual Report for 2021, page 36. Risks to be specifically mentioned includes a dependency on key employees, dependency on a few sales partners, delays of game projects, low revenues from game releases, and foreign currency. These risks and uncertainties may have a direct or indirect impact on the group's financial position and results.

FINANCIAL CALENDAR

Year-end report 2022	2023-02-07
Annual report 2022	2023-04-19
Interim report January-March 2023	2023-04-28
Annual General Meeting 2023	2023-05-17
Interim report January-June 2023	2023-07-28
Interim report January-September 2023	2023-10-27
Year-end report 2023	2024-02-06

CONTACT

Additional information about the company can be found on the corporate website www.paradoxinteractive.com. The company can be contacted by e-mail, ir@paradoxinteractive.com, or by post Paradox Interactive AB, Magnus Ladulåsgatan 4, 118 66, Stockholm, Sweden.

ASSURANCE BY THE BOARD OF DIRECTORS

The board of directors hereby provide an assurance that the interim report provides a true and fair view of the parent company's and the group's business, positions, and earnings, and describe the significant risks and uncertainties faced by the companies making up the group.

Stockholm 1 November 2022

The Board of Directors

This information is information that Paradox Interactive AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication 08:00 CET on 1 November 2022.

THE AUDITOR'S REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction
We have reviewed the condensed interim financial information (interim report) of Paradox Interactive AB (publ.) as of 30 September 2022 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review

Scope of Review
We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm November 1, 2022

Öhrlings PricewaterhouseCoopers AB

Aleksander Lyckow
Authorized Public Accountant

KEY FIGURES FOR THE GROUP

	2022-07-01 2022-09-30	2021-07-01 2021-09-30	2022-01-01 2022-09-30	2021-01-01 2021-09-30	2021-01-01 2021-12-31
Revenues, KSEK	457,994	289,409	1,392,896	1,056,941	1,447,456
Operating profit, KSEK	220,644	-44,552	642,690	159,337	307,453
Profit after financial items, KSEK	219,520	-45,397	640,219	156,444	303,926
Profit after tax, KSEK	175,859	-33,223	514,531	131,855	247,770
Operating margin	48%	-15%	46%	15%	21%
Profit margin	48%	-16%	46%	15%	21%
Equity/assets ratio	72%	65%	72%	65%	66%
Equity per share before dilution, SEK	19.87	14.60	19.87	14.60	15.73
Equity per share after dilution, SEK	19.87	14.60	19.87	14.60	15.70
Earnings per share before and after dilution, SEK	1.67	-0.31	4.87	1.25	2.35
Earnings per share before and after dilution, SEK	1.67	-0.31	4.86	1.25	2.34
Number of shares by the end of the period before dilution	105,619,209	105,600,000	105,619,209	105,600,000	105,600,000
Number of shares by the end of the period after dilution	105,619,209	105,600,000	105,619,209	105,600,000	105,853,350
Average number of shares before dilution	105,619,209	105,600,000	105,606,403	105,600,000	105,600,000
Average number of shares after dilution	105,619,209	105,703,643	105,758,677	105,803,462	105,755,565
Average number of employees	654	729	677	710	716
Number of employees by the end of the period	654	742	654	742	721

For definitions of key figures, see the annual report.

GROUP INCOME STATEMENT (KSEK)

	2022-07-01 2022-09-30	2021-07-01 2021-09-30	2022-01-01 2022-09-30	2021-01-01 2021-09-30	2021-01-01 2021-12-31
Revenues	457,994	289,409	1,392,896	1,056,941	1,447,456
Cost of goods sold	-197,464	-277,583	-609,398	-684,568	-880,971
Gross profit	**260,530**	**11,826**	**783,498**	**372,373**	**566,485**
Selling expenses	-43,678	-37,753	-125,294	-149,241	-192,867
Administrative expenses	-22,913	-26,351	-68,804	-81,120	-102,899
Other income	26,985	7,750	55,250	21,317	40,841
Other expenses	-281	-25	-1,961	-3,992	-4,107
Operating profit	**220,644**	**-44,552**	**642,690**	**159,337**	**307,453**
Financial income	798	84	1,527	256	545
Financial expense	-1,922	-929	-3,999	-3,149	-4,072
Profit after financial items	**219,520**	**-45,397**	**640,219**	**156,444**	**303,926**
Tax	-43,660	12,174	-125,689	-24,589	-56,157
Profit for the period	**175,859**	**-33,223**	**514,531**	**131,855**	**247,770**

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

Earnings per share before dilution, SEK	1.67	-0.31	4.87	1.25	2.35
Earnings per share after dilution, SEK	1.67	-0.31	4.86	1.25	2.34

OTHER COMPREHENSIVE INCOME (KSEK)

	2022-07-01 2022-09-30	2021-07-01 2021-09-30	2022-01-01 2022-09-30	2021-01-01 2021-09-30	2021-01-01 2021-12-31
Profit for the period	175,859	-33,223	514,531	131,855	247,770
Other comprehensive income					
Items that may be reclassified to profit or loss					
Translation differences	8,983	7,621	23,095	6,702	9,185
Other comprehensive income	**8,983**	**7,621**	**23,095**	**6,702**	**9,185**
Total comprehensive income for the period	**184,842**	**-25,602**	**537,625**	**138,557**	**256,955**

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

GROUP BALANCE SHEET (KSEK)

	2022-09-30	2021-09-30	2021-12-31
ASSETS			
Non-current assets			
Capitalised development	1,519,111	1,091,571	1,198,502
Licenses, brands and similar rights	180,591	248,782	232,480
Goodwill	21,991	20,547	20,600
Property and equipment	18,169	23,609	22,021
Right-of-use assets	145,345	173,852	165,272
Investments in associates	31,678	26,033	31,082
Other long term assets	18,670	1,254	18,589
Total non-current assets	**1,935,556**	**1,585,648**	**1,688,546**
Current assets			
Accounts receivable	196,614	109,929	133,780
Tax assets	10,308	27,515	19,821
Other receivables	42,907	43,104	24,534
Prepaid expenses and accrued revenue	47,258	42,339	56,287
Cash and cash equivalents	665,922	552,307	599,724
Total current assets	**963,010**	**775,194**	**834,147**
TOTAL ASSETS	**2,898,566**	**2,360,842**	**2,522,693**
EQUITY AND LIABILITIES			
Equity			
Share capital	528	528	528
Other capital contributed	29,542	27,994	27,994
Reserves	27,491	1,914	4,397
Retained earnings	1,526,382	1,379,941	1,380,874
Profit for the period	514,531	131,855	247,770
Total equity	**2,098,474**	**1,542,232**	**1,661,563**
Long term liabilities			
Lease liabilities	114,044	142,598	134,438
Deferred tax liabilities	155,464	170,381	163,606
Other liabilities	-	422	422
Total long term liabilities	**269,508**	**313,400**	**298,466**
Current liabilities			
Accounts payable	68,327	64,202	97,016
Current tax liabilities	67,523	3,504	6,278
Lease liabilities	35,569	34,709	34,536
Other liabilities	34,184	52,619	28,283
Accrued expenses and prepaid revenues	324,981	350,175	396,550
Total current liabilities	**530,584**	**505,210**	**562,663**
TOTAL EQUITY AND LIABILITIES	**2,898,566**	**2,360,842**	**2,522,693**

CHANGE IN GROUP EQUITY (KSEK)

	Share capital	Other contributed capital	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 period				514,531	514,531
Other comprehensive income					
Translation difference			23,095		23,095
Total other comprehensive income	**-**	**-**	**23,095**	**-**	**23,095**
Total comprehensive income	**-**	**-**	**23,095**	**514,531**	**537,625**
Transactions with owners					
Premiums when redeeming warrants	0	3,362	-	-	3,362
Re-purchase warrants	-	-1,814	-	-	-1,814
Share-based payments staff	-	-	-	3,338	3,338
Dividends	-	-	-	-105,600	-105,600
Total transactions with owners	**0**	**1,548**	**-**	**-102,262**	**-100,714**
AT THE END OF THE PERIOD 2022-09-30	**528**	**29,542**	**27,491**	**2,040,912**	**2,098,474**

	Share capital	Other contributed capital	Reserves	Retained earnings	Total equity
At the beginning of the period 2021-01-01	528	27,994	-4,788	1,484,423	1,508,158
Profit for the period	-	-		131,855	131,855
Other comprehensive income					
Translation difference	-	-	6,702	-	6,702
Total other comprehensive income	**-**	**-**	**6,702**	**-**	**6,702**
Total comprehensive income	**-**	**-**	**6,702**	**131,855**	**138,557**
Transactions with owners					
Share-based payments staff	-	-	-	1,118	1,118
Dividends	-	-	-	-105,600	-105,600
Total transactions with owners	**-**	**-**	**-**	**-104,482**	**-104,482**
AT THE END OF THE PERIOD 2021-09-30	**528**	**27,994**	**1,914**	**1,511,796**	**1,542,232**

GROUP CASH FLOW STATEMENT (KSEK)

	2022-07-01 2022-09-30	2021-07-01 2021-09-30	2022-01-01 2022-09-30	2021-01-01 2021-09-30	2021-01-01 2021-12-31
Cash flow from operations					
Operating profit	220,644	-44,552	642,691	159,337	307,453
Adjustment of depreciation, amortisation and write-downs	88,593	209,659	320,420	472,506	589,855
Other adjustments	3,329	140	4,322	-225	-4,235
Interest received	798	84	1,527	256	545
Interest paid	-1,922	-929	-3,998	-3,149	-4,072
Tax paid	-30,970	-28,007	-66,414	-122,958	-150,200
Cash flow before changes in working capital	280,471	136,395	898,549	505,767	739,346
Changes in working capital					
Change in current receivables	-38,075	-6,738	-71,902	47,723	42,441
Change in current liabilities	-64	-70,217	-86,122	-86,106	-45,202
Cash flow from current operations	**242,332**	**59,440**	**740,525**	**467,384**	**736,586**
Investing activities					
Investments in capitalised development	-167,353	-150,530	-543,093	-551,051	-744,313
Investments in licenses, brands and similar rights	-	-	-	-	-3,235
Investments in equipment	-273	-894	-1,111	-1,866	-1,694
Investments in subsidiaries	-	-	-11,055	-	-
Investments in other financial assets	-	-	-25	-	-17,333
Cash flow from investing activities	**-167,626**	**-151,424**	**-555,284**	**-552,917**	**-766,574**
Financing activities					
Amortisation of lease liability	-9,015	-8,463	-26,569	-25,351	-33,994
Paid dividend	-	-	-105,600	-105,600	-105,600
Cash flow from financing activities	**-9,015**	**-8,463**	**-132,169**	**-130,951**	**-139,594**
Cash flow for the period	65,692	-100,447	53,071	-216,485	-169,582
Cash and cash equivalents at the beginning of the period	594,867	651,029	599,724	767,561	767,561
Exchange rate effect	5,363	1,726	13,125	1,230	1,746
Cash and cash equivalents at the end of the period	**665,922**	**552,307**	**665,922**	**552,307**	**599,724**

PARENT COMPANY INCOME STATEMENT (KSEK)

	2022-07-01 2022-09-30	2021-07-01 2021-09-30	2022-01-01 2022-09-30	2021-01-01 2021-09-30	2021-01-01 2021-12-31
Revenues	475,938	289,355	1,405,636	1,053,776	1,446,878
Cost of goods sold	-300,149	-273,684	-916,261	-671,880	-873,604
Gross profit	**175,788**	**15,670**	**489,375**	**381,896**	**573,274**
Selling expenses	-41,424	-34,343	-119,682	-139,511	-180,473
Administrative expenses	-22,982	-26,761	-69,031	-82,376	-104,349
Other income	26,820	6,711	53,864	20,006	34,487
Other expenses	-	-	-1,404	-4,262	-4,262
Operating profit	**138,202**	**-38,723**	**353,122**	**175,754**	**318,678**
Profit from shares in subsidiaries	-	-	-	-	43,143
Financial income	250	-	250	-	341
Financial expense	-1,010	-7	-1,079	-152	-157
Profit after financial items	**137,442**	**-38,731**	**352,293**	**175,602**	**362,004**
Year-end appropriations	-	60,600	-	60,600	68,100
Income tax expense	-28,313	-4,505	-72,152	-48,658	-83,065
Profit for the year and total income for the year	**109,129**	**17,364**	**280,140**	**187,544**	**347,039**

PARENT COMPANY BALANCE SHEET (KSEK)

	2022-09-30	2021-09-30	2021-12-31
ASSETS			
Non-current assets			
Capitalised development	1,338,234	1,085,180	1,185,934
Licenses, brands and similar rights	44,027	66,869	63,625
Property and equipment	10,531	15,533	14,242
Shares in subsidiaries	305,812	305,812	305,812
Investments in associates	16,766	16,766	16,766
Other long term assets	17,393	60	17,393
Total non-current assets	**1,732,763**	**1,490,220**	**1,603,772**
Current assets			
Accounts receivable	193,064	106,665	130,840
Receivables from group companies	15,280	4,667	35,176
Tax assets	9,630	27,515	19,821
Other receivables	35,560	35,732	18,668
Prepaid expenses and accrued revenues	45,070	41,821	55,335
Cash and cash equivalents	439,411	439,662	469,881
Total current assets	**738,014**	**656,062**	**729,720**
TOTAL ASSETS	**2,470,777**	**2,146,281**	**2,333,492**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	528	528	528
Capitalised development reserve	1,338,234	1,085,180	1,185,934
Non-restricted equity			
Share premium reserve	29,542	27,994	27,994
Retained earnings	-169,847	-162,503	-262,325
Profit for the period	280,141	187,544	347,039
Total equity	**1,478,598**	**1,138,743**	**1,299,171**
Untaxed reserves	**555,000**	**562,500**	**555,000**
Long term liabilities			
Other liabilities	-	422	422
Total long term liabilities	**-**	**422**	**422**
Current liabilities			
Accounts payable	59,802	61,238	87,113
Liabilities to group companies	104,466	39,786	21,409
Other liabilities	5,499	36,231	13,740
Accrued expenses and prepaid revenues	267,412	307,362	356,637
Total current liabilities	**437,179**	**444,616**	**478,899**
TOTAL EQUITY AND LIABILITIES	**2,470,777**	**2,146,281**	**2,333,492**

NOTES (KSEK)

NOTE 1. SEGMENT REPORTING

Group Management has determined the operating segments based on the information processed by the CEO and which is the basis for making strategic decisions. The operations consist of one segment.

Group revenue from clients based on where the distributor is located is divided into the following geographical areas;

	2022-07-01 2022-09-30	2021-07-01 2021-09-30	2022-01-01 2022-09-30	2021-01-01 2021-09-30	2021-01-01 2021-12-31
USA	386,826	239,510	1,206,819	873,915	1,219,196
Sweden	8,167	872	11,979	14,679	16,846
Rest of Europe	52,861	45,482	145,671	141,835	176,402
Rest of the World	10,140	3,546	28,426	26,511	35,012
Total	**457,994**	**289,409**	**1,392,896**	**1,056,941**	**1,447,456**

During the quarter and the 9-month period respectively, MSEK 282.5 (MSEK 180.8) and MSEK 827.8 (MSEK 671.2) respectively of the group's revenue came from one and the same customer.

Group revenue divided into major product categories;

	2022-07-01 2022-09-30	2021-07-01 2021-09-30	2022-01-01 2022-09-30	2021-01-01 2021-09-30	2021-01-01 2021-12-31
PC	374,949	218,157	1,173,091	852,754	1,187,471
Console	61,129	50,884	162,873	147,556	189,593
Mobile	9,984	13,252	28,130	42,561	53,681
Other	11,932	7,117	28,800	14,070	16,712
Total	**457,994**	**289,409**	**1,392,896**	**1,056,941**	**1,447,456**

Prepaid revenue amounted to MSEK 199.4 (MSEK 240.8) at the end of the period. Of these, MSEK 169.1 is expected to be reported as revenue during the next 12-month period, MSEK 29.7 within 24 months, and the remainder mainly within 36 months.

The revenues for the quarter and the 9-month period respectively include MSEK 31.0 (MSEK 46.5) and MSEK 157.7 (MSEK 106.1), respectively, which were included in prepaid revenue at the beginning of the period.

NOTE 2. DEPRECIATIONS, AMORTISATIONS AND WRITE-DOWNS DIVIDED PER FUNCTION

	2022-07-01 2022-09-30	2021-07-01 2021-09-30	2022-01-01 2022-09-30	2021-01-01 2021-09-30	2021-01-01 2021-12-31
Cost of goods sold	85,500	206,960	311,028	462,921	577,219
Selling expenses	1,067	816	2,811	3,635	4,779
Administrative expenses	2,026	1,884	6,581	5,951	7,857
Total	**88,593**	**209,659**	**320,420**	**472,506**	**589,855**

NOTE 3. EMPLOYEE STOCK OPTION PROGRAM 2022/2026

The Annual General Meeting on May 10, 2022, decided to introduce an employee stock options program aimed at employees of the group. The number of outstanding employee stock options amounts to 527,500 with the right to subscribe for the same number of shares in Paradox Interactive AB (publ). During the quarter, 25,000 options were forfeited because of termination of employment. At the end of the period, the number of outstanding employee options amounted to 502,500.

Allotted employee stock 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 for shares can take place August 2, 2025 to June 2, 2026. The exercise price equals 120 % of the average market value between May 3 to May 9, 2022. Personnel-related costs excluding social security contributions for the program amount to MSEK 2.0 during the quarter. In the event of full subscription of these options, the parent company's equity will be increased by MSEK 118.8.

NOTE 4. SUBSEQUENT EVENTS

A new grand strategy game, Victoria 3, released on 25 October. The game is developed by Paradox Development Studio and published by Paradox Interactive.



ABOUT PARADOX INTERACTIVE

Paradox Interactive is one of the premier developers and publishers of strategy and management games on PC and consoles. The players are located all over the world but some of the biggest markets are North America, Western Europe, Scandinavia and Asia.

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

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