



INTERIM REPORT

2019-01-01 - 2019-09-30

*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 2019-01-01 - 2019-09-30

THIRD QUARTER 2019

- Revenues amounted to SEK 282.6 (225.0) million, an increase by 26 % compared to the same period last year.
- Operating profit amounted to SEK 93.1 (68.3) million, an increase by 36 %.
- Profit before tax amounted to SEK 92.9 (68.3) million, and profit after tax amounted to SEK 74.0 (52.9) million.
- Cash flow from operating activities amounted to SEK 73.4 (97.4) million, and cash flow from investing activities amounted to SEK -32.5 (-82.4) million.
- By the end of the period cash amounted to SEK 434.6 (344.1) million.
- Earnings per share amounted to SEK 0.70 (0.50) per share.
- Revenues in the quarter are mainly attributable to Age of Wonders: Planetfall, Cities: Skylines, Hearts of Iron IV, Stellaris and Surviving Mars.

FIRST NINE MONTHS 2019

- Revenues for the period amounted to SEK 908.0 (790.8) million, an increase by 15 % compared to the same period last year.
- Operating profit amounted to SEK 310.0 (308.3) million, an increase by 1 %.
- Profit before tax amounted to SEK 310.1 (308.4) million, and profit after tax amounted to SEK 243.6 (239.6) million.
- Earnings per share amounted to SEK 2.31 (2.27).

IMPORTANT EVENTS IN THE THIRD QUARTER 2019

- One new game was released during the period, Age of Wonders: Planetfall, developed by Triumph Studios.
- Two new ports of expansions were released during the period; Campus for Cities: Skylines Console Edition and Utopia for Stellaris Console Edition.
- A not yet announced externally developed game project was sold for SEK 80.0 million to a third party during the period, with a net loss of SEK 1.1 million.
- Steam Summer Sale took place June 25 to July 9.

AFTER THE END OF THE PERIOD

- The new game Crusader Kings III, developed by Paradox Development Studio, was announced with a planned release 2020.
- The new game Surviving the Aftermath developed by Iceflake Studios was announced and released in early access in October 2019.
- Paradox convention PDXCon took place in Berlin.
- Paradox Development Studio and the publishing branch moved to new premises at Magnus Ladulåsgatan in Stockholm.

ABOUT PARADOX INTERACTIVE

The Paradox group today consists of both publishing and internal development of games and brands. The game portfolio includes more than 100 titles and Paradox owns the most important brands, including Stellaris, Europa Universalis, Hearts of Iron, Crusader Kings, Cities: Skylines, Surviving Mars, Prison Architect, Magicka, Age of Wonders and the World of Darkness catalogue of brands.

From the start 15 years ago, the company has published its games all over the world, initially through physical distribution but since 2006 primarily in digital channels. Paradox games are developed primarily for PC and console platforms, but the company also releases games on mobile. The largest markets today include the US, UK, China, Germany, France, Russia and Scandinavia. Today, over three million gamers play a Paradox game each month and the number of registered Paradox users exceeds ten million.



COMMENTS FROM CEO

A strategy for growth and profitability

For years, we have been following a strategy that consists of methodically building a portfolio of games with long lifespans and strong proprietary IPs. By applying a business model where we sell base games and expansions, the games generate concurrent revenue throughout their lifespans. Our strategy also consists of gradually increasing our capacity and skill to develop and publish games within our three main segments - strategy, management and RPG - as well as continuously growing and strengthening the ties with our player community. This strategy has proven successful in creating growth, limited risk, and high margins.

During the third quarter of the year, we continued to execute on our strategy. In August, we launched the game *Age of Wonders: Planetfall*, developed by our studio Triumph Studios. Through *Age of Wonders: Planetfall*, we have expanded our game portfolio within the strategy game segment while building on our 20-year-old *Age of Wonders* franchise. The game has been very well received by both players and industry media and has established Triumph Studios as a key developer of strategy games for many years to come. For us, it is important to keep a good balance between our own studios and established relationships with external studios, which ensures we have core competence for upcoming game development while providing us with flexibility.





During the quarter, we also continued our growth within console games as we made the successful PC expansions *Cities: Skylines - Campus* and *Stellaris: Utopia* available for Xbox and PlayStation players. Console games are an important platform for us, which so far this year have generated more than 16% of our revenue, and we expect continued growth in console gaming in the coming years. By launching these two expansions on console, we are also continuing to build two of our most valuable brands - *Cities: Skylines* and *Stellaris*.

Revenue for the quarter grew by 26% compared to the same quarter last year and revenue for the past twelve months is 23% higher than a year ago. Profit before tax for the quarter increased by 36% from the third quarter 2018, and profit before tax for the last twelve months increased by 16% compared to a year ago. Our growth in revenue and profit is driven by the continuous addition of new games to our portfolio and the continued additions of expansions to our games over a long time. This also divides the responsibility for the revenue generation between several different games and between base games and expansions, which means that our growth is not dependent on any single game launch. However, this does not mean that growth is even from quarter to quarter, or even from year to year. On the contrary, revenue increases come in steps, while cost increases come more stable as we continuously increase our capacity.

After the end of the quarter, we both announced and released our new game *Surviving the Aftermath*, developed by our partner Iceflake Studios. Through *Surviving the Aftermath*, we build on our *Surviving* franchise, which we established with *Surviving Mars*



last year, and expand the portfolio of management games. The game has been released in an early access version (not fully developed), which gives us the opportunity to continuously utilize and implement feedback from our player community in the coming year. The PC version of the game is available under the early access period exclusively on the Epic Games store, while the final version will also be available on Steam and other platforms. Through the collaboration with Epic Games, we receive a guaranteed remuneration, an effect we see from the competition among the distributors that has increased over the past year. We believe this competition will continue next year and benefit both players and game publishers.

In October we hosted PDXCON, our annual event for fans, which took place this year in Berlin. For me, as CEO, it was fantastic to be on stage to reveal what we have ahead of us, and especially to meet approximately 2000 fans who were there. The enthusiasm and excitement is so inspiring! We announced several expansions to be released in the next few months and revealed that our next Grand Strategy game is Crusader Kings III, scheduled to be released late 2020.

Ebba Ljungerud, CEO



RELEASES DURING THE QUARTER



AGE OF WONDERS: PLANETFALL

PC, PLAYSTATION 4, XBOX ONE

Emerge from the cosmic dark age of a fallen galactic empire to build a new future for your people. Age of Wonders: Planetfall is the new strategy game from Triumph Studios, creators of the critically acclaimed Age of Wonders series, bringing all the exciting tactical turn-based combat and in-depth empire building of its predecessors to space in an all-new, sci-fi setting.





STELLARIS: UTOPIA

XBOX ONE, PLAYSTATION 4

Utopia is the first major expansion for Stellaris, the critically acclaimed science fiction grand strategy game from Paradox Development Studio. As the title suggests, Utopia gives you new tools to develop your galactic empire and keep your people (or birdfolk or talking mushrooms) happy. Push your species further out into the galaxy with new bonuses for rapid exploration or stay closer to home before striking out against all who would challenge you.



CITIES: SKYLINES - CAMPUS

XBOX ONE, PLAYSTATION 4

In Cities: Skylines - Campus, university life abounds with new area types for any sort of student - Trade School, Liberal Arts and University. Increase the reputation of your campus by attracting students and creating Academic Works to unlock new buildings. Build five types of varsity sports arenas and nine unique faculties, employ seven new policies, earn seven new achievements and take on five new maps!



REVENUE AND PROFIT

REVENUE AND PROFIT THIRD QUARTER

Revenues amounted to SEK 282.6 (225.0) million, an increase by 26 % compared to the same period last year. One new game was released during the period, Age of Wonders: Planetfall, developed by Triumph Studios. Two new expansions were released during the period; Campus for Cities: Skylines Console Edition and Utopia for Stellaris Console Edition. Revenues in the quarter are mainly attributable to Age of Wonders: Planetfall, Cities: Skylines, Hearts of Iron IV, Stellaris and Surviving Mars.

Direct costs amounted to SEK 123.2 (91.3) million, primarily attributable to game development and royalties. Costs for game development has increased following game investments and releases of new games. During the period, write-downs have been made regarding unannounced internally developed games, which burden direct costs with SEK 8.1 (0.0) million. Royalties have decreased compared to the comparison period due to a decrease in sales of externally developed games with high royalty rates.

Selling expenses for the period amounted to SEK 40.4 (19.9) million. Selling expenses increased due to increased investments in events, advertising, sales and marketing.

Administrative expenses for the period amounted to SEK 34.8 (44.9) million. Underlying administrative expenses are in line with the comparative period. The previous quarter was also charged with

non-recurring costs and higher depreciation within the function.

Other income amounted to SEK 10.1 (0.9) million, and other expenses to SEK 1.2 (1.4) million, of which the majority relates to exchange rate differences. The positive development is primarily driven by a stronger price performance of USD against SEK in the Group's liquid assets, operating receivables and liabilities during the quarter compared with the same quarter last year.

Operating profit amounted to SEK 93.1 (68.3) million, an increase by 36 %.

Profit before tax amounted to SEK 92.9 (68.3) million, and profit after tax amounted to SEK 74.0 (52.9) million.

FINANCIAL POSITION

Capitalised development amounted to SEK 503.9 (377.9) million by the end of the period, with a net change of SEK -29.2 (44.5) million in the quarter. Investments in game projects amounted to SEK 101.1 (81.4 million). A not yet announced ongoing game project with an external studio has been sold to a third party during the period resulting in a disposal of the game project amounting to 81.1 MSEK from capitalised development.

Licenses, brands and similar rights amounted to SEK 221.2 (156.5) million. The increase compared to the comparative period is attributable to acqui-

red rights and assets relating to Prison Architect. By the end of the period property and equipment amounted to SEK 21.0 (10.1) million.

Lease assets for offices amounted to SEK 32.4 (0.0) million, following the implementation of IFRS 16. During the first quarter Harebrained Schemes took on new premises in Seattle, which resulted in an increase from the opening balance on January 1, 2019.

Shares in associates amount to 17.2 MSEK (16.2 MSEK) by the end of the period, relating to 33 % of shares in Seattle-based development studio Hardsuit Labs. The shares are valued at the equity method.

Accounts receivable amounted to SEK 143.7 (82.7) million by the end of the period, mainly attributable to sales during the last month of the period.

Cash and cash equivalents amounted to SEK 434.6 (344.1) million.

Shareholders' equity amounts to SEK 998.6 (740.2) million, driven by a strong profit development.

Deferred tax liabilities amounts to SEK 106.2 (88.5) million, mainly relating to untaxed reserves.

Other long term liabilities amounted to SEK 61.2 (38.6) million by the end of the period. Other long term liabilities consist of a contingent consideration



relating to the purchase of Harebrained Holdings Inc, which will be paid within a five-year period from the transaction date, as well as an additional purchase price attributable to the acquisition of the rights to Prison Architect which will be settled within a three-year period.

Accrued expenses and prepaid income amounts to SEK 168.2 (89.9) million. Royalty reserves to third-party developers have decreased compared to the comparative period. Reserves for personnel related expenses have increased compared to the comparative period due to an increase in the number of employees throughout the organization. Reserves for variable employee compensation is in line with the comparative period. Prepaid revenue for games and expansions that have not yet been released have increased compared to the comparative period.

CASH FLOW THIRD QUARTER

Cash flow from operating activities amounted to SEK 73.4 (97.4) million, primarily attributable to the operating profit and adjustments not included in the cash flow. Cash flow from investing activities amounted to SEK -32.5 (-82.4) million, mainly referring to investments in game development. Cash flow from investing activities also includes a positive effect from the sale of an ongoing game project of SEK 80.0 (0.0) million. Cashflow from financing activities amounted to SEK -4.1 (0.0) million and consists of the lease liability related to the introduction of IFRS 16.

FIRST NINE MONTHS SUMMARY

Revenues amounted to SEK 908.0 (790.8) million, an increase by 15 % compared to the same period

last year. Direct costs amounted to SEK 367.6 (298.1) million attributable to game development and royalties. Operating profit amounted to SEK 310.0 (308.3) million, an increase by 1%. Profit before tax amounted to SEK 310.1 (308.4) million, and profit after tax amounted to SEK 243.6 (239.6) million. Investments in game projects amounted to SEK 302.4 (252.0) million. Write-downs of capitalised development amounted to SEK 23.2 (20.6) million.

PARENT COMPANY THIRD QUARTER

The parent company consists of the publishing branch, and the parent company provides administrative services to its subsidiaries. The subsidiaries mainly have intercompany revenue from the parent company, which is why the financial development of the parent company to a great extent follows the group's development. Parent company revenues for the quarter amounted to SEK 280.2 (220.3) million. Operating profit amounted to SEK 100.7 (86.0) million. Profit before tax amounted to SEK 100.8 (86.0) million. Profit after tax amounted to SEK 79.3 (68.0) million.

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The parent company applies the Swedish Financial Reporting Board's recommendation RFR 2, accounting for legal entities. The same accounting principles have been applied as in the latest annual report, with the exception of IFRS 16 Leasing. IFRS 16 Leasing is effective from the financial year 2019. The Group applies the simplified transition method which means that the comparative year is not recalculated. The main impact on the accounts arise

from the reporting of lease contracts for premises. The opening effect on the consolidated balance sheet as of January 1, 2019 is presented in note 3 in this report. Contracts of minor value and contracts that run for a shorter period than 12 months are not included. It is judged that the fair values of all financial assets and liabilities are approximately equal to their book values. Financial instruments valued at fair value is comprised of contingent considerations. These are reported at fair value through profit or loss. The valuation is based on other observable data for the asset or liability, that is, level 3 according to IFRS. No reclassifications have been made between the different levels during the period.

RISKS AND UNCERTAINTIES

Paradox is, like most companies, exposed to certain risks in its operations. The risks and uncertainties are described as a whole in the Annual Report for 2018, page 29. 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.



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.

CALENDAR

Paradox intends to distribute financial reports on the below dates.

Year-end report January - December 2019	2020-02-18
Interim report January - March 2020	2020-05-12
Annual General Meeting	2020-05-15
Interim report January - June 2020	2020-08-11
Interim report January - September 2020	2020-11-17
Year-end report January - December 2020	2021-02-23

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 also describe the significant risks and uncertainties faced by the companies making up the group.

Stockholm November 12, 2019

Fredrik Wester Ebba Ljungerud
Chairman of the Board Chief Executive Officer

Håkan Sjunnesson Josephine Salenstedt

Peter Ingman Mathias Hermansson

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 on November 12, 2019.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

INTRODUCTION

We have reviewed the accompanying balance sheet of Paradox Interactive AB (publ) as of September 30, 2019 and the related statements of income, changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information 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 and consequently does 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 accompanying interim financial information does not give a true and fair view of the financial position of the entity as at September 30, 2019, and of its financial performance and its cash flows for the nine-month period then ended in accordance with IAS 34.

Stockholm November 12, 2019
Grant Thornton Sweden AB

Carl Niring
Authorized Public Accountant



KEY FIGURES FOR THE GROUP

	2019-07-01 2019-09-30	2018-07-01 2018-09-30	2019-01-01 2019-09-30	2018-01-01 2018-09-30	2018-01-01 2018-12-31
Revenues, KSEK	282,551	224,983	907,994	790,808	1,127,715
Operating profit, KSEK	93,079	68,315	310,037	308,254	455,050
Profit before tax, KSEK	92,931	68,312	310,102	308,388	455,183
Profit after tax, KSEK	73,966	52,940	243,580	239,603	353,934
Operating margin	33%	30%	34%	39%	40%
Profit margin	26%	24%	27%	30%	31%
Equity/assets ratio	68%	72%	68%	72%	71%
Equity per share before and after dilution, SEK	9.46	7.01	9.46	7.01	8.09
Earnings per share before and after dilution, SEK	0.70	0.50	2.31	2.27	3.35
Number of shares by the end of the period before and after dilution	105,600,000	105,600,000	105,600,000	105,600,000	105,600,000
Average number of shares before and after dilution	105,600,000	105,600,000	105,600,000	105,600,000	105,600,000
Average number of employees	470	336	446	307	327
Number of employees by the end of the period	472	365	472	365	405

OPERATING MARGIN

Operating profit after depreciation and amortisation in relation to revenues

PROFIT MARGIN

Profit after tax in relation to revenues

EQUITY/ASSETS RATIO

Equity at the end of the period in relation to total assets at the end of the period

EQUITY PER SHARE

Shareholders' equity divided by the number of shares outstanding at the end of the period

EARNINGS PER SHARE

Profit for the period divided by the average number of shares outstanding during the period

EQUITY

Shareholders' equity



GROUP INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME (KSEK)

	2019-04-01 2019-06-30	2018-04-01 2018-06-30	2019-01-01 2019-06-30	2018-01-01 2018-06-30	2018-01-01 2018-12-31
Revenues	282,551	224,983	907,994	790,808	1,127,715
Direct costs	-123,209	-91,337	-367,568	-298,061	-408,350
Gross profit	159,342	133,646	540,426	492,747	719,365
Selling expenses	-40,426	-19,938	-129,419	-68,472	-102,085
Administrative expenses	-34,759	-44,891	-113,910	-126,630	-177,792
Other income	10,080	891	15,344	13,505	20,259
Other expenses	-1,159	-1,392	-2,404	-2,895	-4,697
Operating profit	93,079	68,315	310,037	308,254	455,050
Profit from shares in subsidiaries	34	-	34	-	-
Financial income	0	-	582	141	141
Financial expense	-182	-4	-550	-7	-7
Profit after financial items	92,931	68,312	310,102	308,388	455,183
Income tax expense	-18,966	-15,372	-66,522	-68,785	-101,249
Profit for the period and total income for the period	73,966	52,940	243,580	239,603	353,934
Attributable to:					
Shareholders of the parent company	73,966	52,940	243,580	239,603	353,934
Non-controlling interests	-	-	-	-	-
Earnings per share attributable to the shareholders of the parent company, SEK	0.70	0.50	2.31	2.27	3.35
OTHER COMPREHENSIVE INCOME					
<i>Items that may be reclassified to profit or loss</i>					
Translation differences	4,736	10	6,830	6,259	5,525
Total comprehensive income for the period	78,701	52,950	250,410	245,861	359,460



GROUP BALANCE SHEET (KSEK)

	2019-09-30	2018-09-30	2018-12-31
ASSETS			
Non-current assets			
Capitalised development	503,902	377,886	417,928
Licenses, brands and similar rights	221,159	156,543	249,082
Property and equipment	21,040	10,075	9,514
Access right value assets	32,357	-	-
Investments in associates	17,156	16,151	14,349
Other long term assets	3,462	3,462	3,462
Total non-current assets	799,075	564,117	694,334
Current assets			
Accounts receivable	143,713	82,721	136,333
Other receivables	13,936	17,014	13,295
Prepaid expenses and accrued revenue	81,687	23,888	25,942
Cash and cash equivalents	434,593	344,137	327,044
Total current assets	673,929	467,759	502,614
TOTAL ASSETS	1,473,004	1,031,876	1,196,948



GROUP BALANCE SHEET (KSEK)

	2019-09-30	2018-09-30	2018-12-31
EQUITY AND LIABILITIES			
Equity			
Share capital	528	528	528
Other capital contributed	27,994	27,994	27,994
Reserves	13,018	6,921	6,188
Retained earnings	713,467	465,133	465,133
Profit for the period	243,580	239,603	353,934
Total equity	998,587	740,178	853,777
Long term liabilities			
Lease liabilities	27,724	-	-
Deferred tax liabilities	106,172	88,479	110,486
Other liabilities	61,227	38,555	61,227
Total long term liabilities	195,123	127,034	171,713
Current liabilities			
Accounts payable	46,164	26,551	31,364
Current tax liabilities	50,584	30,835	25,376
Lease liabilities	4,849	-	-
Other liabilities	9,457	17,347	15,661
Accrued expenses and prepaid revenues	168,239	89,931	99,057
Total current liabilities	279,294	164,663	171,458
TOTAL EQUITY AND LIABILITIES	1,473,004	1,031,876	1,196,948



CHANGE IN GROUP EQUITY (KSEK)

	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
At the beginning of the period 2018-01-01	528	27,994	662	570,732	599,917
Dividend				-105,600	-105,600
Shareholders' transactions				-105,600	-105,600
Profit for the period and total income for the period	-	-	5,525	353,934	359,460
At the end of the period 2018-12-31	528	27,994	6,188	819,067	853,777
At the beginning of the period 2019-01-01	528	27,994	6,188	819,067	853,777
Dividend				-105,600	-105,600
Shareholders' transactions				-105,600	-105,600
Profit for the period and total income for the period	-	-	6,830	243,580	250,410
At the end of the period 2019-09-30	528	27,994	13,018	957,047	998,587



GROUP CASH FLOW STATEMENT (KSEK)

	2019-07-01 2019-09-30	2018-07-01 2018-09-30	2019-01-01 2019-09-30	2018-01-01 2018-09-30	2018-01-01 2018-12-31
Operating profit	93,079	68,315	310,037	308,254	455,050
Adjustment for items not included in cash flow	66,596	44,038	186,462	138,670	198,669
Interest received	0	0	0	-	-
Interest paid	-182	-4	-550	-7	-7
Tax paid	-16,032	-9,173	-47,637	-40,847	-56,647
Cash flow from current operations before changes in working capital	143,461	103,176	448,312	406,070	597,064
Changes in working capital					
Change in current receivables	-30,624	8,987	-8,021	15,204	-34,690
Change in current liabilities	-39,449	-14,803	22,034	2,542	12,741
Cash flow from current operations	73,388	97,361	462,324	423,816	575,115
Investing activities					
Acquisition of intangible assets	-101,144	-81,439	-301,258	-213,879	-381,271
Investments in subsidiaries	-	-	-	-60,977	-60,977
Investments in associates	-	-	-	-16,766	-16,766
Acquisition of tangible assets	-11,364	-942	-17,732	-2,286	-2,785
Proceeds from capitalised development	80,000	-	80,000	-	-
Proceeds from sale of subsidiaries	26	-	26	-	-
Cash flow from investing activities	-32,481	-82,380	-238,990	-293,909	-461,800
Financing activities					
Amortisation of lease liability	-4,157	-	-12,112	-	-
Paid dividend	-	-	-105,600	-105,600	-105,600
Cash flow from financing activities	-4,157	-	-117,712	-105,600	-105,600
Cash flow for the period	36,750	14,980	105,622	24,308	7,715
Cash and cash equivalents at the beginning of the period	396,350	329,262	327,044	320,100	320,100
Exchange rate effect	1,493	-105	1,926	-271	-771
Cash and cash equivalents at the end of the period	434,593	344,137	434,593	344,137	327,044



PARENT COMPANY INCOME STATEMENT (KSEK)

	2019-07-01 2019-09-30	2018-07-01 2018-09-30	2019-01-01 2019-09-30	2018-01-01 2018-09-30	2018-01-01 2018-12-31
Revenues	280,215	220,309	900,763	785,074	1,114,678
Direct costs	-112,113	-78,538	-329,752	-281,960	-375,679
Gross profit	168,102	141,770	571,011	503,114	738,999
Sales expenses	-39,876	-19,234	-128,041	-67,658	-100,685
Administrative expenses	-34,423	-35,189	-111,384	-105,603	-149,029
Other income	8,067	0	11,399	12,619	14,988
Other expenses	-1,143	-1,392	-1,143	-1,392	-1,392
Operating profit	100,726	85,955	341,841	341,079	502,881
Profit from shares in subsidiaries	34	-	34	-	-
Financial income	-	-	-	141	141
Financial expense	-1	-4	-5	-7	-7
Profit after financial items	100,760	85,952	341,870	341,213	503,015
Year-end appropriations	-	-	-	-	-130,427
Income tax expense	-21,471	-17,953	-72,845	-72,541	-82,358
Profit for the period and total income for the period	79,289	67,999	269,026	268,672	290,230



PARENT COMPANY BALANCE SHEET (KSEK)

	2019-09-30	2018-09-30	2018-12-31
ASSETS			
Non-current assets			
Capitalised development	484,358	329,453	383,845
Licenses, brands and similar rights	85,153	-	99,757
Property and equipment	14,973	8,557	7,499
Shares in subsidiaries	145,059	145,109	145,109
Receivables from group companies	50,301	50,301	50,301
Investments in associates	16,766	16,766	16,766
Other long term assets	3,462	3,462	3,462
Total non-current assets	800,072	553,649	706,740
Current assets			
Accounts receivable	143,007	81,498	131,466
Receivables from group companies	28,788	5,697	11,042
Other receivables	12,879	15,855	12,212
Prepaid expenses and accrued revenues	81,729	27,840	25,725
Cash and cash equivalents	396,277	310,870	297,365
Total current assets	662,681	441,760	477,809
TOTAL ASSETS	1,462,753	995,408	1,184,549



PARENT COMPANY BALANCE SHEET (KSEK)

	2019-09-30	2018-09-30	2018-12-31
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	528	528	528
Capitalised development reserve	484,358	329,453	383,845
<i>Non-restricted equity</i>			
Share premium reserve	27,994	27,994	27,994
Retained earnings	-26,448	-56,173	-110,565
Profit for the period	269,026	268,672	290,230
Total equity	755,458	570,474	592,033
Untaxed reserves	361,375	243,448	361,375
Long term liabilities			
Other liabilities	61,227	38,555	61,227
Total long term liabilities	61,227	38,555	61,227
Current liabilities			
Accounts payable	42,884	19,684	26,010
Liabilities to group companies	31,947	7,508	23,072
Current tax liabilities	49,677	30,264	24,219
Other liabilities	2,267	1,736	1,946
Accrued expenses and prepaid revenues	157,917	83,737	94,668
Total current liabilities	284,692	142,930	169,914
TOTAL EQUITY AND LIABILITIES	1,462,753	995,408	1,184,549



NOTES

NOTE 1 SEGMENT REPORTING

Group Management has determined the operating segments based on the information processed by the President 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;

KSEK	2019-07-01	2018-07-01	2019-01-01	2018-01-01	2018-01-01
	2019-09-30	2018-09-30	2019-09-30	2018-09-30	2018-12-31
USA	240,654	191,160	758,527	667,584	954,081
Sweden	3,157	6,767	20,143	21,030	31,172
Rest of Europe	35,662	25,468	117,996	94,319	126,212
Rest of the World	3,077	1,588	11,328	7,875	16,250
Total	282,551	224,983	907,994	790,808	1,127,715

Group revenue divided into major product categories;

KSEK	2019-07-01	2018-07-01	2019-01-01	2018-01-01	2018-01-01
	2019-09-30	2018-09-30	2019-09-30	2018-09-30	2018-12-31
PC	231,480	193,345	749,243	684,189	972,024
Console	47,106	28,673	145,220	98,238	137,709
Mobile	1,325	1,415	5,186	4,507	5,953
Other	2,639	1,550	8,345	3,874	12,029
Total	282,551	224,983	907,994	790,808	1,127,715



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

	2019-07-01 2019-09-30	2018-07-01 2018-09-30	2019-01-01 2019-09-30	2018-01-01 2018-09-30	2018-01-01 2018-12-31
Direct costs	62,063	36,929	172,234	121,474	171,626
Selling expenses	-	-	-	-	-
Administrative expenses	5,436	7,922	15,891	16,259	24,228
Total	67,499	44,851	188,125	137,734	195,855

NOTE 3 RECONCILIATION OF IFRS 16

		Adjustment IFRS 16		
		2018-12-31	2019-01-01	2019-01-01
Assets				
Lease assets		-	27,621	27,621
Total assets		1,196,948	27,621	1,224,569
Liabilities and equity				
Lease liability		-	27,621	27,621
Total liabilities		343,172	27,621	370,793
Equity		853,777	-	853,777
Total liabilities and equity		1,196,948	27,621	1,224,569

A discount rate of 2% has been used when determining the lease liability per 2019-01-01.

NOTE 4 WARRANT SCHEME 2019-2022

The Annual General Meeting of May 17, 2019 decided to introduce a warrants scheme directed to employees in the Group. The number of outstanding warrants amounts to 259,850 with the right to subscribe for the same amount of shares in Paradox Interactive AB (publ). Allotted warrants were issued free of charge in two allotments at a market price of SEK 16.97 resp SEK 21.07, based on Black & Scholes valuation. The exercise price for the warrants is SEK 175.01. Costs for social security

contributions for granted warrants amounted to SEK 0.1 million during the quarter. In the event of full subscription of these warrants, the Parent Company's equity will be increased by SEK 45.5 million. The stock price is below the exercise price for the warrant scheme during the period.

