



paradox
INTERACTIVE®

ANNUAL REPORT 2020

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.

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ABOUT PARADOX

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 in 2004, 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 five million gamers play a Paradox game each month and the number of registered Paradox users exceeds 18 million.



CEO WORD

LONG-LIVED GAMES CREATE ORGANIC GROWTH

2020 was in many ways a fantastic year for Paradox, a year during which we took great steps forward on our growth journey. We again broke new records in terms of sales and earnings. Sales increased by 39% to SEK 1,794 million, while profit before tax increased by 35% to SEK 628 million. The growth is, as usual, organically driven, which makes me extra proud and appreciative of what our staff has achieved.

The highlight of the year for us was the launch of the grand strategy game Crusader Kings III. The game was a success - both in terms of sales, ratings and player activity. The success of the game once again shows that our franchises can deliver entertainment and revenue for a very long time. The game's predecessor - Crusader Kings II - has, with its fifteen expansions, delivered enjoyment for the players and significant revenues since 2012. With Crusader Kings III the franchise is not only extended, but it gets a further boost by reaching new players while prolonging and strengthening the relationship with established players. The success of Crusader Kings III shows the value of building strong brands and player communities over time. When our games become popular, they generate significant revenue and profits for the entire life of the game, but it does not stop there. During the game's lifetime, we have created a lasting asset in the brand, the player base, and our own knowledge of the game. This asset is not visible in any balance sheet but represents a large value. That value becomes clear when we develop and publish a sequel - with the help of the brand, player base, and knowledge, the risk is reduced from both a development and market perspective, at the same time as marketing becomes more cost-effective and sales grow higher.





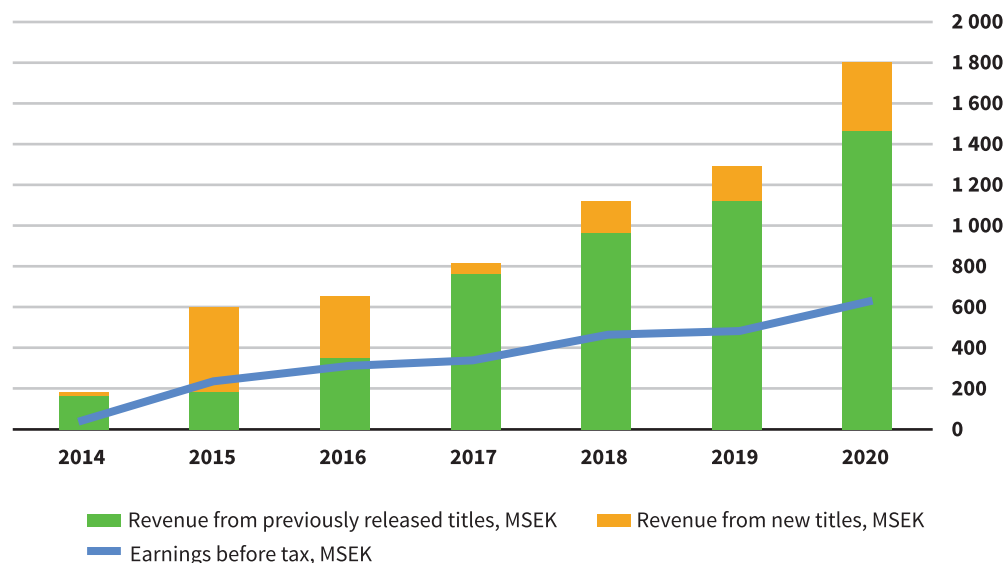
During the year, we also released the game Empire of Sin, a new game developed by our external partner studio Romero Games. The game was not an immediate success, with low sales and modest player ratings. We continue to further develop the game and support it with new content in order to improve the gaming experience. It is of course sad when the launch of a game is less successful than we'd hoped, but at the same time it is a natural part of our business and we know that a certain proportion of our game releases will not be as successful as others. But the knowledge that our successful franchises will be valuable for a long time makes it important to release several games and then, from some of them, succeed in establishing new long-lived franchises. In the same way, the additional development time we have given to the game Vampire: the Masquerade - Bloodlines 2

is something we accept because we see the potential that it can open the way into a third game segment for us - the role-playing game segment.

The core of Paradox's business consists of developing and publishing games with a long lifespan and continuously releasing expansions to the games. 2020 has been no exception. During the year, we released expansions to four of our five most successful franchises - Europa Universalis, Cities: Skylines, Stellaris and Hearts of Iron. All expansions broke sales records: the expansions sold in more copies and generated more revenue in the first month after release than any previous expansion had done for each respective franchise. This is nothing new for us; this is what it often has looked like in recent years - the larger the player base has become, the more the

expansions sell. The age of the games matters less - when the sales records were set in 2020, these games were between four and seven years old. The games' ability to generate entertainment and revenue over a long period of time creates a stability in our revenues. 2020 was a successful year in part due to the success of Crusader Kings III, but only a small portion of this year's revenue comes from Crusader Kings III and other new games released during the year. The vast majority of the revenue comes from pre-existing games. Our revenue had increased by 14% from the previous year even if we had not released Crusader Kings III or any other new games. It shows the strength of our strategy to have a portfolio of games with a long lifespan and apply a business model that provides continuous revenue during the life of the games.

The year has also been marked by the pandemic that has affected many individuals and companies in a ruthless way. We are fortunate to be in a digital industry where distribution and consumption are relatively unaffected by physical restrictions. Gaming increased during the beginning of the pandemic, an effect that began to subside at the end of the summer. At the same time, working from home has meant that some of our game development projects have progressed slower, which has meant that some releases come later than originally planned. The pandemic has also made us learn new working methods that make us more effective in the long term, both in game development and marketing, but it has also become clear that we are stronger when we are together and therefore look forward to being able to return to work from our offices as soon as the pandemic allows us to.





Delivering strong financial results for the year is obviously a priority, but it's been equally important to build our company for the future. Perhaps the most important building block has been this year's player growth. The number of monthly active players increased by 25% to over five million and the number of players with Paradox accounts increased by 50% to over 18 million. Paradox accounts are valuable to us as they give us a direct communication channel to players, and players with Paradox accounts on average stay longer and play more.

During the year, we expanded our development and publishing capacity through the acquisitions of Iceflake Studios and Playrion Game Studio, and through the establishment of Paradox Tinto. Through the acquisitions of Iceflake Studios and Playrion Game Studio, our competence and capacity increases in one of our two main segments - management games. In addition, Playrion brings us expertise in mobile gaming. Paradox Tinto is our new studio that will develop games in our other main segment - strategy games. Through this establishment in Spain, we increase our opportunities to attract development talent to this segment that is so important to us. To further increase the development pace of both new games and expansions in the strategy segment, our development studios in Malmö and Umeå became part of our Paradox Development Studios during the year, with a focus on developing content for existing grand strategy games. This is part of an increased focus on our two successful game genres where we know that additional resources have good potential to provide significant returns. Through acquisitions and organic growth, we increased our workforce during the year by 38% to 662. We are now well equipped to develop and publish our future games.

The largest investment for the future that we have made during the year is the development of our games - investments increased from the previous year by 45% to SEK 614 million. The investments in both game development and new studios are financed, as usual, by the cash flow from our current operations. During the year, this cash flow amounted to SEK 1,126 million, an increase of 55% from the previous year. This is exactly how we like to grow our company, a gradual increase in both cash flow from our current operations and investments in games and organisation.

I would like to thank all my colleagues and all our players who, despite the pandemic, made 2020 a fantastic year. And I want to take the opportunity to welcome everyone to PDXCON Remixed - our own game convention which will be entirely digital this time around. PDXCON Remixed is free this year and I hope to see as many of you there as possible!

Ebba Ljungerud, CEO



GAMES

At the core of everything Paradox does is the games. Paradox focuses on strategy and management games for PC and console that are provided according to a premium business model. A common denominator for Paradox games is that they should have a long lifespan, i.e., the games should be able to be played and enjoyed for a long time. To achieve this, five basic principles are applied in the development of both internally and externally developed games, Paradox Game Pillars. These are Looks Good, Plays Perfect, Gives Agency to the Player, Challenges the Mind, Offers an Endless Experience and Invites a Deeper Dive.

After a game has been launched, Paradox continues to gradually develop the game with new content, often for several years. It is crucial for the games to continue to be entertaining for a long time. Many of Paradox's games also have sequels, i.e., a new game based on the same brand and game idea. This further prolongs the life of the game titles.

A good example of this game strategy is Crusader Kings III which was released during the year. The game is a sequel to popular Crusader Kings II. Building on what the organisation learned through the title's previous releases, Crusader Kings III became Paradox most successful game launch to date with high ratings, record sales and high player activity. It is often through a sequel that the games achieve real success.





EMPIRE OF SIN

Release date: December 1, 2020

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

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

Developer: Romero Games

Releases during the year: Base game (PC, SWITCH, XONE, PS4)



CRUSADER KINGS III

Release date: September 1, 2020

Platforms: PC

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.

Developer: Paradox Development Studio

Releases during the year: Base game (PC)



SURVIVING THE AFTERMATH

Release date: October 20, 2019

Platforms: PC, PLAYSTATION 4, XBOX ONE

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.

Developer: Icelake Studios

Releases during the year: Several updates to base game in early-access



AGE OF WONDERS: PLANETFALL

Release date: August 6, 2019

Platforms: PC, PLAYSTATION 4, XBOX ONE

Description: 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.

Developer: Triumph Studios

Releases during the year: Invasions (PC/XONE/PS4), Star Kings (PC/XONE/PS4)



IMPERATOR: ROME

Release date: April 25, 2019

Platforms: PC

Description: Imperator: Rome is the newest grand strategy title from Paradox Development Studio. Set in the tumultuous centuries from Alexander's Successor Empires in the East to the foundation of the Roman Empire, Imperator: Rome invites you to relive the pageantry and challenges of empire building in the classical era. Manage your population, keep an eye out for treachery, and keep faith with your gods.

Developer: Paradox Development Studio

Releases during the year: -



SURVIVING MARS

Release date: Mars 15, 2018

Platforms: PC, XBOX ONE, PLAYSTATION 4

Description: Surviving Mars is a sci-fi city builder all about colonizing Mars and surviving the process. Choose a space agency for resources and financial support before determining a location for your colony. Build domes and infrastructure, research to unlock more elaborate ways to shape and expand your settlement. Cultivate your own food, mine minerals or just relax by the bar after a hard day's work. Most important of all, though, is keeping your colonists alive. Not an easy task on a strange new planet.

Developer: Haemimont Games

Releases during the year: -



HEARTS OF IRON IV

Release date: juni 6, 2016

Platforms: PC

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

Developer: Paradox Development Studio

Releases during the year: La Resistance (PC) , Battle for the Bosphorus (PC)



STELLARIS

Release date: May 9, 2016

Platforms: PC, XBOX ONE, PLAYSTATION 4

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

Developer: Paradox Development Studio

Releases during the year: Stellaris: Federations (PC), Synthetic Dawn (XONE/PS4), Humanoids (XONE/PS4), Apocalypse (XONE/PS4), Necroids (PC)



CITIES: SKYLINES

Release date: March 10, 2015

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

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

Developer: Colossal Order

Releases during the year: Sunset Harbor (PC/XONE/PS4)



PRISON ARCHITECT

Release date: October 6, 2015

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

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

Developer: Introversion Software and Double Eleven

Releases during the year: Island bound (PC/XONE/PS4/SWITCH)





EUROPA UNIVERSALIS IV

Release date: August, 13, 2013

Platforms: PC

Description: Fulfill Your Quest For Global Domination. 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.

Developer: Paradox Development Studio

Releases during the year: Emperor (PC)



VAMPIRE: THE MASQUERADE - BLOODLINES 2

Release date: TBD

Platforms: PC, XBOX ONE, PLAYSTATION 4

Description: The sequel to the cult game Vampire: the Masquerade - Bloodlines takes place in Seattle. Sired in an act of vampire terrorism, your existence ignites the war for Seattle's blood trade. Enter uneasy alliances with the creatures who control the city and uncover the sprawling conspiracy which plunged Seattle into a bloody civil war between powerful vampire factions.

Developer: Hardsuit Labs

Releases during the year: -



PLAYERS

As important as the games are the players. It is for them that Paradox develops and publishes the games. But the players are more than that, they are an asset in Paradox's business, they help to develop the games through their input and they form an important part of the player experience by being involved in the social interaction in games, forums and other player platforms. A committed and growing player base is the foundation of Paradox's growth. Therefore, it is very gratifying that the number of monthly players increased by 25% during the year to more than five million and the number of players with PDX accounts increased by 50% to over 18 million.

Paradox's most important task for attracting players is to continue to develop and release good games and to continuously further develop the games with new content and sequels. In addition to game development, Paradox carries out a number of different activities to interact with the players and strengthen their commitment and experience as Paradox players. Due to the Covid-19 pandemic, the esteemed gaming fair PDXCON could not be held in 2020. Interaction with the players has instead been allowed to take place completely digitally, including through the Paradox Insider event series and in 2021 PDXCON will return in digital form.





PARADOX ACCOUNTS

No matter where a player buys a game, they can create a PDX account and log in. The account is a gateway into Paradox ecosystem of services that allows players to: download and use mods; collect points, achievements and rewards distributed through the account; post on the Forum and gain access to closed game-specific sub-forums; get the opportunity to contribute to our Wikis; receive personal news and offers via email and other channels as well as access to Paradox Multiplayer and Social graph. The number of registered Paradox Accounts amounts to over 18 million.

MODS

Modding is and continues to be a key factor in the development and marketing of the group's games. The fact that players have the freedom to adapt and improve the games themselves is a strength, which drives both new sales and more playing time of existing players. For example, Cities: Skylines released in 2015 currently has over 250,000 mods made by the community on Steam. Paradox also has its own modding platform, which is a platform-independent solution where console players can download and use the same mods as on PC.

PARADOX INSIDER

Paradox Insider is a digital event where Paradox presents updates and news about its active and upcoming games directly to the community. The event was created in the aftermath of the cancellation of E3 2020 and has been a valuable opportunity where Paradox can communicate with the players and get a new audience and more visibility. The event attracted over 16,000 viewers in its debut and has since gained more ambitious production values and goals.

FORUMS & WIKIS

Paradox Forum and Wikis are social channels for Paradox's most dedicated fans. They act as a point of contact and are a social aspect of the games - players connect to nerd out, to read, discuss and socialize with others about Paradox games, even when they are not actually playing. Owning the forum and Wikis enables ownership of the narrative and customer experience for the social layer. The Forum and Wikis had 211 million views and 22 million users during the year.

STREAMING

On Twitch and YouTube there are daily live streams where the games are shown, new releases are presented, and personal meetings and conversations take place with game developers as well as the company's CEO and CFO. Much of the material is edited and distributed on other channels for more to access. Paradox currently operates six YouTube channels - Paradox Interactive, Paradox Extra, Paradox Grand Strategy, Cities: Skylines Official, WorldofDarkness and Paradox XL. At the end of 2020, the channels have over 662,000 subscribers and have collected a total of more than 478 million views.





ORGANISATION

During 2020, the organisation has continued to grow; both through acquisitions and organically. In total, the number of employees increased from 479 to 567 on average. In July, the development studios Playri-on Game Studio and Iceflake Studios were acquired, which at the end of the year had 24 and 23 employees, respectively. Organic growth has taken place both in the publishing business and for development studios, which have increased by 33 and 58 employees on average from the previous year. Organic growth also includes the establishment of a new development studio in Barcelona, Paradox Tinto. Paradox Tinto is led by industry veteran Johan Andersson from Paradox Development Studio. Johan is the creator of the franchise Europa Universalis, and the studio will initially be working on Europa Universalis IV.

The development organisation also consists of partner studios that are not owned by Paradox. During the year, Empire of Sin developed by Romero Games was released. The publisher also has multi-year collaborations with, for example, Colossal Order, creator of Cities: Skylines. By working with a combination of self-owned studios and established partner studios, a good balance is obtained between assured development capacity, cutting-edge competence, and flexibility. Paradox has an organisation that is well adapted to develop and publish the ambitious pipeline of upcoming games.





PARADOX INTERACTIVE

Stockholm, Sweden - 214 employees

Founded: 1999, but current business registered in 2004

Description: Paradox Interactive is a leading global publisher of strategy games for PC and console. The company has published a world-renowned catalogue stretching back to 1999, with players hailing from all around the world. The publisher's steadily-growing portfolio includes well established franchises such as the critically acclaimed Europa Universalis, Crusader Kings, Hearts of Iron, and Stellaris series created by Paradox Development Studio, the Age of Wonders series created by Triumph Studios, as well as award-winning titles such as Cities: Skylines, Pillars of Eternity, and more from a network of partner studios.



PARADOX DEVELOPMENT STUDIO

Stockholm, Sweden - 178 employees

Founded: 1995, but current business registered in 2007

Description: Paradox Development Studio are the developers behind successful strategy franchises such as Crusader Kings, Europa Universalis, Hearts of Iron, Stellaris and Victoria. The studio has been a leading development studio of globally renowned strategy games since 1995. Today the Stockholm-based studio is the center of a vast community of fans and modders.

Developed games: Crusader Kings, Europa Universalis, Victoria, Hearts of Iron, Stellaris, Imperator: Rome.



HAREBRAINED SCHEMES

Seattle, Washington - 68 employees

Founded: 2011

Description: Founded in 2011, Harebrained Schemes is known for its award-winning Shadowrun and Battletech series that combine exciting tactical gameplay with nuanced and engaging stories. Acquired by Paradox Interactive in 2018, HBS has grown to support two full project teams. The studio released BATTLETECH in April, 2018. Since then it has supported the game with a series of regular free updates and a Season Pass of expansions.

Developed games: BATTLETECH, Shadowrun, Necropolis.



TRIUMPH STUDIOS

Delft, Netherlands - 34 employees

Founded: 1997

Description: Triumph Studios, based in Delft, The Netherlands, are the creators of the critically-acclaimed Age of Wonders and Overlord-series. Founded in 1997, the studio is known as one of the top-tier strategy game developers worldwide. The Age of Wonders-series has sold in excess of one million copies to date. The studio was acquired by Paradox in 2017, and since then has released the new game Age of Wonders: Planetfall for PC and consoles in 2019.

Developed games: Age of Wonders 1-3, Age of Wonders: Planetfall, Overlord.



PARADOX TECTONIC

Berkeley, California - 9 employees

Founded: 2019

Description: Paradox Tectonic, which operates from Berkeley, California, is led by Rod Humble, former Executive Vice President at Electronic Arts and former CEO of Linden Lab, creators of Second Life. Paradox Tectonic will lead the development of a brand-new game and IP to be published by Paradox Interactive, with details to be announced at a later date.



PARADOX ARCTIC

Umeå, Sweden - 31 employees

Founded: 2014, but formally a part of Paradox Development Studio

Description: Paradox Arctic was founded in 2014 by a dedicated team of industry veterans who had spent many years in the business. Their first initiative was to continue developing the “War of” franchise, but focus soon shifted to the Magicka 2 brand - which was successfully launched in 2015 on both PC and console. After a couple of years of working on projects such as Pillars of Eternity on console and Paradox’s multiplayer backend, they have gradually shifted into developing content for other games from Paradox Development Studio.

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



ICEFLAKE STUDIOS

Tampere, Finland - 11 employees (calc. fr. acquisition)

Founded: 2007

Description: Iceflake Studios is a game development company from Finland founded in 2007. The studio is made up of a team of experienced game developers and have made games for PCs, consoles and mobile platforms. In the past, the biggest successes have been Premium Pool and ice fishing game Ice Lakes. The studio was acquired in 2020 during development of Surviving the Aftermath which is a new type of multiplatform management game for PC and console platforms.

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



PARADOX THALASSIC

Malmö, Sweden - 8 employees

Founded: 2018, but formally a part of Paradox Development Studio

Description: The studio was started in 2018 to develop games for mobile platforms, but today works exclusively with additional content for Grand Strategy games.

Developed games: -



PLAYRION GAME STUDIO

Paris, France - 11 employees (calc. fr. acquisition)

Founded: 2010

Description: Focused on delivering excellence in mobile strategy games since 2010. Creators of Airlines Manager, the market pioneer in aviation industry management games counting 10+ million downloads. Aiming to offer Paradox Interactive PC & console players an opportunity to dip into the mobile market with the same challenging deep strategic experience since the acquisition by Paradox Interactive in July 2020. Today, the studio support the game Airlines Manager with live updates and new features while simultaneously developing another exciting mobile projects.

Developed games: Airlines Manager



PARADOX TINTO

Barcelona, Spain - 2 employees

Founded: 2020

Description: The new Paradox Barcelona studio is the latest addition to the Paradox studio family; building on Paradox Development Studio’s experience at developing great Grand Strategy games. The Studio, located in Sitges, Spain, is the custodian and developer of the Europa Universalis brand, the game that started it all twenty years ago. Paradox Tinto works in a small, gameplay focused team, where each team member is part of crafting the player experience, has direct input on the design of the game and cater its culture. Their belief is that game development should be fun and should strive for a relaxed, stress-free atmosphere that will help achieve the best results.

Developed games: -



MARKET

Paradox publishes and develops games for the global gaming market. For the most part, the group releases games to PCs and consoles, and it has a strong presence in the United States and in the European market. Sales of games are mainly sold via digital platforms owners such as Valve, Sony and Microsoft.

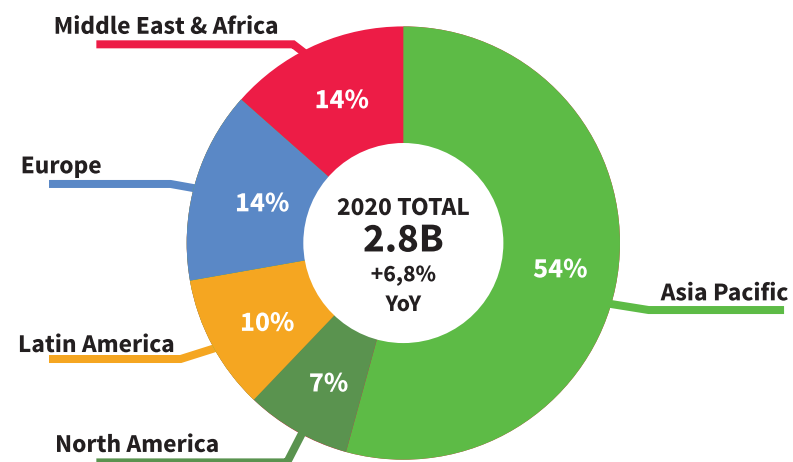
The global gaming market continues to grow, reaching USD 174.9 billion in 2020, an increase of 19.6% over the previous year, according to analysis firm Newzoo. Growth is expected to continue in the coming years and Newzoo has estimated that the gaming market will have sales of USD 217.9 billion in 2023, which would mean an annual growth of 9.4% during the period 2018–2023.

All platforms have seen growth since the previous year, where mobile continues to see the largest development and in 2020 accounts for 49% of the total market. However, the dominance of mobile games does not lead to a decline in growth in the PC and console markets. Since the previous year, PC has had a growth of 6.2% and the console market by 21.0%, according to Newzoo.

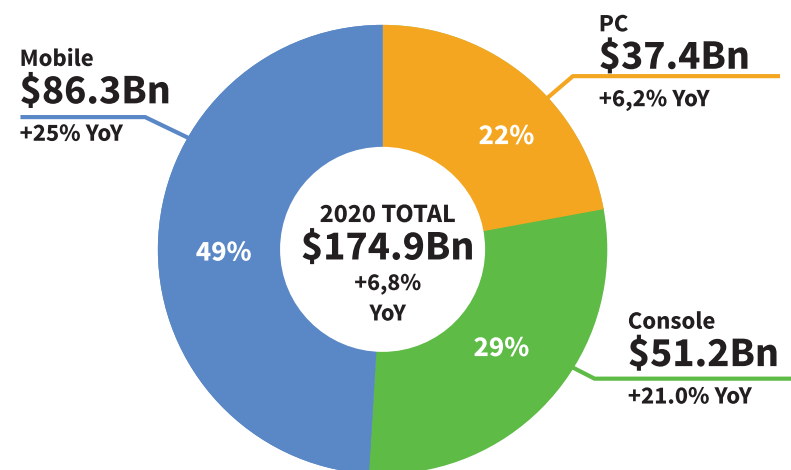
Also, regionally, all markets have seen an increase in the number of active players. The largest Asia-Pacific market houses 54% of the global player base and has seen continued growth of 6.5% compared to the previous year.

The market has seen increased competition in the distribution chain, where Valve's platform Steam has been the largest player in PC games for over a decade. Recently, attempts to challenge Valve have been made by Epic Games, the publisher of Fortnite. Epic Games Store offers publishers and game developers 88% of the revenue from sales and that they already have a large user base from Fortnite. Another challenger has been Microsoft's Xbox Gamepass, where players are offered access to a large number of games in subscription form, and publishers receive compensation for providing the game on the platform.

REGIONAL BREAKDOWN OF GLOBAL GAME REVENUES



SEGMENT BREAKDOWN OF GLOBAL GAME REVENUES



SOURCE: 2020 GLOBAL GAMES MARKET REPORT

PARADOX PRESENCE IN THE MARKET'S VALUE CHAIN

DEVELOPERS

Many developers are fighting for players' time and attention. They need help taking their games to the market, distinguishing their games from others, and reaching through the noise. Paradox has nine wholly owned development studios and well-established relationships with several partner studios.



PUBLISHERS

Publishers with experience, market knowledge and large communities evaluate, finance and market the games. With its solid experience, strong gaming brands and active player community, Paradox is a sought-after publishing partner for developers and platform holders.



PLATFORMS

More and more platform holders are competing for coveted content from publishers. They take the games to the players via their infrastructure / platforms. Paradox has well-established partnerships with the major platform players, such as Valve, Microsoft, Sony and Epic.



PLAYERS

The number of players in the world amounted to 2.8 billion in 2020 (according to Newzoo) and the number of active players on Steam to 120 million (according to Valve). Monthly active users at Paradox at the end of the year exceeded five million and registered Paradox accounts amounted to over 18 million.





ADMINISTRATION REPORT

The Board and the CEO of Paradox Interactive AB (publ), 556667-4759, hereby present the annual report for the financial year 2020.

INFORMATION ABOUT THE OPERATIONS

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 in 2004, 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 five million gamers play a Paradox game each month and the number of registered Paradox users exceeds 18 million.

The parent company is based in Stockholm.

SIGNIFICANT EVENTS DURING THE YEAR

During the year, two new games were released - Crusader Kings III, developed by Paradox Development Studio and Empire of Sin, developed by Romero Games. The company has also released several expansions and additions to previously released titles.

In July, two development studios were acquired; Playrion Game Studio, based in Paris, France and Iceflake Studios, based in Tampere, Finland.

During the year, a new development studio, Paradox Tinto, also opened in Barcelona, Spain.

At the Annual General Meeting on May 15, Linda Höglund was elected as a new board member. Peter Ingman declined re-election.

The group's employees have largely worked from home since mid-March to reduce the spread of Covid-19. The company operates in a digital industry where distribution and consumption of the company's products takes place relatively unaffected by physical restrictions. Player activity increased during the beginning of the pandemic, and then returned to more normal levels towards the end of the summer. The work-from-home has meant that some of the ongoing game development projects have been slower than planned and some releases will take place later than originally planned as a result.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

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

EXPECTED FUTURE DEVELOPMENT

In the coming years, continued good profitability is expected. One previously announced game is planned to be released with an advanced release date, after 2021. Development is underway of a number of as yet unannounced games.

REVENUES AND PROFIT

Revenues amounted to MSEK 1,793.8 (MSEK 1,289.3), an increase by 39% compared to the same period last year. Revenues for the year 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 805.7 (MSEK 500.3), primarily attributable to game development, development support, operation and maintenance of games, as well as royalties to third parties. Costs for game development has increased following game investments and releases of new games. The new games Crusader Kings III and Empire of Sin are amortised using a degressive amortisation model where 1/3 of the development cost is amortised the first month after release, 1/3 is amortised month 2-6 after release, and 1/3 is amortised month 7-18 after release. Write-downs within cost of goods sold amounts to MSEK 56.6 (MSEK 31.5). Cost of royalties is in line with the comparison period. Since the turn of the year 2019/2020, the item is referred to as cost of goods sold, since it is considered to be a more accurate description of the function's content.

Selling expenses for the period amounted to MSEK 215.1 (MSEK 193.6).

Administrative expenses for the period amounted to MSEK 120.4 (MSEK 173.7). The previous year's quarter was burdened by non - recurring costs related to Paradox Development Studio's and Paradox Interactive's move to new premises on Magnus Ladulåsgatan in Stockholm, as well as costs for a training conference for the group's employees.

Other income amounted to MSEK 25.6 (MSEK 63.6), and other expenses to MSEK 46.1 (MSEK 11.8). The previous year's other income includes revalued debt for additional purchase consideration relating to the acquisition of Harebrained Schemes amounting to MSEK 44.1. The negative development of other expenses is primarily driven by a weaker 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 MSEK 632.1 (MSEK 473.5), an increase by 33%.

Profit after financial items amounted to MSEK 628.0 (MSEK 466.8), and profit after tax amounted to MSEK 490.6 (MSEK 374.1).

FINANCIAL POSITION

Capitalised development amounted to MSEK 920.5 (MSEK 580.7) by the end of the period.

Licenses, brands and similar rights amounted to MSEK 304.6 (MSEK 200.6).

Goodwill amounted to MSEK 20.2 (MSEK 0.0) attributable to the acquisition of Iceflake Studios.

By the end of the period property and equipment amounted to MSEK 26.5 (MSEK 32.6).

Right-of-use assets for offices amounted to MSEK 199.4 (MSEK 235.5).



Shares in associates amount to MSEK 24.7 (MSEK 18.8) 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 MSEK 177.0 (MSEK 249.7) by the end of the period, mainly attributable to sales during the last month of the period.

Cash and cash equivalents amounted to MSEK 767.6 (MSEK 554.2).

Shareholders' equity amounts to MSEK 1,508.2 (MSEK 1,125.2), of which MSEK 490.6 (MSEK 374.1) consists of accumulated profit for the year.

Long term lease liabilities amounts to MSEK 167.8 (MSEK 194.0) consisting of liabilities for office premises.

Deferred tax liabilities amounts to MSEK 193.4 (MSEK 126.1), mainly relating to untaxed reserves and intangible assets from acquisitions.

Other long term liabilities amounted to MSEK 0.4 (MSEK 23.3) by the end of the period.

Short term lease liabilities amounts to MSEK 34.1 (MSEK 42.2) consisting of short term liabilities for office premises.

Other current liabilities amount to MSEK 65.4 (MSEK 12.1), and mainly consist of short-term commitments for acquisitions.

Accrued expenses and prepaid income amounts to MSEK 431.3 (MSEK 333.8). The change is mainly related to an increase in prepaid revenue from games sold where revenue is accounted for at a later date.

CASH FLOW

Cash flow from operating activities amounted to MSEK 1,126.3 (MSEK 727.8), primarily attributable to the operating profit and adjustments for items not included in the cash flow. Cash flow from investing activities amounted to MSEK -758.4 (MSEK -374.4), mainly referring to investments in game development. Cash flow from financing activities amounted to MSEK -148.5 (MSEK -129.1) mainly relating to dividend to shareholders of MSEK -105.6 (MSEK -105.6) as well as amortisation of lease liabilities for office premises.

PARENT COMPANY

The parent company consists of the publishing branch, and the parent company provides administrative services to subsidiaries. The subsidiaries mainly have intercompany revenue from game development invoiced to the parent company, why the financial development of the parent company to a great extent follows the group's development. Parent company revenues for the period amounted to MSEK 1,781.4 (MSEK 1,289.1). Operating profit amounted to MSEK 653.8 (MSEK 460.4). Profit after financial items amounted to MSEK 654.3 (MSEK 460.4). Profit after tax amounted to MSEK 391.5 (MSEK 271.2).

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 would be forced to take down its platform it could in the short term lead to 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 that revenues reflects the players' actual purchases.

Delay of game projects

Delays in planned and ongoing game projects can have a negative effect on cash flows, revenues and operating margins. Delays can occur both for internal projects and projects with external development partners.

Low revenues from new game launches

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

Exchange rate fluctuations

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



FIVE-YEAR SUMMARY

	2020	2019	2018	2017	2016
Revenues, KSEK	1,793,794	1,289,332	1,127,715	813,785	653,743
Operating profit, KSEK	632,108	473,530	455,050	339,817	308,008
Profit before tax KSEK	628,030	466,849	455,183	339,583	308,622
Profit after tax, KSEK	490,575	374,080	353,934	264,941	240,439
Operating margin	35%	37%	40%	42%	47%
Profit margin	27%	29%	31%	33%	37%
Equity/assets ratio	60%	58%	71%	77%	76%
Number of shares by the end of the period before dilution*	105,600,000	105,600,000	105,600,000	105,600,000	105,600,000
Number of shares by the end of the period after dilution*	105,889,000	105,600,000	105,600,000	105,600,000	105,600,000
Average number of shares before dilution*	105,600,000	105,600,000	105,600,000	105,600,000	105,600,000
Average number of shares after dilution*	105,839,159	105,600,000	105,600,000	105,600,000	105,600,000
Equity per share before dilution, SEK*	14.28	10.66	8.09	5.68	4.17
Equity per share after dilution, SEK*	14.24	10.66	8.09	5.68	4.17
Earnings per share before dilution, SEK*	4.65	3.54	3.35	2.51	2.28
Earnings per share after dilution, SEK*	4.64	3.54	3.35	2.51	2.28
Dividend per share before dilution, SEK*	1.00	1.00	1.00	1.00	1.00
Dividend per share after dilution, SEK*	1.00	1.00	1.00	1.00	1.00
Average number of employees	567	453	327	243	194
Number of employees at the end of the year	662	479	405	269	211

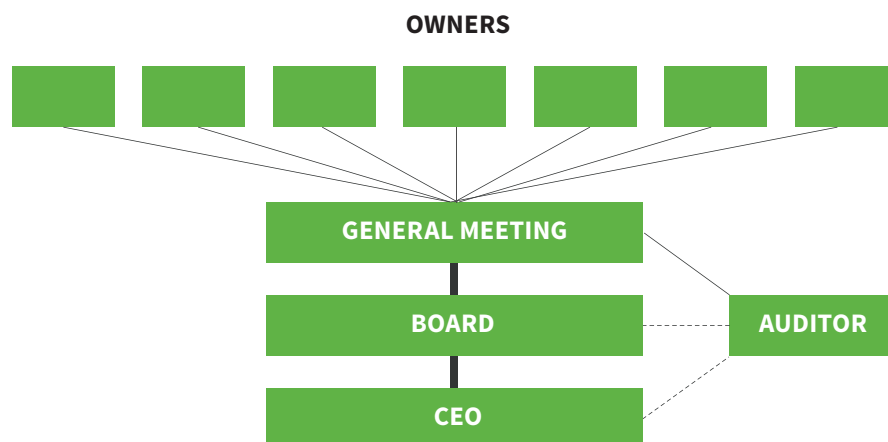
*Key figures calculated after split of shares 1000:1 that occurred in March 2016.
For definition of key figures, see note 40.



CORPORATE GOVERNANCE REPORT

Paradox Interactive AB (publ) is a Swedish public limited liability company and is governed based on Swedish law and internal rules and regulations. The Swedish Code of Corporate Governance 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 70.

CORPORATE GOVERNANCE MODEL



IMPORTANT EXTERNAL REGULATIONS

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

IMPORTANT INTERNAL REGULATIONS

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

CORPORATE GOVERNANCE FOUNDATION

Corporate governance at Paradox Interactive is about ensuring that the company is managed sustainably, responsibly and as effectively as possible. This is done by having an efficient organisational structure, good internal control and risk management, as well as a correct and transparent internal and external reporting.

SHARES AND SHAREHOLDERS

The share capital of Paradox Interactive AB (publ) consists of the same The share capital in Paradox Interactive AB (publ) consists of one and the same share class. Total number of shares amounts to 105,600,000 shares, where one share carries one vote at general meetings. The number of shareholders was 18,127 as of December 31, 2020. The largest shareholders at the end of 2020 were WesterInvest AB (Fredrik Wester) with 33.4 percent of the share capital, Investment AB Spiltan with 17.2 percent and Lerit Förvaltning AB with 8.6 percent. 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 financial year. Time and place of the AGM are published at the latest in connection with the third quarterly report. Each shareholder has also, independent of number of shares, the right to have a matter addressed at a general meeting on a request to be submitted to the board in good time so that the matter can be included in the notice of meeting.

Notice to the AGM and Extraordinary General Meeting where a change in the articles of association is to be resolved, must be made no earlier than six weeks and not later than four weeks ahead of the general meeting. Notice to other extraordinary general meetings must be made no earlier than six weeks and not later than two weeks ahead of the general meeting. Notice of a general meeting shall be made by an announcement in the Official Gazette (Sw. Post- och Inrikes Tidningar) and by making the notice available on the company's website. The company shall advertise in Svenska Dagbladet that notice has been made.

Shareholders wishing to participate in a general meeting must be entered in a transcript or other publication of the complete share register covering the status five days ahead of the general meetings, and give notice of attendance to the company no later than the day specified in the notice of the general meeting. This day may not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and must not be earlier than the fifth weekday prior to the general meeting.

Shareholders or proxies may be accompanied by not more than two assistants, but only if the shareholder notifies the company of the number of assistants in the manner stated in the preceding paragraph.

The general meeting's decision is made by a simple majority of the votes cast. However, some decisions, such as amendments to the Articles of Association, require qualified majority voting.



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

1. Election of a chairman of the meeting.
2. Preparation and approval of the voting list.
3. Approval of the agenda.
4. Election of one or two persons to verify the minutes.
5. Determination whether the meeting has been duly convened.
6. Presentation of the published annual report and audit report, and, if applicable, consolidated annual report and consolidated audit report.
7. Resolutions
 - (a) on adoption of the income statement and balance sheet and, if applicable, the consolidated income statement and the consolidated balance sheet;
 - (b) on the disposition of the company's profit or loss as shown in the adopted balance sheet;
 - (c) on discharge of liability of members of the board and the CEO when applicable.
8. Determination of the fees to be paid to the board of directors and the auditors.
9. Election of the board of directors and, if applicable, audit company or auditors and possible auditor deputies.
10. Other matters that may be brought before the meeting pursuant to the Swedish Companies Act or the Articles of Association.

Annual general meeting 2020

The AGM 2020 was held on May 15 in Stockholm. At the meeting 73% percent of the votes and thus the same proportion of shares were presented. Board and management were present at the meeting. The following decisions were taken:

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

The board and the CEO were discharged from liability for the financial year 2019. The AGM resolved to elect Linda Höglund (new), Håkan Sjunnesson, Josephine Salenstedt and Mathias Hermansson as ordinary board members for the period until the next AGM. Peter Ingman has declined to be re-elected. Fredrik Wester was elected chairman and Håkan Sjunnesson Vice Chairman. The AGM resolved according to the proposal from the nomination committee that the fees shall be SEK 520,000/year to the vice chairman of the board and SEK 260,000/year to the ordinary board members. The fee to Fredrik Wester shall, according to his own request, be 1 SEK/year. The fee to the auditor shall be according to approved invoice.

The AGM approved the nomination committee's proposal for principles for the nomination committee.

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

The AGM resolved to approve the board's proposal to authorize the board to decide on issue of new shares, convertibles and/or warrants. The increase in the share capital may amount to a dilution corresponding to no more than 10% of the share capital.

The AGM resolved to introduce an incentive program for the company's employees – warrant scheme 2020/2023. With full exercise of the warrant scheme, the number of shares in the company increases by 0.52 percent.

Annual General Meeting 2021

The AGM 2021 takes place on May 18 in Stockholm. Notice of the AGM will be available on the company's website www.paradoxinteractive.com together with all the required documents for the AGM.

Attendance on the Annual General Meeting

Year	% of votes	% of capital
2020	73	73
2019	83	83
2018	67	67
2017	67	67
2016	100	100

NOMINATION COMMITTEE

The AGM decides how the nominations committee shall be appointed. The chairman of the board of directors will contact the three largest shareholders in terms of votes on September 30, 2020. The three largest shareholders will elect one representative each to form the nomination committee along with the chairman until the next AGM has taken place, or until a new nominating committee has been appointed. If any of these shareholders wants to waive their right to elect a representative, their right is transferred to the shareholder who, after these shareholders, has the largest share ownership until the nomination committee is complete. The nomination committee is also allowed to appoint an additional member to represent the small shareholders. If a member leaves the nomination committee before its work is completed a new member shall, if considered necessary, be appointed by the same shareholder who appointed the resigning representative, or, if this shareholder is no longer one of the three largest shareholders, by the new shareholder that belongs to this group. The members of the nomination committee appoint its chairman. However, the chairman of the board of directors will not chair the nomination committee. The composition of the nomination committee shall be announced as soon as it is appointed, and no later than six months before the AGM. In case there is a change in the ownership structure after the nomination committee has been composed, such as one or several shareholders that have appointed members to the nomination committee is no longer one of the three largest shareholders, the nomination committee may be changed in accordance therewith if the nomination committee deems that it is necessary. Unless special circumstances so require, no changes should be made to the composition of the nominating committee if only marginal changes to the number of votes has occurred or if changes occur less than three months prior to the AGM. The Committee's task shall be to prepare proposals to the general meeting regarding chairman of the AGM, number of board members, remuneration to the board and the auditor, the composition of the board, the chairman of the board, rules for the nomination committee for the following year, and the election of the auditor.

Nomination committee ahead of the annual general meeting 2021

Nomination committee's proposal, the reasoned opinion to the proposed board of directors as well as information about the proposed directors are published in connection with the notice to the AGM.



Members of the nominating committee

Per Håkan Börjesson, chairman (appointed by Investment AB Spiltan)
Andras Vajlok (appointed by WesterInvest AB)
Peter Lindell (appointed by Lerit Förvaltning AB)
Fredrik Wester (chairman of the board)

The composition of the committee does not meet Code requirements for independent members in accordance with paragraph 2.3. Andras Vajlok, former CFO, and Fredrik Wester, former CEO, are members of the nomination committee, which is considered a discrepancy under paragraph 2.3. The majority of the members of the nomination committee shall be independent in relation to the company and the management according to section 2.3. As the company has a narrow circle of owners consisting primarily of WesterInvest AB (Fredrik Wester) and Investment AB Spiltan it is considered reasonable that these owners must be members of the committee.

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 to ensure 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 of Paradox, the board elected at the AGM must comprise at least three and not more than eight members. The Chairman of the board is elected at the AGM and has a responsibility to lead the work of the board and ensure that its activities are well organised and conducted in an efficient way. Since the 2020 AGM, the board has consisted of five ordinary members elected by the AGM. The board of directors consists of the following AGM-elected members; Fredrik Wester as chairman. Håkan Sjunnesson, Josephine Salenstedt, Mathias Hermansson and Linda Höglund as ordinary members of the board. The board composition during the year met the requirements of the Code regarding independent directors. This means that the majority of the elected board members are independent of the company and its management, two of whom are also independent in relation to the company's major shareholders.

Duties of the board of directors

- The board members shall give the board assignment sufficient time and care.
- The board members shall independently assess the matters that the board has to consider and present the opinions and take those standpoints arising thereto. Each board member shall act independently and with integrity and in the interest of both the company and the shareholders.
- The board members shall request any additional information deemed necessary in order for the board to adopt well substantiated resolutions.
- The board members shall obtain such information about the business of Paradox and the group, its organisation, the market etc. which is required for the assignment.
- New board members shall attend required introduction and any further training which the chairman and the board members mutually find adequate.

Chairman of the board

The chairman of the board is appointed by the AGM. The chairman's role is to organise and lead the work so that it is run efficiently and that the board fulfills its obligations. Fredrik Wester was appointed chairman of the board at the AGM 2020 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 review and determine at the constituent meeting. The rules of procedure regulate the board's working methods, tasks, decision-making within the company, the Board's meeting agenda, the chairman's duties and an appropriate division of tasks between the board and the CEO. An instruction for financial reporting and instructions to the CEO are also decided at the statutory board meeting. The board shall also ensure that the company's external communication is characterized by transparency and is accurate, relevant and clear. The board is also responsible for establishing the necessary guidelines and other policy documents, such as communications policy and insider policy.

The board's work in 2020

The board's rules of procedure describe the items to be found on the agenda at each meeting, the statutory board meeting, as well as the items to be found on one or more of the board meetings during the year. In 2020, the board held 14 meetings, including a statutory meeting, and four for the establishment of interim or year-end reports. Ordinary board meetings normally contain information from the CEO, including information related to the operational position and significant events for the group, as well as financial statements for the period. Key points in the board meetings in 2020 have been questions about investment strategies, acquisitions, interim and annual reports, dividend proposal, etc.



Composition of the board and attendance in 2020

Attendance 2020	Board meetings	Audit committee	Remuneration committee
Fredrik Wester, Chairman	13 of 14	1 of 1	-
Håkan Sjunnesson	14 of 14	1 of 1	1 of 1
Josephine Salenstedt	14 of 14	1 of 1	1 of 1
Mathias Hermansson	14 of 14	1 of 1	1 of 1
Linda Höglund, from May 15, 2020	11 of 11	0 of 0	0 of 0
Peter Ingman, to May 15, 2020	3 of 3	1 of 1	1 of 1

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 election 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 members of the board and other remuneration to elected members, including the chairman, is resolved by the AGM. At the AGM on May 15, 2020, it was resolved that the remuneration to each of the elected board members shall amount to SEK 260,000 and SEK 520,000 to the vice chairman of the board. The company's board members are not entitled to any benefits after they have resigned as members of the board. The remuneration to the chairman of the board, Fredrik Wester, shall according to his own request be SEK 1 net per financial year.

Board meetings 2020

February 17, 2020 – Regular meeting - Reviewing fixed items. Approval of the year-end report. Reviewing of the remuneration committee and the audit committee. Review of the CEO.
 April 14, 2020 – Regular meeting - Approval of the annual report.
 April 22, 2020 – Regular meeting – Reviewing fixed items.
 May 11, 2020 – Regular meeting – Approval of interim report.
 May 15, 2020 - Constituent meeting - Adoption of policies, guidelines, and instructions.
 June 10, 2020 – Regular meeting – Reviewing and approval of warrant scheme.
 June 22, 2020 – Regular meeting – Reviewing and allocation of warrants.
 July 8, 2020 – Regular meeting – Reviewing fixed items.
 August 10, 2020 – Regular meeting – Approval of the interim report.
 August 20, 2020 – Regular meeting - Reviewing fixed items.
 September 30, 2020 – Regular meeting - Reviewing fixed items.
 October 20, 2020 – Regular meeting – Reviewing fixed items.
 November 16, 2020 – Regular meeting – Approval of the interim report.
 December 14, 2020 – Regular meeting – Reviewing fixed items. Review of board and CEO.

BOARD COMMITTEES

Audit committee

In connection with the constituent board meeting the board appointed an audit committee consisting of all board 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 all board 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. All the remuneration 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.

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 2020 Grant Thornton 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. CEO is also responsible for preparing reports and compile 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 2020 included:

The CEO and senior management have presented interim reports on a recurring basis, presented proposals for investments in new game project, 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 2020

The CEO and other senior executives are paid a monthly salary, a variable salary maximized to a total of three monthly salaries, and customary employee benefits. All senior executives participate in the profit-sharing program that applies to all permanent employees.

For 2020, it was proposed to introduce a warrant scheme for the company's employees, which was approved by the AGM.

The fixed salary is usually reviewed once a year and shall consider the individual's qualitative performance. The remuneration of the CEO and all other senior executives shall be competitive. Both Paradox Interactive and the CEO must observe six months' notice. In the event of termination by the company, the CEO is entitled to a severance pay corresponding to six months' salary, with respect to the fixed monthly salary. For other senior executives, Paradox Interactive must observe the notice period in accordance with the Employment Protection Act and the employee must observe a notice period of up to six months. Other senior executives are also not entitled to any compensation in connection with the termination of their employment. Other employed senior executives have customary terms of employment.

The board is entitled to deviate from the above guidelines if the board determines that in a certain case there are special reasons to justify it.

Guidelines determined by the board and proposed to the AGM 2021

For the Annual General Meeting 2021, the board has proposed the same guidelines for remuneration to senior executives as the previous year.



BOARD OF DIRECTORS

FREDRIK WESTER

Position: Chairman of the board, elected as board member in 2010. Assigned as chairman of the board as of August 1, 2018.

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: Chairman of the board of Sahara Silversmycken AB, Kichi Invest AB, LQKO Invest AB. Chairman and CEO of WesterInvest AB, Pewterschmidt Industries AB, Earthland Realms AB, Nishi Investment AB. Board member of Asedo, QCG Sweden AB, Wooz AB.

Shareholding: 35,235,937 shares - through company.

Independence: Not independent of the company and senior management. Not independent of major shareholders.

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.

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

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

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

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

JOSEPHINE SALENSTEDT

Position: Board member. Elected in 2018.

Born: 1984

Education: Stockholm School of Economics.

Previous assignments: Extensive experience in investment and active ownership in growth companies within technology, with experience as Chairman of SkinCity and board member in Nord Software Oy and 24 Media Network AB.

Other current assignments: Chairman of the board in Söder Sportfiske AB. Board member DORO AB, CDON AB, Nelly Group AB (publ), Cidro Finans AB. Partner Rite Ventures.

Shareholding: No ownership. Indirect ownership through Lerit Förvaltning AB. Lerit Förvaltning AB owns 9,110,389 shares.

Independence: Independent of the company and senior management. Not independent of major shareholders.

LINDA HÖGLUND

Position: Board member. Elected in 2020.

Born: 1973

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

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

Other current assignments: COO Klarna Bank AB, Non-executive I member Luminar Ventures AB.

MATHIAS HERMANSSON

Position: Board member. Elected in 2019.

Born: 1972

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

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.

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

Shareholding: 1,000 shares - direct ownership.

Independence: Independent of the company and senior management. Independent of major shareholders.

SENIOR MANAGEMENT

EBBA LJUNGERUD

Position: Chief Executive Officer (CEO)

Born: 1972

Education: M.Sc. in Business and Economics, Lund University.

Previous assignments: Board member at Paradox Interactive 2014-2018. Extensive experience of consumer-related industries such as insurance, media and e-commerce. The years prior to Paradox Interactive, Chief Commercial Officer at Kindred Group PLC (formerly Unibet Group PLC).

Other current assignments: Board member Paradox Development Studio AB.

Shareholding: 13,400 shares, 150,000 warrants - direct ownership.

ALEXANDER BRICCA

Position: Chief Financial Officer (CFO)

Born: 1976

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

Previous assignments: CFO Viaplay AB, CFO Voddlar Group AB, Investment Manager Deseven Capital AB, Business lawyer Bricca Affärsjuridik AB, Corporate legal counsel ECI Net AB.

Other current assignments: Board member Alyssa AB.

Shareholding: 75,000 warrants - direct ownership.

CHARLOTTA NILSSON

Position: Chief Operations Officer (COO)

Born: 1970

Education: BA (hons) Media Studies, University of Westminster

Previous assignments: Extensive experience of scaling new business. Vice President Tieto Oy P&L growing business, (blockchain, Analytics etc). Before that CEO at SIS, EVP at Vizrt (publ) & MD at Ardo AB, Deputy MD at Epsilon Hightech Innovation.

Other current assignments: Board member Industrifonden, Expert for Vinnova.

Shareholding: 15,000 warrants - direct ownership.

DANIEL GOLDBERG

Position: Chief Marketing Officer (CMO)

Born: 1982

Education: BA (hons) Media Studies, University of Westminster

Previous assignments: Writer and journalist, covered digital industries and digital culture for DI, DN and SvD, Wall Street Journal, The Guardian etc. Founder and editor in chief, Di Digital. VP Communication at Paradox Interactive.

Other current assignments: -

Shareholding: 5 000 warrants - direct ownership.

JULIEN WÉRA

Position: Chief Product Officer (CPO)

Born: 1985

Education: Bachelor's Degree in Public Relations, Paris XII University.

Previous assignments: Global Brand Director, EA DICE. Marketing Manager, Ubisoft. Consultant, ICO Partners. Worked in the gaming industry for 13 years with various assignments with focus on online live service brands.

Other current assignments: -

Shareholding: 45,000 warrants - direct ownership.

KIM NORDSTRÖM

Position: Chief Strategy Officer (CSO)

Born: 1975

Education: No university degree, born and raised in the demo-scene C=.

Previous assignments: SVP Innovation at Paradox, VP/GM at King, R&D at PlayStation (built PlayStation 4), GM Southend Interactive, released the first game on Commodore 64 in the early '90s.

Other current assignments: -

Shareholding: 10,000 shares, 10,000 warrants - direct ownership.



MARINA HEDMAN

Position: Chief Human Resources Officer (CHRO)

Born: 1976

Education: Degree of Bachelor of Social Science

Previous assignments: VP Human Resources, Net Insight AB.

Extensive experience within HT from IT, tech and media since 2001.

Other current assignments: -

Shareholding: 35,000 warrants – direct ownership.

MINA BOSTRÖM NAKIĆENOVIĆ

Position: Chief Technology Officer (CTO)

Born: 1972

Education: Licentiate degree in Computer Science from the Faculty of Electrical Engineering, University of Belgrade.

Previous assignments: Head of development at NetEnt, Head of Development and software architect at FIS Front Arena. 20 years of experience within software development.

Other current assignments: -

Shareholding: 100 shares, 5,000 warrants – direct ownership.

SHAMS JORJANI

Position: Chief Business Development Officer (CBDO)

Born: 1983

Education: Stockholm University 2003-2005. Media technology, KTH Royal Institute of Technology, 2005-2008.

Previous assignments: Producer, Business Developer and Head of Product at Paradox Interactive.

Other current assignments: -

Shareholding: 408,000 shares, 35,000 warrants – direct ownership.

INTERNAL CONTROL

The company has not established a special function for internal audit. Instead, the board undertakes the task. The internal control includes control of the Paradox organisation, procedures and activities. The aim is to ensure a 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 that the company's resources are used in a cost efficient 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

Paradox

Paradox Interactive is the parent company of the Paradox company group and is a leading global publisher of computer games. Paradox Interactive's games are developed by nine wholly owned studios and several external studios. The wholly owned studios are Paradox Development Studio in Stockholm, Paradox Arctic in Umeå, Paradox Thallasic in Malmö, Harebrained Schemes in Seattle, Triumph Studios in Delft, Paradox Tectonic in Berkeley, Playrion Game Studio in Paris, Iceflake Studios in Tampere and Paradox Tinto in Barcelona.

Our business

Paradox publishes games primarily for PCs and game consoles, but also releases games on mobile platforms. The games are primarily in the strategy and management segment and are provided through a premium business model. The game portfolio currently has more than 100 titles and Paradox owns the most important brands such as Stellaris, Europa Universalis, Hearts of Iron, Crusader Kings, Cities: Skylines, Surviving Mars, Prison Architect, Magicka, Age of Wonders and World of Darkness brand catalog. In terms of players' geographical domicile, our largest markets are the United States, the United Kingdom, China, Germany, France, Russia and Scandinavia. With its solid experience, strong gaming brands and active player community, Paradox is a sought-after publishing partner for both developers and platform holders.

The people behind our games

The basis for a successful game project is a close collaboration between several different disciplines within the development studio and the publishing business. A prerequisite for success is to have access to employees with many different skills and abilities. Game development is a creative process where the individual is advantageously given freedom and responsibility. The gaming industry is constantly evolving, which requires innovative employees and continuous development of skills.

Our values

Paradox's activities are based on three values: nerdiness - we celebrate our nerdiness, and invite others to experience it, trust - we face challenges together by placing trust in each other, and ownership - we own up to our decisions, dare to try, and learn from the past.

Our vision

Paradox's vision is to make the world a nerdier place.

Our business model and how we create value

Paradox acts primarily in the computer game market, as a developer and publisher of digital games. The development of the games is performed primarily by employees in both our own development studios and our external partner studios. A minor part of the development is done by consultants. In order to be long-term competitive in game development and publishing, our staff's skills must continuously develop and in order for us to be able to continue our growth, the workforce needs to continuously increase. Staff growth is achieved both organically through recruitment and through acquisitions. An important component of the games are the brands and other intellectual properties on which the games are based. These intellectual properties are developed by our employees as part of game development or acquired from other companies. Feedback from our players is obtained via

our player platforms and is an important part of our development. The development of our games goes on for several years before they are launched and the launches are preceded by marketing efforts. The financing of game development, marketing, organisational growth, acquisitions of studios and intellectual properties is done with the cash flow from our current operations. Paradox games are primarily distributed through platform holders and distribution partners, but a smaller share of the sales comes from Paradox's own online store. Through the games, Paradox provides players with intellectually challenging entertainment and a player community while offering our staff a diverse, inclusive and "crunch-free" working environment with developing and creative tasks.

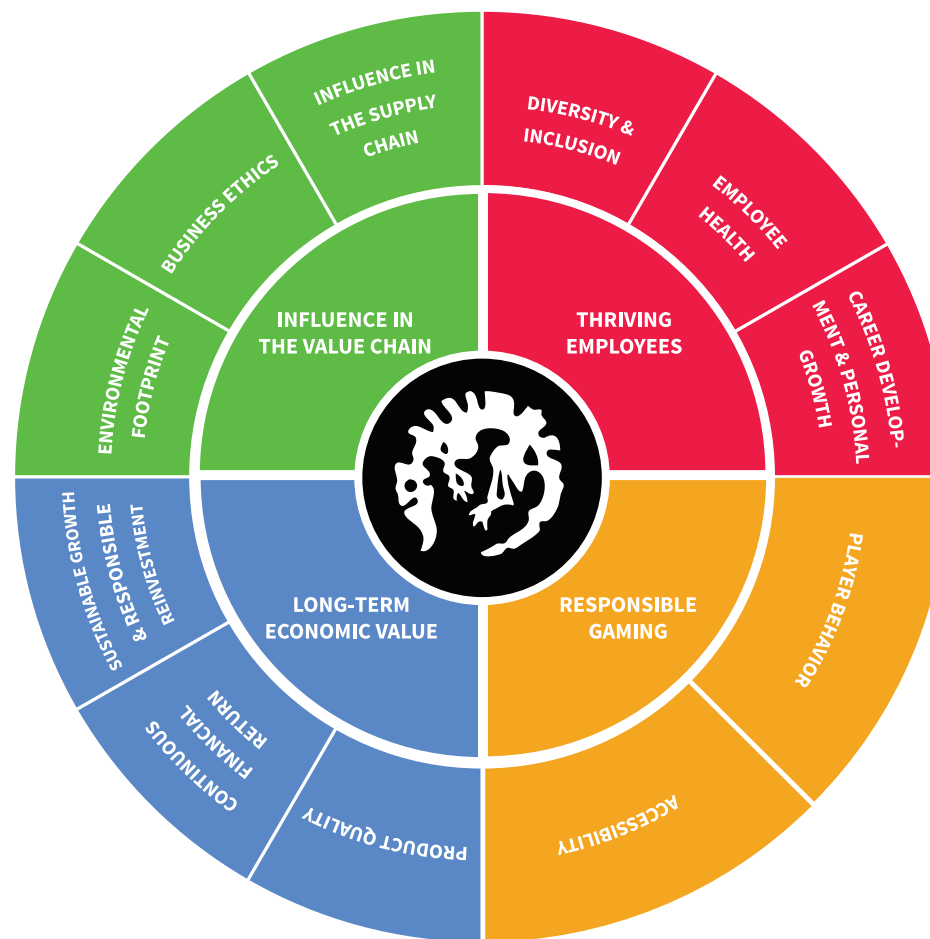


SUSTAINABILITY STRATEGY AND GOVERNANCE

Sustainability is about non-financial risk management and our value creation. Therefore, we strive to make the entire organisation aware of the financial impact that sustainability risks can have on Paradox in the long term. Following up on non-financial information is as important as financial information. At Paradox Interactive, the management team is responsible for conducting a long-term and sustainable business. The management team decides on strategy, targets and relevant policies to support a sustainable business. Furthermore, the management develops and implements our strategic business plan, including ambition, direction and targets. We want to take our part and contribute to sustainable development, take our responsibility to reduce our negative impact and increase our positive impact on people both within our own business but also in our value chain. We work purposefully to enhance the experience and the quality of our products, while it is important for us to be an attractive employer and to have long-term and responsible relationships with our suppliers and partners. To clarify our commitments, we have formulated this as: Through prosperous employees, responsible gaming, long-term economic value and Influence in our value chain, we cover everything from our daily decisions to how we work with our customers and suppliers.

Based on these four areas, we have identified which of the UN's 17 global goals that we influence with our offer and our activities. The goals that have been identified as important to us are goals 3, 8, 10 and 12. Goals 8 and 12 we influence through our purchases in how we make supplier evaluations and follow-ups as well as our own use of resources. Goals 8 and 10 have a direct link to our employees and our role as a responsible global employer.

Our various policies are used as important tools for our governance. Because of our global presence, it is important that Paradox employees act equally regardless of where they are situated. We currently do not have a policy for anti-corruption or environment, but will work to develop these in 2021. We have a whistleblower system and a policy that stipulates what we at Paradox consider to be good ethics, honesty and accountability. We expect our employees and other stakeholders to report any irregularities that occur or are discovered.





OUR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

To take us to the next level in our sustainability work, we made an assessment of our current situation during the year. The purpose of the assessment has been to identify any risks that are linked to our business, but also the strengths we as an organisation possess and which give us competitive advantages. With the help of an analysis of our current situation and prioritisation of our material aspects, we have concluded how we at Paradox can contribute to sustainable development.



Psychosocial ill health is a risk for our business and our employees, something we work with on a daily basis and need to follow up. By enabling and ensuring a healthy workplace and working environment and an inclusive corporate culture, we reduce this risk.



As a global employer with 662 employees, we have a great responsibility to act as a safe and attractive employer to create the best opportunities for our employees. By offering a healthy and positive working environment with good working conditions, we minimize the risk of losing important employees who contribute to our long-term success. But our responsibility also lies in the fact that we work with and take responsibility for our supply chain.



We are convinced that everyone's peculiarities and differences are what create a healthy, engaging and motivating workplace and corporate culture, where we minimize the risk of becoming a too homogeneous company. By giving our employees equal opportunities, we contribute to increased creativity and the ability to innovate. Accessibility is a key word for us at Paradox, where our games and platforms are available to everyone and create community in the global market.



We have an impact on society and the environment through our purchases and partnerships. Therefore, our value chain is a large part of our business, where we through responsible purchasing, our use of resources and how we conduct our daily operations determine how much impact we have. In order to contribute to sustainable development, it is important that we work with these topics regularly.

TO UNDERSTAND OUR STAKEHOLDERS

As a public company, Paradox has several stakeholders who influence or are affected by our operations. One step in our work during the year was to identify and prioritise our most important stakeholders: players, distributors, employees, third-party studios and owners. Today, we have dialogues with our stakeholders through, for example, discussions with employees, engagement in the player communities, board meetings, discussions with suppliers and ongoing dialogues with analysts and shareholders. We have not conducted a direct stakeholder dialogue based and focused on sustainability topics, which means that in this year's report we do not present a compiled stakeholder dialogue.

As a first step during the year, we conducted a survey that was sent out to our employees, selected analysts and shareholders, where we asked stakeholders to prioritise the significant sustainability areas identified during the work. Now that we have implemented this prioritisation, our ambition is to carry out a more structured stakeholder dialogue in 2021 in order to gather and ensure an understanding of the demands and expectations that exist for us as a company with a specific focus on sustainability topics. This will enable us to report in next year's sustainability report which topics are raised by each stakeholder group, but also to make any adjustments and reprioritisations of our topics in the materiality analysis to ensure that we focus on the right topics.

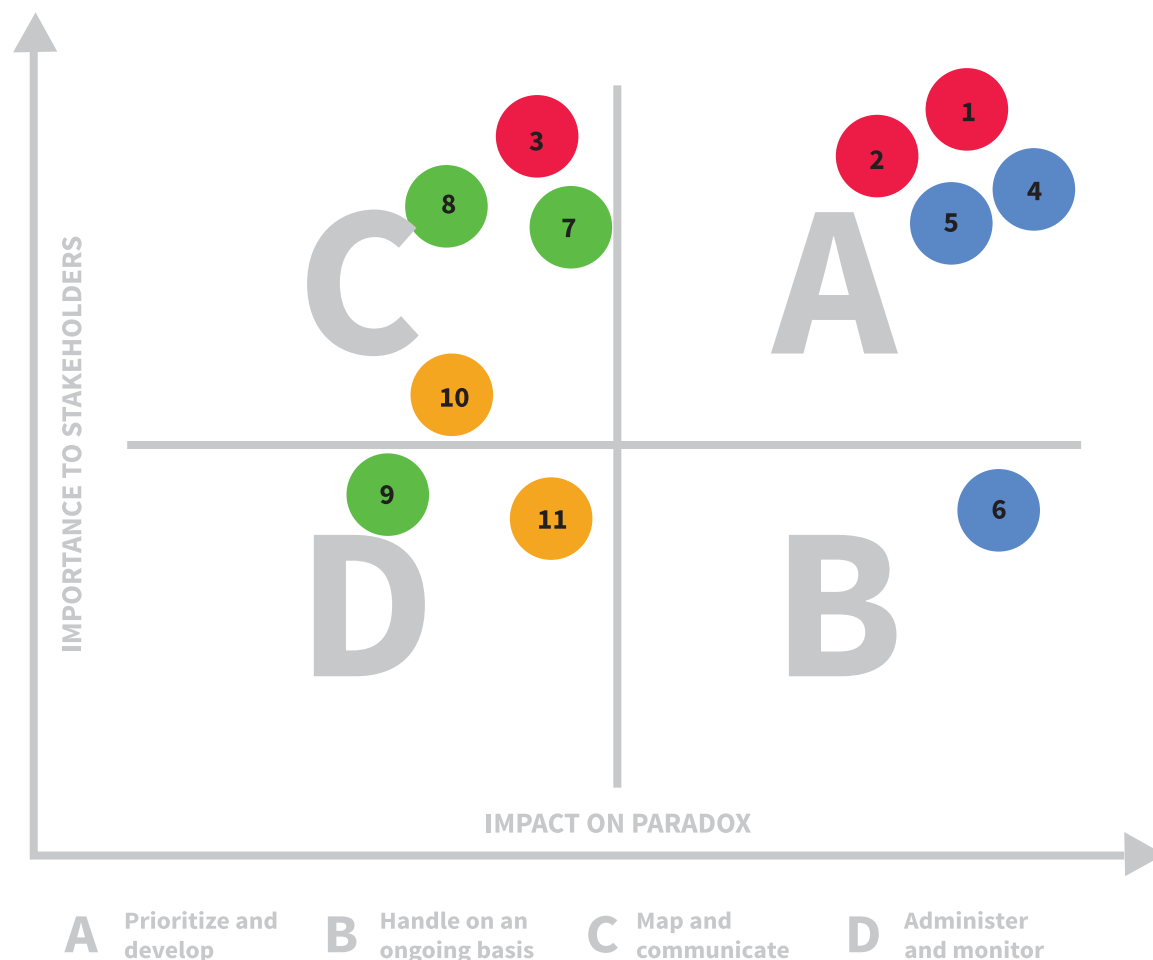




PRIORITISATION TO LIVE UP TO OUR GOVERNANCE

To be able to work strategically with sustainability in the short, medium and long term, we made a priority during the year in a materiality analysis, which we use as a basis. The basic premise is to minimise the negative effects of our business and take advantage of the opportunities that sustainable business entails. Our ambition is for all employees to feel ownership of sustainability aspects that are close to their own role and to integrate sustainable business into daily operations. The materiality analysis helps us to navigate among the stakeholders' expectations, the demands of the surrounding world and the risks and opportunities that exist for our business. We have started from both risks and opportunities related to a sustainable business and how Paradox affects its stakeholders. Overall

areas that have been considered are the environment, social conditions and personnel topics and the economic aspect. The most important sustainability aspects have been identified and these are weighted based on how important it is for our stakeholders based on this year's dialogue and the extent of the impact on Paradox. Prioritisation of identified risks is managed through active risk management, maintenance of risk and risk monitoring. This materiality analysis will form the basis for Paradox's sustainability work in the future.



Important aspects	
Prosperous Employees	
1	Career Development & Personal Growth
2	Employee Health
3	Diversity & Inclusion
Long-term economic value	
4	Product Quality
5	Sustainable Growth & Responsible Reinvestment
6	Continuous Financial Return
Influence in the value chain	
7	Business Ethics
8	Influence in the Supply Chain
9	Environmental Footprint
Responsible Gaming	
10	Player Behavior
11	Accessibility



PROSPEROUS EMPLOYEES

With 662 employees on several continents, Paradox has a great responsibility and an important task in creating a safe and meaningful workplace where outstanding people thrive and achieve phenomenal results together. Paradox wants long-term personal relationships with employees where meaningful employment is offered and is characterised by cooperation, continuous competence development, a safe working environment and a place where everyone is welcome. Therefore, the goal is to work together through collaboration and dialogue between company management, trade unions, managers and employees to contribute together to a continued positive development of the company.

Paradox measures and monitors the development of employees' views of and confidence in the company as an employer via the engagement score, eNPS and staff turnover. The engagement score and eNPS are followed up every month and the result is an average over the calendar year, which shows a prosperous and healthy work climate where Paradox thinks long-term. Regarding the engagement score, Paradox is in the middle in terms of the industry average, where the target for 2025 is to work towards the upper quartile for the aggregate score. The goal for eNPS is to maintain the current score as the company is in the upper quartile of the industry average. Staff turnover decreased by 2 percentage points in 2020 (11%) compared with 2019 (13%) and the target for 2025 is 9%.

Career development & personal growth

We want our staff to thrive and develop at work and thereby reduce the risk of dissatisfied employees, high staff turnover, and lack of the skills required to achieve the set targets both in the short and long term. Continuous competence development provides a competitive company and an attractive workplace, as well as increasing the individual's development opportunity and employability. Personal development is emphasized and good opportunities are offered for further competence development and internal career development. We have designed a staircase for seniority levels within each position to enable a clear development within each position and a fair wage setting for the work performed. A success factor for Paradox is that everyone is seen as a leader, where employees are offered leadership development in different stages depending on the role. The common factor is that all employees are offered training in self leadership as the first step in leadership development. To ensure that all employees have the opportunity to discuss their development, development dialogues are conducted twice a year with follow-up talks in between.

	2018	2019	2020	Target 2025
Internal recruitment	13%	19%	21%	25%
I see a path for me to advance my career in our organisation. (employee survey)	n/a	6,5	7,2	7,5
My manager encourages and supports my development. (employee survey)	n/a	8,0	8,5	8,2

Employee health

Paradox strives for a workplace with work-life balance. The risk that the boundary between working hours and leisure time is blurred in today's working life is significant, which entails a high risk of overtime, increased workload and stress. Paradox has a policy for overtime, where Paradox plans so that projects are handled as far as possible without overtime work. Great focus is placed on improving the working environment and preventing ill health, and the company prioritises measures to make employees feel good. Every month, an employee survey is conducted in order to continuously receive feedback and provide the opportunity to take early and preventive measures to improve the working environment. Paradox must be characterized by preventive and recurring working environment efforts, with processes for continuous improvement. A good working environment is also advantageous from an economic perspective, as ill health and injuries due to work are reduced. A good working environment creates greater commitment and job satisfaction. Paradox shall annually, following a prepared plan, develop measures to implement the policy/plan. These measures must be possible to follow up. Working environment initiatives are included in each annual budget. Follow-up and evaluation take place through reporting to the management team.

Paradox encourages a healthy lifestyle with initiatives to promote both mental and physical health, where various health initiatives are offered annually to staff, such as training in mental health and conversational support with external behavioral scientists. Furthermore, Paradox offers various forms of activities that promote physical activity, such as company-adapted group exercises and other activities that encourage physical activity and healthy choices. There is also an educational focus for managers to clarify employer responsibility and the company's position linked to health and working environment, as well as to enable good preventive measures.

During the current pandemic, Paradox has had a strong focus on supporting employees and managers. At an early stage of the pandemic, Paradox established a policy that all employees work from home with a good physical working environment, such as a height-adjustable table, office chair and ergonomic aids. Specific questions were added to the employee survey, which focus on important themes for crisis and change management that give managers and leaders insight into how they can best support employees' well-being and productivity during this challenging period. Other measures taken are, for example, training for managers to lead at a distance and webinars led by a psychologist for both managers and employees on how to lead in a crisis as well as tools and understanding of how to handle a challenging time. During the period, Paradox also established a Safe & Sane ambassador group which was given the task of arranging digital social events such as a digital Christmas celebration with Christmas food and Christmas presents delivered to our employees who moved to Sweden from other countries and did not have the opportunity to travel home due to the current situation. Paradox has also arranged for distribution of goodie bags as well as activities that encourage physical activity and healthy choices such as diet lectures, step competition and online workouts.

	2018	2019	2020	Target 2025
Attendance rates, %	96%	97%	98%	97%
Working here, I feel that I can live a physically healthy lifestyle (employee survey)	n/a	7,4	8,0	8,2
Paradox Group really cares about my mental wellbeing (employee survey)	n/a	7,0	8,1	8,2



Diversity and inclusion

Equal opportunities for all shall always be a matter of course. The risk of not actively working with these topics is that the lack of diversity results in fewer perspectives and experiences, which impairs the company's innovation and attractiveness and would hamper the corporate culture that is one of the company's success factors. Paradox works for gender equality and has both a gender equality plan and an action plan as well as a policy on abusive discrimination which serves to ensure that measures are taken in the event of any shortcomings and that the risk of discrimination is minimised. The company strives 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 or disabilities. These policies are managed and followed up by the group's human resource department. Internal training has been conducted with all managers and employees with group responsibility 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, safety representatives, union representatives or through employee surveys. Paradox works actively, for example by participating in initiatives such as "Tjejer Kodar", to promote women's interest in the industry and arranging the education "Games by her" which is aimed at people who identify as women or non-binary who are interested in learning about game programming. The proportion of women in the company group amounted to 23% in 2020, compared with 19% in 2019. In this context, it should also be mentioned that in Paradox Interactive AB (publ)'s board, two out of five members are women and of the company's senior executives at the end of 2020 four out of nine are women. The group language is English and in most cases language skills in Swedish are not a requirement for employment.

	2018	2019	2020	Target 2025
Share of woman %	18%	19%	23%	30%
People from all backgrounds are treated fairly at Paradox Group (employee survey)	n/a	8,1	8,5	9,0

LONG-TERM ECONOMIC VALUE

Our sustainability topics are closely linked to Paradox's long-term economic value. The non-financial sustainability aspects also ultimately have an impact on our financial outcome. For example, prosperous employees is a prerequisite for us to be able to develop and publish our games in a successful way and thereby create revenue growth with strong margins. Long-term economic value creation is also a prerequisite for our entire business. Sound and sustainable finances create opportunities for investments in personnel, the environment and contributing to society through, among other things, taxes. Therefore, long-term economic value creation is not only the result of a well-functioning sustainability work but also part of the sustainability work itself. At the core of our business - and so also of our sustainability work - are our games. Product quality is therefore one of the most central focus areas of our sustainability work. Closely intertwined with successful games is continuous sustainable growth, reinvestment and continuous financial returns.

Product quality

Our games are central to our stakeholders. The games are what our employees, third-party studios, suppliers and distributors work with, the games are the reason we have our players, and the games generate the company's profits and return on our owners' capital. We work purposefully with the

product quality so that the gaming experience is high. If our games do not achieve sufficient product quality, there is a risk that the games will be less well received by the players, which will lead to lower sales, lower revenues and less strong results. A core of Paradox's business and strategy is to develop and release games with a long lifetime, i.e., the games can be played and enjoyed for a long time. The long lifetime enables stable and sustainable revenues and is obtained through the design and quality of the games. To achieve the desired product quality and design, the games are developed according to a number of principles that we call Game Pillars. These Game Pillars are "Looks Good, Plays Perfect", "Gives Agency to the Player", "Challenges the Mind", "Offers an Endless Experience" and "Invites a Deeper Dive". Furthermore, game development follows a process with several Key Gate Reviews, whereby the game quality is checked on several occasions during the development phase. When the game is launched, we follow its reception among the players through several key performance indicators, the most important of which are number of monthly players (MAU), number of Paradox accounts and "Metacritic Score", which is a summary rating of industry and gaming media reviews.

	2018	2019	2020
MAU	+3m	+4m	+5m
PDX accounts	+9m	+12m	+18m
Metacritic Score	75	78	75

Sustainable growth & responsible reinvestment

To be able to launch new games, expansions and other additional content to the games, we need to continuously invest in game development, development of our publishing and studio organisation, and development of our brands and player base. If we do not invest enough in our development, we will not be able to publish as many games as we would like and the risk is that the games we publish are not of sufficient quality, which would have a negative impact on our revenues and our results. The largest type of investment we make is investment in game development. During the development phase, we capitalise game development, regardless of whether the development is done by our internal development studios or our external partner studios, and then at launch amortise over eighteen months. Apart from game development, the investments we make in building our development and publishing capacity and in building the brands and player bases, are taken as costs directly. As long as we are in a growth phase, investments in game development and capitalised development will increase. Both the period's investment in game development and the capitalised development at the end of the period are indications of how much we have developed for the future. The group's number of employees is also a measure of our investments for the future.

	2018	2019	2020
Investments in game development (MSEK)	304	422	614
Capitalised development (MSEK)	418	581	920
Number of employees	327	453	567



Continuous financial return

Paradox's short- and long-term financial returns are directly linked to the games we develop and publish and how they are received by our players. Our investments affect product quality, which in turn affects our revenues and earnings. The connection between financial outcomes and game releases is clearly seen in our quarterly reports, where the quarters' revenues and results vary significantly depending on the extent to which we have released games or additional game content during the quarter and how it was received by the players. Both our short- and long-term financial return is important, as it is what attracts our owners and creates possibilities for the progress and growth of our business. If the financial return is not sufficient, there is a risk that we will not be able to invest in new games and grow our business to the extent we want. The risk is also that our company value would decrease, which would reduce our owners' invested capital with the risk of owners leaving us. Our quarterly reports and annual reports contain a number of financial key performance indicators that we follow to monitor our financial returns and value growth. In addition to the key performance indicators that we publish, we internally follow additional key performance indicators, many of which are at game level. For us, the most central key performance indicators are revenue growth (revenue for the period as a percentage of revenue in the previous period), profit after financial items, and profit margin (profit after financial items as a percentage of revenue).

	2018	2019	2020
Revenue growth	39%	14%	39%
Profit after financial items (MSEK)	455	467	628
Profit margin	40%	36%	35%

INFLUENCE IN THE VALUE CHAIN

Paradox sustainability work is not just an internal matter. Much of Paradox's business is done through interaction with our stakeholders, such as players, employees, owners, distributors, suppliers and society at large. This means that Paradox needs to take into account that the business is conducted in a way that is sustainable for all stakeholders, but it also means that Paradox has an opportunity to positively influence these stakeholders to further contribute to sustainable development.

Business ethics

Paradox's long-term growth and success depends on the company having good relationships with players, employees and other stakeholders. Especially when Paradox is in a growth phase, we are dependent on attracting new players, new staff, new development studios and new partners. The cornerstone of good relationships is business ethics. We put demands on our own business ethics and those of our stakeholders. The risk if we do not act ethically is that we deteriorate our relationships and risk losing current and future relationships, which would have a negative impact on our growth and our long-term financial return.

Part of good business ethics is to work against corruption. Although Paradox believes that corruption is not widespread in the gaming industry, we ensure that no small-scale corruption occurs by having a policy that all gifts that partners give to an employee at Paradox should be shared with the entire company so that no individual will benefit from such gifts. All expenses must be approved by the

relevant person's manager and by the finance department, to ensure that we have control over which payments are made by the employees with Paradox funds and thereby counteract the possibility of bribes or the like. We also have guidelines in the form of personnel handbooks and manager handbooks as a support for how our personnel should act ethically. We also have a whistleblower system to increase the opportunities to identify and remedy actions that are not business ethical. During the year, we have not had any case via the whistleblower system.

Influence in the supply chain

Our impact on the outside world takes place not only through the activities carried out within the company but also through the activities carried out by our suppliers, distributors and other stakeholders. As a contracting party, Paradox is often directly dependent on the actions of these stakeholders, but also indirectly in that the actions of our stakeholders can affect our other stakeholders, such as society and media. The risk that our suppliers and other stakeholders do not act in a sustainable manner can range from Paradox receiving a direct poorer return of the business relationship with the stakeholder to Paradox receiving negative media attention, which can lead to less strong financial returns and lower growth.

Paradox supports the human rights that have been agreed internationally and incorporates these in its ongoing work, among other things by requiring contractual counterparties to comply with applicable laws and regulations, for example in relation to labor legislation. In addition to this, emphasis is placed on the professional reputation of the counterparties in order to avoid cooperating with parties that do not apply acceptable conditions. In relation to major counterparties, primarily in game development, we strive to visit the counterparties before entering into agreements, among other things to be able to ensure that acceptable conditions are applied. Paradox has also carried out work on various types of charitable causes aimed at promoting human rights, such as the right to life and education, by collaborating with partners who donate part of the total revenue from game sales to children's hospitals, and other similar initiatives, and by sponsoring schools with games adapted to teach history or urban planning.

Environmental footprint

The industry in which Paradox operates has in itself a relatively limited impact on the climate as most of the operations is performed digitally. However, the industry has the same challenges as all other industries where computers are used by consuming energy, and topics such as travel, paper consumption and the like are also relevant. If we do not work to improve our impact on the environment, society will be negatively affected. There is also a risk that our stakeholders' perception of Paradox will deteriorate, which may make it more difficult to attract staff and partners which would risk affecting our economic growth.

We strive to limit our environmental impact by minimising the physical part of our business and moving as much of the business as possible to the digital medium. To the extent that travel is carried out, for example to gaming fairs, Paradox minimises the number of travelers 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 works to minimise the use of paper by using e-signing systems for agreements and other digital document management systems as far as possible. As the company grows, the need for new premises increases. Most of our premises, for example the head office where most of the group's employees work, are rented from property owners with a distinct focus on sustainability. The environmentally friendly technology that Paradox is primarily involved in spreading and developing is the transition from physical games, to games in completely digital form



that are downloaded from the internet. This transition contributes to reducing the environmental impact from the production of the physical products and reduce the environmental impact from the transport of the physical products and has become widely spread in the gaming industry. Paradox sells over 90% of its games in digital form.

We have not performed any climate calculations for our operations, but are looking at mapping the environmental impact of our operations in 2021.

RESPONSIBLE GAMING

Paradox games are an entertainment product that should be appreciated by as many players as possible. Our players must be able to play our games and be on our player platforms in a safe and pleasant way, without risking being subjected to harassment or other abusive behavior. To achieve these goals, Paradox has both internal guidelines for game development, communication and moderation of forums and other player platforms, and rules for players, such as terms of use for games and forums and privacy policy.

Accessibility

Paradox games should be available to as many people as possible. We also want potential new players to feel encouraged to try our games and feel welcome in the games, in forums and in other interactions with other players and our company. If the availability of our games is limited, we risk attracting fewer players, which in turn leads to lower revenues. We facilitate accessibility by providing various instructional guides and also offer personal support and act inclusively in our contacts with new and existing players. We make ourselves available by having a direct dialogue with our players in everything from discussions about game design to the presentation of quarterly reports. Through our privacy policy, we regulate the protection of players' privacy and personal data. We also support organisations such as the AbleGamers Foundation which is a non-profit organisation that aims to improve the availability of computer games.

Player behavior

For Paradox' games to attract as many players as possible, it is important that the social experience in the game and the players' interactions with Paradox and other players are inclusive and pleasant. Paradox's activities are based on three values, nerdiness - we celebrate our nerdiness, and invite others to experience it, trust - we face challenges together by placing trust in each other, and ownership - we own up to our decisions, dare to try, and learn from the past. These values also affect how we view our games and players and the demands we put on our players' actions when they play our games and interact with our other players. The risk of players behaving badly towards other players is that our games lose popularity with lower revenues as a result. We do not tolerate racism, sexism, harassment, hate propaganda, bullying or threats or attacks against our employees, our players or our society and we strive to keep our games, forums and other gaming platforms free from such behavior by regulating it in our user terms and conditions and have dedicated staff who moderate our player platforms. We encourage our players to report abusive behavior on our player platforms. Furthermore, we have guidelines for how we should relate to sensitive topics in our game development.



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 528,000 by a total of 105,600,000 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 2019 Paradox Interactive AB's largest shareholders are Westerinvest AB 33.4% (Fredrik Wester), Investment AB Spiltan 17.2 % and Lerit Förvaltning AB 8.6 %.

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	27,994,400
Retained earnings	-277,573,427
Profit for the year	391,510,440
	141,931,412

The board of directors proposes

Distribution to shareholders SEK 1.00 per share	105,600,000
Retained earnings be carried forward	36,331,412
	141,931,412

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 (KSEK)

	Note	GROUP		PARENT COMPANY	
		2020-01-01 2020-12-31	2019-01-01 2019-12-31	2020-01-01 2020-12-31	2019-01-01 2019-12-31
Revenues	5	1,793,794	1,289,332	1,781,416	1,289,081
Cost of goods sold	7, 8	-805,644	-500,286	-774,299	-463,661
Gross profit		988,149	789,046	1,007,116	825,421
Selling expenses	7, 8, 9	-215,138	-193,582	-211,417	-193,582
Administrative expenses	6, 7, 8, 9, 23	-120,422	-173,665	-116,757	-174,596
Other income	11	25,612	63,553	17,824	13,713
Other expenses	12	-46,094	-11,821	-43,004	-10,548
Operating profit	13	632,108	473,530	653,762	460,407
Profit from shares in subsidiaries	25	-	34	0	34
Financial income	14	698	583	730	2
Financial expense	15	-4,775	-7,298	-225	-7
Profit after financial items		628,030	466,849	654,267	460,436
Appropriations	16			-150,225	-111,500
Income tax expense	17	-137,455	-92,769	-112,532	-77,745
Profit for the year and total comp income for the year		490,575	374,080	391,510	271,190
Profit for the period is attributable to the shareholders of the parent company					
Earnings per share attributable to parent company shareholders (SEK):					
- before dilution	44	4.65	3.54		
- after dilution	44	4.64	3.54		
OTHER COMPREHENSIVE INCOME					
<i>Items that may be reclassified to profit or loss</i>					
Translation differences		-13,896	2,919		
Total comprehensive income for the period		476,679	376,999		



BALANCE SHEET (KSEK)

	Note	GROUP		PARENT COMPANY	
		2020-12-31	2019-12-31	2020-12-31	2019-12-31
ASSETS					
Fixed assets					
Intangible fixed assets					
Capitalised development	18	920,467	580,736	913,222	566,006
Licenses, brands and similar rights	19	304,587	200,561	86,090	111,464
Goodwill	20	20,218	-	-	-
Total intangible fixed assets		1,245,273	781,297	999,312	677,470
Tangible fixed assets					
Property and equipment	21	26,529	32,583	19,406	24,287
Right-of-use assets	22	199,440	235,521	-	-
Total tangible fixed assets		225,969	268,104	19,406	24,287
Financial assets					
Shares in subsidiaries	25	-	-	305,812	106,454
Investments in associates	26	24,669	18,835	16,766	16,766
Other long term assets	27	1,234	3,462	60	3,462
Total financial assets		25,904	22,297	322,638	126,682
Total fixed assets		1,497,146	1,071,698	1,341,356	828,440
Working capital					
Current assets					
Accounts receivable	29	176,979	249,716	174,229	249,522
Receivables from group companies		-	-	3,845	20,426
Other receivables		23,777	18,646	16,536	16,437
Prepaid expenses and accrued revenues	28	52,606	48,019	52,245	48,602
Total current assets		253,361	316,381	246,855	334,987
Cash and cash equivalents	30	767,561	554,227	688,427	519,333
Total working capital		1,020,923	870,609	935,281	854,320
TOTAL ASSETS		2,518,068	1,942,307	2,276,637	1,682,760



BALANCE SHEET (KSEK)

	Note	GROUP		PARENT COMPANY	
		2020-12-31	2019-12-31	2020-12-31	2019-12-31
EQUITY AND LIABILITIES					
Equity					
<i>Restricted equity</i>					
Share capital		528	528	528	528
Reserves		-4,788	9,107	-	-
Capitalised development reserve				913,222	566,006
<i>Non-restricted equity</i>					
Share premium reserve		27,994	27,994	27,994	27,994
Retained earnings		993,849	713,467	-277,573	-107,850
Profit for the year		490,575	374,080	391,510	271,190
Total equity		1,508,158	1,125,176	1,055,681	757,869
Untaxed reserves	32			623,100	472,875
Long term liabilities					
Lease liabilities	23	167,775	194,034	-	-
Deferred tax liabilities	33	193,396	126,078	-	-
Other liabilities	34	422	23,293	422	23,293
Total long term liabilities		361,594	343,404	422	23,293
Current liabilities					
Accounts payable		66,667	45,030	63,904	38,539
Liabilities to group companies	37	-	-	57,373	27,859
Current tax liabilities		50,819	40,467	46,228	39,030
Lease liabilities	23	34,129	42,247	-	-
Other liabilities	34	65,446	12,144	50,115	2,353
Accrued expenses and prepaid revenues	35	431,257	333,837	379,815	320,942
Total current liabilities		648,317	473,726	597,434	428,723
Total liabilities		1,009,911	817,130	597,856	452,016
TOTAL EQUITY AND LIABILITIES		2,518,068	1,942,307	2,276,637	1,682,760



CHANGE IN GROUP EQUITY (KSEK)

	Note	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
At the beginning of the period 2019-01-01		528	27,994	6,188	819,067	853,777
Dividend		-	-	-	-105,600	-105,600
Profit for the year and total income for the period		-	-	2,919	374,080	376,999
At the end of the period 2019-12-31	31	528	27,994	9,107	1,087,547	1,125,176
At the beginning of the period 2020-01-01		528	27,994	9,107	1,087,547	1,125,176
Dividend		-	-	-	-105,600	-105,600
Profit for the year and total income for the period		-	-	-13,896	490,575	476,679
Share-based compensation employees		-	-	-	12,144	12,144
Repurchase warrants		-	-	-	-242	-242
At the end of the period 2020-12-31	31	528	27,994	-4,788	1,484,423	1,508,158

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



CHANGES IN EQUITY, PARENT COMPANY (KSEK)

	Note	Share capital	Capitalised development reserve	Share premium reserve	Retained earnings	Profit for the year	Total equity
Opening balance 2019-01-01		528	383,845	27,994	-110,565	290,230	592,033
Dividend		-	-	-	-105,600	-	-105,600
Transfer of previous year's result		-	-	-	290,230	-290,230	-
Transfer to capitalised development reserve		-	182,161	-	-182,161	-	-
Merger difference		-	-	-	246	-	246
Profit for the year		-	-	-	-	271,190	271,190
Closing balance 2019-12-31	31	528	566,006	27,994	-107,850	271,190	757,869
Opening balance 2020-01-01		528	566,006	27,994	-107,850	271,190	757,869
Dividend		-	-	-	-105,600	-	-105,600
Transfer of previous year's result		-	-	-	271,190	-271,190	-
Transfer to capitalised development reserve		-	347,216	-	-347,216	-	-
Share-based compensation employees		-	-	-	12,144	-	12,144
Repurchase warrants		-	-	-	-242	-	-242
Profit for the year		-	-	-	-	391,510	391,510
Closing balance 2020-12-31	31	528	913,222	27,994	-277,573	391,510	1,055,681



CASH FLOW STATEMENT (KSEK)

	Note	GROUP		PARENT COMPANY	
		2020-01-01 2020-12-31	2019-01-01 2019-12-31	2020-01-01 2020-12-31	2019-01-01 2019-12-31
Operating profit		632,108	473,530	653,762	460,407
Adjustment for items not included in cash flow	39	419,810	220,522	319,664	190,819
Interest received		698	2	730	2
Interest paid		-4,775	-7,298	-225	-7
Tax paid		-113,560	-63,104	-105,334	-62,994
Cash flow from current operations before changes in working capital		934,281	623,652	868,598	588,227
Changes in working capital					
Change in current receivables		73,781	-118,733	75,194	-119,579
Change in current liabilities		118,243	222,852	124,920	223,936
Cash flow from current operations		1,126,305	727,770	1,068,712	692,584
Investing activities					
Investments in subsidiaries		-	-	-160,117	84
Acquisition of intangible assets		-636,919	-421,986	-634,555	-423,453
Proceeds from intangible assets		-	80,350	-	80,350
Investments in subsidiaries, net of cash acquired	41	-119,999	-	-	-
Acquisition of tangible assets		-4,639	-32,806	-2,928	-21,997
Investments in other financial assets		3,186	26	3,402	-
Cash flow from investing activities		-758,370	-374,416	-794,198	-365,016
Financing activities					
Received deposits		422	-	422	-
Amortisation of lease liability		-43,062	-23,464	-	-
Paid dividend		-105,600	-105,600	-105,600	-105,600
Repurchase warrants		-242	-	-242	-
Cash flow from financing activities		-148,482	-129,064	-105,420	-105,600
Cash flow for the year		219,452	224,291	169,093	221,968
Cash and cash equivalents at the beginning of the year		554,227	327,044	519,333	297,365
Exchange rate effect		-6,119	2,892	-	-
Cash and cash equivalents at the end of the year	30	767,561	554,227	688,427	519,333



NOTES

NOTE 1 GENERAL INFORMATION

Paradox 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 to the Head office is Magnus Ladulåsgatan 4, 118 66, Stockholm.

The annual report for the year that ended December 31, 2020 (including comparative figures) was approved for publication by the Board of Directors on April 8, 2021 (see note 45).

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 OR REVISED STANDARDS OR INTERPRETATIONS

New Standards adopted as at 1 January 2020

Some accounting pronouncements which have become effective from 1 January 2020 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

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the group's financial statements.

OVERVIEW OF ACCOUNTING PRINCIPLES

Basis of preparation

The group's financial statements have been prepared on an accruals 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, 2020. All subsidiaries have a closing date on December 31.

All intercompany transactions and balances are eliminated upon consolidation, including unrealized gains and losses on transactions between group companies. In cases where unrealized 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 recognized in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the group's accounting policies.

Earnings and other comprehensive income for subsidiaries acquired during the year are reported from the date the acquisition or divestment takes effect, as applicable.

Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Investments in associates

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.

Foreign currency translation

Functional and presentation currency

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

Transactions and balances in Foreign currency

Transactions in foreign currencies are translated to the functional currency, SEK, based on the prevailing exchange rates at the transaction date (spot rate). 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 recognized 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).

Foreign operations

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.

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.

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 agreement with the customer
- Identify performance obligations
- Determination of the transaction price
- Distribute the transaction price on the performance commitments
- Report the income at the time of the performance commitment.

Revenue from the sale of software for computer games and online services is recognized 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 recognized 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 of time 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 recognizes a contractual debt when it has received compensation for unfulfilled performance commitments and recognizes 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. Since the turn of the year 2019/2020, the item is referred to as cost of goods sold, since it is considered to be a more accurate description of the function's content. The name change has not resulted in any recalculations of the content within the item.



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.

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 recognized 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 capitalization 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

Brands 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 amortized but assessed for impairment.

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

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

Tangible fixed assets

IT equipment in the form of servers and other fixtures is initially recognized 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 fixed assets 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 of the economic benefits of an identified asset for a period of time 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 (including in substance fixed), variable payments based on an index or rate.

Subsequent to 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 goodwill, other intangible assets and tangible 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 in order 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.

With the exception of 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 flows 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 assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, 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 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

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the expected credit loss model. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss

Recognition of credit losses is no longer dependent on the group first identifying a credit loss event. Instead the group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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 recognized in the income statement are included in financial income or financial expense, alternatively other income or other expenses.

Income taxes

The tax expense reported in the income statement consists of the sum of deferred tax and current tax not recognized 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.

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 comprises 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 recognized 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 as a result of the unused entitlement. Short-term benefits are expensed in the period in which they are members and staff services were obtained.

Share-based employee remuneration

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

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

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

Social security contributions attributable to share-based employee remuneration for purchased services are expensed over the periods during which the services are performed.



The provision that arises shall be revalued at each reporting date based on a calculation of the contributions that may be paid when the instruments are exercised.

Provisions and contingent liabilities

Provisions for product warranties, legal disputes, loss of contract or other claims are recognized 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 recognized in the event that 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.

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 recognized 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 recognized as part of the untaxed reserves.

Fund for development expenses

Capitalised development expenditure is allocated to a fund for development expenditure from 1 January 2016. The fund is restricted equity and dissolve at the same rate as the company does depreciation or amortization of capitalized 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.

**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. After activation the group management monitors whether the reporting requirements for development costs continue to be fulfilled and if there are indications that the capitalized expenses may be subject to impairment.

The group holds capitalized intangible assets not yet completed. Such must be tested for impairment at least annually. In order to do this, an estimate must be made of future cash flows attributable to the asset or the cash-generating unit to which the asset is to be attributed when it is completed. An appropriate discount rate must also be determined to discounting these estimated cash flows.

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 Harebrained Holdings Inc.

The contingent consideration as part of the acquisition of Harebrained Schemes has been valued based on the studios projected revenues and costs over five years. If revenue and costs deviates from the forecasted, the liability may need to be revalued with the effect taken over the income statement.

Contingent consideration Triumph Holding BV

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

Impairment of non-financial assets

To assess impairment management calculates 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 lies in assumptions about future operating results and determination of an appropriate discount rate.

The 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 depend on how well the launch of the game is received by the market, and may affect the useful life.

**NOTE 5 REVENUES AND SEGMENT REPORTING**

Revenue for the period includes TSEK 147,066 (TSEK 12,629) that was included in pre-paid revenue for pre orders and season passes at the beginning of the period.

Group management has established operating segments based on the information that is processed by the CEO and which forms 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	
	2020	2019	2020	2019
USA	1,526,282	1,090,842	1,521,804	1,090,591
Sweden	50,055	24,366	50,055	24,366
Rest of Europe	189,231	156,957	181,330	156,957
Rest of the World	28,227	17,168	28,227	17,168
Total	1,793,794	1,289,332	1,781,416	1,289,081

During the year KSEK 1,170,538 (KSEK 828,645), or 64 % (64 %) of revenue came from a single platform operator.

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

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
PC	1,544,096	1,071,588	1,543,865	1,071,337
Console	212,413	199,256	212,413	199,256
Mobile	26,244	6,597	10,442	6,597
Others	11,040	11,891	14,695	11,891
Total	1,793,794	1,289,332	1,781,416	1,289,081

NOTE 6 REMUNERATION TO THE AUDITOR

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
The expensed compensation amounts to:				
Grant Thornton Sweden AB				
-audit	947	561	947	561
-audit related assignments	157	-	157	-
-other services	-	-	-	-
Total	1,104	561	1,104	561

NOTE 7 AVERAGE NUMBER OF EMPLOYEES, ETC.**Average number of employees**

	2020		2019	
	Number	Of whom men	Number	Of whom men
Parent company				
Sweden	214	152	178	130
Subsidiaries				
Sweden	217	176	182	150
Netherlands	34	31	29	29
USA	78	60	64	56
Finland	11	6	-	-
France	11	9	-	-
Spain	2	2	-	-
Total for the group	567	436	453	365

Directors and senior executives

	2020		2019	
	Number	Of whom men	Number	Of whom men
Board of Directors	5	3	5	4
CEO and other senior executives	9	5	9	6

**NOTE 8 SALARIES AND EMPLOYEE BENEFITS**

Expenses recognized for employee compensation:

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Salaries - Board of Directors and senior management	21,781	16,229	21,781	16,229
Salaries - other employees	385,937	265,145	135,847	88,359
Pensions - Board of Directors and senior management	2,786	2,042	2,786	2,042
Pensions - other employees	14,872	11,652	7,526	6,413
Other social costs	101,393	71,202	50,541	36,778
Total	526,769	366,270	218,481	149,821

The group only has defined contribution pension plans.

NOTE 9 SENIOR EXECUTIVE REMUNERATION

Costs and liabilities related to pensions and similar to the Board of Directors, CEO:

2020 Board and senior executives	Salaries	Variable compensation	Other benefits	Pensions	Total
Chairman of the Board Fredrik Wester	0	-	-	-	0
Board member Håkan Sjunnesson	520	-	-	-	520
Board member Mathias Hermansson	260	-	-	-	260
Board member Linda Höglund	260	-	-	-	260
Board member Josephine Salenstedt	260	-	-	-	260
CEO Ebba Ljungerud	3,025	1,173	783	777	5,758
Other senior executives (8)	10,174	3,838	1,488	2,009	17,509
Total	14,499	5,011	2,271	2,786	24,567

2019 Board and senior executives	Salaries	Variable compensation	Other benefits	Pensions	Total
Chairman of the Board Fredrik Wester	0	-	-	-	0
Board member Håkan Sjunnesson	520	-	-	-	520
Board member Mathias Hermansson	260	-	-	-	260
Board member Peter Ingman	260	-	-	-	260
Board member Josephine Salenstedt	260	-	-	-	260
CEO Ebba Ljungerud	2,773	522	849	709	4,853
Other senior executives (8)	7,500	1,333	1,952	1,333	12,118
Total	11,573	1,855	2,801	2,042	18,271

Outstanding pensions liabilities to the Board and CEO amounts to KSEK 0 (KSEK 0). The CEO has a six-month agreed notice period. In the event of termination by the company, the CEO is entitled to a severance pay of six months' salary. Other senior executives have a mutual period of notice of 3-6 months.

NOTE 10**SHARE-BASED EMPLOYEE REMUNERATION****Warrant scheme 2020/2023**

The Annual General Meeting on May 15, 2020, decided to introduce a warrant scheme aimed at employees of the group. The number of issued warrants amounted to 289,000 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 price of SEK 15.66 according to a valuation based on Black & Scholes. The exercise price for the warrants was set at SEK 264.26 and subscription for shares can take place June 15, 2023 to June 30, 2023. Personnel-related costs including social security contributions for the program amount to TSEK 4,796 accounted for in 2020. In the event of full subscription of these warrants, the parent company's equity will be increased by TSEK 76,371.

Warrant Scheme 2019/2022

The Annual General Meeting on May 17, 2019 decided to introduce a warrant scheme aimed at employees of the group. The number of issued warrants amounted to 259,850 with the right to subscribe for the same number of shares in Paradox Interactive AB (publ). In total, 6,500 of these warrants have been repurchased from employees in connection employee resignations. Allotted warrants were issued free of charge in two rounds at a market price of SEK 16.97 and SEK 21.07, respectively, according to a valuation based on Black & Scholes. The exercise price for the warrants was set at SEK 175.01 and subscrip-



tion of shares can take place from June 15, 2022 to June 30, 2022. Personnel-related costs including social security contributions for the program amount to TSEK 5,910, of which TSEK 4,497 was accounted for in 2020. In the event of full subscription of these warrants, the parent company's equity will be increased by TSEK 44,339.

Warrant Scheme 2018/2021

The Annual General Meeting on May 18, 2018, decided to introduce a warrant scheme aimed at employees the group. The number of outstanding warrants amounted to 229,500 with the right to subscribe for the same number of shares in Paradox Interactive AB (publ). In total, 18,500 of these warrants have been repurchased from employees in connection employee resignations. Allotted warrants were issued free of charge at a market price of SEK 17.42 according to valuation based on Black & Scholes. The exercise price for the warrants was set at SEK 241.72, and shares can be subscribed for during the period June 15, 2021 to June 30, 2021. Personnel-related costs, including social security contributions for the program, amount to TSEK 5,254, of which TSEK 3,998 was accounted for in 2020. In the event of full subscription of these warrants, the parent company's equity will be increased by TSEK 51,003.

The number of shares after any dilution amounts to 106 353 350 at the end of the period.

NOTE 11 OTHER INCOME

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Exchange gains	16,024	11,394	16,024	11,394
Revaluation of liabilities for contingent considerations	-	44,073	-	-
Profit on sale of intangible assets	-	350	-	350
Other income	9,588	7,736	1,800	1,969
Total	25,612	63,553	17,824	13,713

NOTE 12 OTHER EXPENSES

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Exchange loss	-43,004	-9,404	-43,004	-9,405
Loss from sale of intangible assets	-	-1,143	-	-1,143
Other expenses	-3,090	-1,274	-	-
Total	-46,094	-11,821	-43,004	-10,548

NOTE 13 DEPRECIATION, AMORTISATION AND WRITE-DOWNS DIVIDED BY FUNCTION

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Cost of goods sold	-385,750	-233,246	-301,163	-185,223
Selling expenses	-5,295	-	-111	-
Administrative expenses	-21,629	-28,959	-6,856	-5,209
Total	-412,674	-262,205	-308,130	-190,432

NOTE 14 FINANCIAL INCOME

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Interest income	249	583	281	2
Gain from sale of short term investments	449	-	449	-
Total	698	583	730	2

Of which interest income from group companies 139 -

NOTE 15 FINANCIAL COST

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Interest expense contingent considerations	-	-5,517	-	-
Interest expense lease liabilities	-4,435	-1,774	-	-
Other interest expense	-340	-7	-225	-7
Total	-4,775	-7,298	-225	-7

Of which interest expense to group companies - -

**NOTE 16 APPROPRIATIONS**

	PARENT COMPANY	
	2020	2019
Reversal of tax allocation	9,775	8,500
Transfer to tax allocation	-160,000	-120,000
Total	-150,225	-111,500

NOTE 17 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 21.4% (21.4%) and the reported tax expense in the income statement is as follows:

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Profit before tax	628,030	466,849	504,042	348,936
Tax according to applicable tax rate, 21.4% (21.4 %)	-134,398	-99,906	-107,865	-74,672
Tax attributable to prior years	-	-	-	-
Adjustment for tax rate differences in foreign jurisdictions	386	974	-	-
Non-taxable revaluation contingent consideration	-	9,432	-	-
Other non-taxable income	1,178	972	-	-
Non-deductible interest contingent consideration	-	-1,181	-	-
Non-deductible items	-4,621	-3,060	-4,667	-3,073
Recognized tax expense	-137,455	-92,769	-112,532	-77,745
Specification of recognized tax expense:				
Current tax				
On net profit	-117,961	-77,177	-112,532	-77,745
Adjustment on prior year tax	-	-	-	-
Deferred tax expense				
Change in untaxed reserves	-19,494	-15,592	-	-
Tax reported in the income statement	-137,455	-92,769	-112,532	-77,745

NOTE 18 CAPITALISED DEVELOPMENT

Changes in the carrying values of capitalised development:

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Opening accumulated cost	1,227,365	883,499	1,164,552	822,666
Acquisition through business combination	4,036	-	-	-
Activated development cost	613,948	423,029	611,585	423,029
Disposals	-	-81,143	-	-81,143
Exchange rate differences	-6,267	1,980	-	-
Closing accumulated cost	1,839,082	1,227,365	1,776,137	1,164,552
Opening depreciation	-500,377	-351,170	-462,917	-334,701
Exchange rate differences	4,967	-1,468	-	-
Depreciation for the year	-221,635	-147,739	-207,763	-128,216
Closing accumulated depreciation	-717,045	-500,377	-670,680	-462,917
Opening accumulated write-downs	-146,251	-114,347	-135,629	-104,120
Exchange rate differences	1,287	-394	-	-
Write-downs for the year	-56,606	-31,510	-56,606	-31,509
Closing accumulated write-downs	-201,570	-146,251	-192,235	-135,629
Closing residual value	920,467	580,737	913,222	566,006

Impairment testing of capitalised development is made per game for the entire portfolio of games. The recoverable amount of each game was determined based on value-in-use calculations, covering a detailed three-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using a declining growth rate. The present value of the expected cash flows of each game is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the games. All the applied discount rates exceeded 10%. A write-off amounting to TSEK 56,606 (TSEK 31,510) has been recorded during the year for unannounced games where development has been cancelled.

**NOTE 19 LICENSES, BRANDS AND SIMILAR RIGHTS**

Changes in the carrying value of concessions, patents, licenses, trademarks and similar rights are:

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Opening accumulated cost	289,958	290,261	162,852	105,584
Acquisition through business combination	175,241	-	-	-
Merger	-	-	-	56,845
Addition	9,925	-	10,578	423
Exchange rate differences	-11,902	-303	-	-
Closing accumulated cost	463,222	289,958	173,430	162,852
Opening accumulated depreciations	-89,397	-41,179	-51,388	-5,827
Merger	-	-	-	-20,063
Exchange rate differences	-3,319	231	-	-
Depreciation for the year	-65,919	-48,449	-26,027	-25,498
Outgoing accumulated depreciations	-158,634	-89,397	-77,415	-51,388
Opening accumulated write-downs	-	-	-	-
Write-downs for the year	-9,925	-	-9,925	-
Closing accumulated write-downs	-9,925	-	-9,925	-
Closing residual value	294,662	200,561	86,090	111,464

Impairment testing of licenses, brands and similar rights is made per game based on which game the asset is related to. The recoverable amount of each game was determined based on value-in-use calculations, covering a detailed three-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using a declining growth rate. The present value of the expected cash flows of each game is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the games. All the applied discount rates exceeded 10%. A write-off amounting to TSEK 9,925 (TSEK 0) has been reported during the year regarding a license where an assessment has been made that it will not be possible to use the license according to plan.

NOTE 20 GOODWILL

The movements in the net carrying amount of goodwill are as follows:

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Opening accumulated cost	-	-	-	-
Acquisition through business combination	20,821	-	-	-
Exchange rate differences	-603	-	-	-
Closing accumulated cost	20,218	-	-	-
Closing residual value	20,218	-	-	-

For the purpose of annual impairment testing, goodwill is allocated to the cash generating units expected to benefit from the synergies of the business combinations in which the goodwill arises. The goodwill is entirely attributable to current and future games developed by Iceflake Studios.

The recoverable amount of each game was determined based on value-in-use calculations, covering a detailed three-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using a declining growth rate. The present value of the expected cash flows of each game is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the games. All the applied discount rates exceeded 10%.

**NOTE 21 PROPERTY, PLANT AND EQUIPMENT**

Changes in the carrying value of property, plant and equipment are:

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Opening accumulated cost	57,061	27,655	44,754	22,758
Acquisition through business combination	2,192	-	-	-
Addition	4,639	32,806	2,928	21,996
Exchange rate differences	267	-3,400	-	-
Outgoing accumulated cost	64,159	57,061	47,682	44,754
Opening accumulated depreciations	-24,478	-18,141	-20,467	-15,259
Exchange rate differences	483	-571	-	-
Depreciations for the year	-13,635	-5,766	-7,809	-5,208
Outgoing accumulated depreciations	-37,630	-24,478	-28,276	-20,467
Closing residual value	26,529	32,583	19,406	24,287

NOTE 22 RIGHT-OF-USE ASSETS

Changes in the carrying value of rights-of-use assets for offices are:

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Opening accumulated cost	259,881	-	-	-
Adjustment IFRS 16	-	27,621	-	-
Acquisition	10,742	232,198	-	-
Divestment	-24,034	-	-	-
Exchange differences	-2,434	62	-	-
Outgoing accumulated cost	244,154	259,881	-	-
Opening accumulated depreciations	-24,360	-	-	-
Depreciations	-44,954	-24,410	-	-
Divestment	24,034	-	-	-
Exchange differences	566	56	-	-
Outgoing accumulated depreciations	-44,714	-24,360	-	-
Closing residual value	199,440	235,521	-	-

**NOTE 23 LEASES**

Lease liabilities presented in the statement of financial position are as follows:

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Short term	34,129	42,247	-	-
Long term	167,775	194,034	-	-

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

In general, the lease agreements are limited, unless there is a contractual right for the group to lease the asset to another party, so that only the group can use the asset.

The leasing agreements are either non-terminable or can only be terminated against a material termination fee. The group may not sell or pledge the underlying asset as collateral. The group must keep the leased premises for offices in good condition and restore to its original condition at the end of the lease period. Furthermore, the group must insure the leased assets and pay maintenance costs for them in accordance with the leases.

At the end of the year, the group has six office premises classified as rights of use. The remaining term is 0-6 years, with an average remaining term of 2 years. All agreements are signed with an extension option, five of the agreements have variable fees related to the index. One agreement has the possibility of termination during the contract period.

The leasing debt is guaranteed by the underlying asset being pledged as collateral for the debt. Future minimum lease fees amount to the following:

Minimum lease fees 2020-12-31	Within 1 year	2-3 years	4-5 years	After 5 years	Total
Lease fees	37,865	73,550	72,440	30,263	214,119
Financial expenses	-3,736	-5,415	-2,678	-386	-12,215
Present value	34,129	68,136	69,762	29,877	201,904

Minimum lease fees 2019-12-31	Within 1 year	2-3 years	4-5 years	After 5 years	Total
Lease fees	46,577	71,679	70,141	63,986	252,384
Financial expenses	-4,330	-6,551	-3,906	-1,316	-16,102
Present value	42,247	65,129	66,236	62,669	236,281

Leasing 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	
	2020-12-31	2019-12-31
Short-term leases	119	2,487
Leasing agreements with underlying assets of low value	366	588
Variable lease payments	4,315	3,460
Total	4,800	6,535

**NOTE 24 FINANCIAL ASSETS AND LIABILITIES**

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

	Amortised cost	Fair value through profit or loss	Derivatives	Non-financial items	Total
2020-12-31					
Capitalised development	-	-	-	920,467	920,467
Licenses, brands	-	-	-	304,587	304,587
Goodwill	-	-	-	20,218	20,218
Property, plant and equipment	-	-	-	26,529	26,529
Right-of-use assets	-	-	-	199,440	199,440
Investments in associates	-	-	-	24,669	24,669
Other long term receivables	1,234	-	-	-	1,234
Accounts receivables	176,979	-	-	-	176,979
Other current assets	23,777	-	-	-	23,777
Prepaid expenses	-	-	-	52,606	52,606
Cash and cash equivalents	767,561	-	-	-	767,561
Total assets	969,551	-	-	1,548,517	2,518,068
Lease liabilities log term	-	-	-	167,775	167,775
Deferred tax liabilities	-	-	-	193,396	193,396
Other long term liabilities	422	-	-	-	422
Accounts payable	66,667	-	-	-	66,667
Current tax liabilities	-	-	-	50,819	50,819
Lease liabilities short term	-	-	-	34,129	34,129
Other liabilities	65,446	-	-	-	65,446
Accrued expenses and prepaid revenue	-	-	-	431,257	431,257
Total liabilities	132,535	-	-	709,601	1,009,911

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

Used methods for valuing financial assets and liabilities at fair value through the income statement are presented in Note 43.

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

	Amortised cost	Fair value through profit or loss	Derivatives	Non-financial items	Total
2019-12-31					
Capitalised development	-	-	-	580,736	580,736
Licenses, brands	-	-	-	200,561	200,561
Goodwill	-	-	-	-	-
Property, plant and equipment	-	-	-	32,583	32,583
Right-of-use assets	-	-	-	235,521	235,521
Investments in associates	-	-	-	18,835	18,835
Other long term receivables	3,462	-	-	-	3,462
Accounts receivables	249,716	-	-	-	249,716
Other current assets	18,646	-	-	-	18,646
Prepaid expenses	-	-	-	48,019	48,019
Cash and cash equivalents	554,227	-	-	-	554,227
Total assets	826,051	-	-	1,116,255	1,942,307
Deferred tax liabilities	-	-	-	-	-
Other long term liabilities	-	-	-	126,078	126,078
Accounts payable	23,293	-	-	-	23,293
Current tax liabilities	45,030	-	-	-	45,030
Lease liabilities short term	-	-	-	40,467	40,467
Other liabilities	-	-	-	42,247	42,247
Accrued expenses and prepaid revenue	12,144	-	-	-	12,144
Total liabilities	-	-	-	333,837	333,837
Total liabilities	80,468	-	-	736,663	817,130

**NOTE 25 SHARES IN SUBSIDIARIES**

The Group includes the following direct holdings in subsidiaries:

Name	Base	Operations	Number of shares	Share	Book value
Triumph Holding BV	Delft, Netherlands	Development	18,000	100%	40,900
Paradox Development Studio AB	Stockholm	Development	100,000	100%	90
Harebrained Holdings Inc	Seattle, USA	Development	10,000,000	100%	66,572
Paradox Interactive Inc	Delaware, USA	Development	1,000,000	100%	0
Playrion Game Studio SAS	Paris, France	Development	-	100%	169,791
Iceflake Studios OY	Tampere, Finland	Development	417	100%	28,427
Paradox Tinto SL	Barcelona, Spain	Development	3,000	100%	31
World of Darkness LLC	Delaware, USA	Licensing	-	100%	-
					305,812

Changes during the year:

	PARENT COMPANY	
	2020-12-31	2019-12-31
Opening accumulated cost	106,454	145,109
Acquisition Iceflake Studios OY	28,427	-
Acquisition Playrion Game Studio SAS	169,791	
Formation Paradox Tinto SL	31	
Formation Paradox Interactive Inc	0	
Sale Paradox North AB	-	-50
Merger White Wolf Entertainment AB	-	-50
Revaluation Harebrained Holdings Inc	1,108	-38,555
Outgoing accumulated cost	305,812	106,454

NOTE 26 INVESTMENTS IN ASSOCIATES

The group's holdings in individually non-significant associated companies:

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Opening balance	18,835	14,349	16,766	16,766
Investments	-	-	-	-
Share of equity	5,834	4,486	-	-
Outgoing balance	24,669	18,835	16,766	16,766

2020	Holding	Equity share
Hardsuit Labs Inc	33%	5,834
2019	Holding	Equity share
Hardsuit Labs Inc	33%	4,486

NOTE 27 OTHER LONG TERM ASSETS

	GROUP		PARENT COMPANY	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Opening accumulated cost	3,462	3,462	3,462	3,462
Deposits	1,174	-	-	-
Returned deposits	-3,402	0	-3,402	0
Outgoing accumulated cost	1,234	3,462	60	3,462

Other long-term assets relate to rental deposits to the company's landlord.

**NOTE 28 PREPAID EXPENSES AND ACCRUED REVENUES**

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Prepaid rental costs	10,255	10,255	9,912	10,255
Prepaid royalty costs	–	1,530	–	3,070
Other prepaid costs	13,727	10,439	13,709	9,482
Accrued revenue	28,624	25,795	28,624	25,795
Total	52,606	48,019	52,245	48,602

NOTE 29 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Accounts receivables gross	176,979	249,716	174,229	249,522
Provision for doubtful receivables	–	–	–	–
Total	176,979	249,716	174,229	249,522

All figures are current. Net book value of accounts receivable is considered a reasonable approximation of fair value.

All the group's accounts receivables and other receivables have been reviewed for indications of impairment. No significant receivables had to be written down, as in previous year. Credit losses are classified as selling expenses.

NOTE 30 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Balances with banks	767,561	554,227	688,427	519,333
Total	767,561	554,227	688,427	519,333

NOTE 31 EQUITY**Share capital**

The share capital of the Parent Company consists only of fully paid ordinary shares with a nominal value of SEK 0,005. All shares have the same rights to dividends and the re-payment of invested capital, and to one vote at the parent company's General Meeting.

	PARENT COMPANY	
	2020-12-31	2019-12-31
Subscribed and paid shares:		
At the beginning of the year	105,600,000	105,600,000
Total at the end of the year	105,600,000	105,600,000

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 recognized directly in equity amounted to KSEK 0 (KSEK 0).

Reserves

Exchange differences on translating foreign operations.

NOTE 32 UNTAXED RESERVES

	PARENT COMPANY	
	2020-12-31	2019-12-31
Untaxed reserves:		
fiscal year 2014	–	9,775
fiscal year 2015	60,600	60,600
fiscal year 2016	77,500	77,500
fiscal year 2017	85,000	85,000
fiscal year 2018	120,000	120,000
fiscal year 2019	120,000	120,000
fiscal year 2020	160,000	–
Total	623,100	472,875

**NOTE 33 DEFERRED TAX LIABILITIES**

Deferred taxes arising from temporary differences are summarized as follows:

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Opening balance	126,078	110,486	-	-
Change in untaxed reserves	32,090	23,810	-	-
Intangible assets from acquisitions	35,229	-8,218	-	-
Closing balance	193,396	126,078	-	-

All changes in deferred tax has been recognized in the income statement. Deferred tax is from untaxed reserves in the parent company, as well as deferred tax on intangible assets from acquisitions.

NOTE 34 OTHER LIABILITIES

Other long term liabilities consist of the following:

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Consideration, Prison Architect	-	23,293	-	23,293
Deposition	422	-	422	-
Total other long term liabilities	422	23,293	422	23,293

Other current liabilities consist of the following:

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Purchase price, Playrion Game Studio	25,567	-	25,567	-
Purchase price, Iceflake Studios	13,049	-	13,049	-
Purchase price, Prison Architect	8,189	-	8,189	-
Other liabilities	31,690	12,144	16,359	2,353
Total other current liabilities	65,446	12,144	50,115	2,353

NOTE 35 ACCRUED EXPENSES AND PREPAID REVENUES

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Accrued personnel costs	101,868	61,208	50,431	29,440
Accrued royalty costs	31,703	29,133	31,703	29,133
Accrued game development costs	-	-	-	18,877
Prepaid revenues	281,801	229,489	281,801	229,489
Other accrued costs	15,885	14,007	15,880	14,003
Total	431,257	333,837	379,815	320,942

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

NOTE 36 ASSETS PLEDGED AND CONTINGENT LIABILITIES

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Assets pledged				
Business mortgage	28,600	28,600	28,600	28,600
Pledged bank funds	17,393	-	17,393	-
	45,993	28,600	45,993	28,600
Contingent liabilities				
	None	None	None	None

**NOTE 37 TRANSACTIONS WITH RELATED PARTIES**

The group's related parties include all companies within the group, the Board, CEO and other senior executives. At the end of the year, the parent company had receivables from subsidiaries KSEK 3,845 (KSEK 20,426), and liabilities to subsidiaries KSEK 57,373 (KSEK 46,737), of which KSEK 0 (KSEK 18,878) accrued expenses. Receivables and liabilities between group companies are eliminated on consolidation. Parent company sales to subsidiaries during the year amounted to KSEK 3,645 (KSEK 81) and purchases to KSEK 335,343 (KSEK 223,272). The parent company's purchases from associated companies during the year amounted to KSEK 143,580 (KSEK 76,445). Sales and purchases between group companies is mainly related to the game development activities in the subsidiaries. Receivables and liabilities between group companies are valued at market conditions. Outstanding balances are usually regulated with cash.

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

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

NOTE 38 EVENTS AFTER THE END OF THE PERIOD

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

NOTE 39 ADJUSTMENTS FOR ITEMS NOT INCLUDED IN CASH FLOW

The following non-cash adjustments and adjustments have been made in profit before tax to arrive at cash flow from operating activities:

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Depreciation of non-financial items	346,143	226,364	241,599	158,923
Write-downs of non financial items	66,531	35,842	66,531	31,510
Net profit from non financial items	-	793	-	793
Investments accounted for using the equity method	-5,507	-4,543	-	-
Adjustment contingent considerations	1,108	-38,555	-	-
Other adjustments	11,535	621	11,534	-407
Total adjustments	419,810	220,522	319,664	190,819

NOTE 40 DEFINITIONS

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

Gross profit

	GROUP	
	2020	2019
Revenues	1,793,794	1,289,332
Cost of goods sold	-805,644	-500,286
Gross profit	988,149	789,046

Definition: Revenues less cost of goods sold

Operating profit

	GROUP	
	2020	2019
Revenues	1,793,794	1,289,332
Cost of goods sold	-805,644	-500,286
Selling expenses	-215,138	-193,582
Administrative expenses	-120,422	-173,665
Other income	25,612	63,553
Other expenses	-46,094	-11,821
Operating profit	632,108	473,530

Definition: Revenues less all costs within operations

Operating margin

	GROUP	
	2020	2019
Revenues	1,793,794	1,289,332
Operating profit	632,108	473,530
Operating margin	35%	37%

Definition: Operating profit in relation to revenues

**Profit margin**

	GROUP	
	2020	2019
Revenues	1,793,794	1,289,332
Profit after tax	490,575	374,080
Profit margin	27%	29%

Definition: Profit after tax in relation to revenues

Equity/assets ratio

	GROUP	
	2020-12-31	2019-12-31
Equity	1,508,158	1,125,176
Total assets	2,518,068	1,942,307
Equity/assets ratio	60%	58%

Definition: Equity as a percentage of total assets

Equity per share

	GROUP	
	2020-12-31	2019-12-31
Equity	1,508,158	1,125,176
Number of shares, thousand	105,600	105,600
Equity per share	14.28	10.66

Definition: Equity in relation to the number of outstanding shares at the end of the period

NOTE 41**ACQUISITIONS****Iceflake Studios**

On July 16, 2020, 100% of the shares were acquired in Iceflake Studios OY, based in Tampere, Finland. Paradox has paid a fixed purchase price of KEUR 2,600, of which KEUR 1,300 was settled at the time of purchase, KEUR 260 is settled one year after the time of purchase, and KEUR 1,040 is settled two years after the time of purchase.

The acquisition will increase Paradox development capacity for upcoming games. The cash flow effect of the acquisition at group level is KSEK -20,498, where KSEK -430 regarding expensed acquisition costs are included in administrative expenses.

If Iceflake had been acquired on January 1, 2020, the acquisition had contributed with revenue of KSEK 584 and a positive result of KSEK 1,804. Iceflake contributed with KSEK 230 in revenues and KSEK -578 in loss from the date of acquisition until December 31, 2020.

Purchase price:

Cash consideration	13,438
Cash consideration, settled within 1 year after the time of purchase	2,688
Cash consideration, settled within 2 years after the time of purchase	10,750
	26,876

Reported amounts of identifiable net assets

Cash and cash equivalents	6,807
Other assets	431
Other liabilities	-1,183
	6,055

Goodwill	20,821
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Playrion Game Studio

On July 1, 2020, 100% of the shares were acquired in Playrion Game Studio SAS, based in Paris, France. Paradox has paid a fixed purchase price of KEUR 15,988, of which KEUR 9,942 was settled at the time of purchase, KEUR 3,500 was settled before year-end 2020, KEUR 1,274 is settled by June 30, 2021, and KEUR 1,274 is settled by December 31, 2021.

The acquisition will increase Paradox development capacity for upcoming mobile games. The cash flow effect of the acquisition at group level is KSEK -137,333, where KSEK -2,559 regarding expensed acquisition costs are included in administrative expenses.

If Playrion had been acquired on January 1, 2020, the acquisition had contributed with revenue of KSEK 44,770 and a positive result of KSEK 18,151. Playrion contributed with KSEK 15,802 in revenues and KSEK 3,978 in profit from the date of acquisition until December 31, 2020.

Purchase price:

Cash consideration	103,986
Cash consideration, settled within 6 months from the time of purchase	36,604
Cash consideration, settled within 1 year from the time of purchase	13,321
Cash consideration, settled within 2 years from the time of purchase	13,321
	167,233
Reported amounts on identifiable net assets	
Licenses, brands, and similar rights	182,982
Cash and cash equivalents	29,851
Other assets	18,119
Deferred tax liabilities	-51,235
Other liabilities	-12,484
	167,233
Goodwill	0

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 separate note above.

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 minimizing the exposure to the volatile financial markets.

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

Currency exposure

Exposures to exchange rate changes arise from the group's sales to and purchases from other countries. These sales and purchases are made mainly in US dollars (USD), British pound (GBP) and euro (EUR). The result is also affected by the translation of foreign subsidiaries' earnings and balance sheet items into Swedish krona.

If the Swedish krona had weakened against all other currencies by 10%, the profit for the year would have decreased by KSEK 76,163 (KSEK 62,579). Of the group's total revenue, 3% (2%) is in Swedish kronor. 44% (48%) of the group's total costs are in Swedish kronor.

Generally, the risk exposure is not hedged for exchange rate fluctuations for future cash flows with financial instruments. However, the group's policy enables hedging after the Board's approval. No currency hedging was made during the year or the previous year.

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.

Analysis of 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.



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

	2020-12-31	2019-12-31
Overdue:		
Less than three months	5,583	8,102
More than three months but not more than six months	6,039	-
More than six months but not more than nine months	-	-
More than a year	-	-
Total	11,622	8,102

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

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

Liquidity risk analysis

Liquidity risk is the risk that the group can not meet its obligations. The group manages liquidity needs by monitoring forecasted inflows and outflows of the business. Long-term liquidity needs for a period of 36 months are identified quarterly. Net cash requirements are compared with the available proceeds to establish the margin of safety or potential deficits. The group's goal is to have liquid funds amounting to at least KSEK 200,000. This goal was achieved during the reporting periods. The group's financial liabilities mainly consist of accounts payable and reserves for royalties to game developers, where the contractual maturity date falls within 12 months. Long-term financial liabilities mainly consist of contingent consideration which falls due within 1-5 years.

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

FAIR VALUE MEASUREMENT

Fair value measurement of financial instruments

Financial assets and liabilities measured at fair value in the statement of financial position is divided into three levels of a hierarchy for fair value. The three levels are defined based on the observability of significant inputs used for valuation is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability
- Level 3: unobservable inputs for the asset or liability

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

2020-12-31	Level 1	Level 2	Level 3
Financial liabilities			
Contingent consideration, Harebrained Schemes	-	-	-
Total	-	-	-

2019-12-31	Level 1	Level 2	Level 3
Financial liabilities			
Contingent consideration, Harebrained Schemes	-	-	-
Total	-	-	-

Measurement of fair value of financial instruments

The group's finance department carries out the valuation of financial items for financial reporting, including fair value for Level 3. The valuation techniques are chosen based on the characteristics of each instrument, but with the overall goal of using market-based information as far as possible.

The valuation techniques used for instruments classified in Level 3 are described below:

Contingent consideration (Level 3)

The fair value of the contingent consideration from the acquisition of Harebrained Holdings Inc has been calculated using a present value technique. The fair value of KSEK 0 (KSEK 0) has been calculated through a probability assessment of future cash flows based on the acquired studio's earnings, adjusted for a discount rate of 15%. The



probability-assessed outflow of financial resources before the discount amounts to KSEK 0 (KSEK 0) and has been calculated based on the company's best assessment of the outcome. The effect on the fair value of risk and uncertainty in future cash flows has been taken into account by adjusting the estimated cash flow rather than by adjusting the discount rate.

Valuation at fair value, Level 3

Reconciliation of reported in- and outgoing balances for financial instruments classified within Level 3 is as follows:

	CONTINGENT CONSIDERATION	
	2020	2019
Opening balance January 1	-	45,680
Acquisition through business combinations, Harebrained Holdings Inc	-	-
Payment White Wolf contingent consideration	-	-7,125
Amounts reported through profit or loss in:	-	-38,555
Balance at December 31	-	-
Total unrealised gains included in other income in profit or loss, attributable to instruments within Level 3	-	38,555

NOTE 44 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	2020	2019
Weighted average number of shares used to calculate earnings per share before dilution	105,600,000	105,600,000
Weighted average number of shares used to calculate earnings per share after dilution	105,839,159	105,600,000

Dividend

In 2020, Paradox Interactive paid out dividends of KSEK 105,600 (KSEK 105,600) to its shareholders. This corresponds to a dividend of SEK 1.00 per share (1.00 per share).

In 2021, the Board proposes a dividend of KSEK 105,600 corresponding to SEK 1.00 per share. As the parent company dividends must be approved by the General Meeting no liability has been made for the dividend in the consolidated financial statements for 2020. The income tax is not expected to be affected at the company level in the parent company as a result of this transaction.

**NOTE 45 APPROVAL OF THE FINANCIAL STATEMENTS**

Consolidated financial statements for the reporting period ended 31 December 2020 (including comparatives) were approved by the board on April 8, 2021.

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 April 8, 2021

Fredrik Wester
Chairman of the Board

Ebba Ljungerud
CEO

Håkan Sjunnesson

Josephine Salenstedt

Linda Höglund

Mathias Hermansson

Our audit report was submitted on April 14, 2021
Grant Thornton Sweden AB

Carl Niring
Authorised Public Accountant



AUDITORS 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 2020 except for the corporate governance statement on pages 24-30 and the sustainability statement on pages 31-38. The annual accounts and consolidated accounts of the company are included on pages 21-69 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 as of 31 December 2020 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 2019 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 opinion does not include the corporate governance statement on pages 24-30 and the sustainability statement on pages 31-38. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and 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

The Board of Directors and the Managing Director are responsible for the other information. The other information can be found on pages 1-20 and 24-38. 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 intends 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.



- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

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 2020 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 organisation 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 organisation 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine, and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 24-30 has been prepared in accordance with the Annual Accounts Act. Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement 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 statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31



the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

THE AUDITOR'S REPORT ON THE SUSTAINABILITY STATEMENT

The Board of Directors is responsible for that the sustainability statement on pages 31-38 has been prepared in accordance with the Annual Accounts Act.

Our examination of the sustainability statement is conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on the sustainability statement. This means that our examination of the sustainability statement 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 sustainability statement has been prepared.

Stockholm April 14, 2021
Grant Thornton Sweden AB

Carl Niring
Authorised Public Accountant

