

Notice of Paradox Interactive AB (publ)'s Annual General Meeting 2020

Shareholders in Paradox Interactive AB (publ), 556667-4759 are hereby invited to the Annual General Meeting (AGM) to be held on the 15th of May 2020 13.00 CET at Paradox Interactive, Magnus Ladulåsgatan, 118 66 Stockholm.

Please note that this translation is for information purposes only – in case of any discrepancies between this version and the Swedish version of the Notice, the Swedish version shall prevail. The Annual General Meeting will be held in Swedish only.

Notice of attendance

Shareholders who wish to attend the AGM shall:

- be entered in the company's shareholders' register kept by Euroclear Sweden AB in their own name by May 9, 2020 (Note that since May 9, 2020 is a Saturday, the shareholders' register will reflect the situation on May 8, 2020 and shareholders must therefore be entered in the company's share register on that date), and
- notify their intention to attend the meeting no later than Monday, May 11, 2020, to the address Paradox Interactive AB, "Årsstämman", c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm, or per phone by calling +46 (0)8-401 43 13. Shareholders who are individuals can also notify their intention to attend on the company's website www.paradoxinteractive.com/en/section/our-company/general-meetings/ by clicking the following link: <https://anmalan.vpc.se/ParadoxAGM/> (translation available: <https://anmalan.vpc.se/ParadoxAGM/entreeng.aspx>)

The notification should state name, personal / corporate identity number, address, telephone number and shareholding in the company. If a shareholder intends to bring one or two advisors to the AGM, such participation should also be specified in the notification.

If participation is by proxy, the power of attorney along with other documents of authority must be brought to the meeting and these documents should be submitted to the above-mentioned address in good time before the meeting. Power of attorney forms for shareholders wishing to attend the meeting by proxy is available on the following website <https://anmalan.vpc.se/paradoxAgm/> (translation available: <https://anmalan.vpc.se/paradoxAgm/images/FullmaktEng2020.pdf>) and are sent to shareholders upon request.

Shareholders who have their shares registered with a nominee must, to be entitled to participate at the Annual General Meeting, temporarily register the shares in their own name.

Shareholders wishing such re-registration must inform their nominee of this well before May 9, 2020 (Note that since May 9, 2020 is a Saturday the shareholders' register will reflect the situation on May 8, 2020 and registration therefore needs to be completed no later than that day).

Due to the continued spread of Coronavirus (Covid-19), shareholders who have the slightest symptoms of illness, have relatives who are sick, have been abroad for the past two weeks before the meeting or belong to a risk group, should not physically attend the meeting and instead should vote through a proxy. As a precautionary measure, planned speeches will be kept to a minimum, the number of representatives from Paradox Interactive will be limited, no food will be served, nor will any surrounding activities be arranged in connection with the meeting. Paradox Interactive urges everyone to carefully follow instructions and restrictions from the authorities at the time of the meeting.

Shareholders who wish to ask the CEO about the business can do so at 12:00 on May 12, 2020 when the Company directly broadcasts its quarterly report directly on the Company's Twitch channel <https://www.twitch.tv/paradoxinteractive>. Shareholders can also submit questions in advance by emailing them to ir@paradoxinteractive.com or placing them directly in the chat that is open to the public but requires a Twitch account.

Proposed agenda

1. Opening of the AGM
2. Election of a chairman for the AGM
3. Establishment and approval of voting list
4. Approval of the agenda
5. Election of one or two person(s) to verify the minutes
6. Determination of whether the meeting was duly convened
7. Presentation of the annual accounts and auditors' report as well as the consolidated accounts and the consolidated auditors' report
8. Resolution on the adoption of the income statement and the balance sheet, along with the group income statement and the group balance sheet
9. Resolution on the allocation of the company's profits in accordance with the adopted balance sheet
10. Resolution on discharge from liability for the members of the Board of Directors and the CEO
11. Determination of the number of members of the Board of Directors
12. Determination of remuneration for the members of the Board of Directors and the auditors
13. Election of members and chairman of the Board of Directors
14. Election of auditors

15. Election of the nominating committee for the AGM 2020
16. Resolution on guidelines for remuneration to senior executives
17. Resolution on authorization for the Board of Directors to issue shares
18. The Board of Directors' proposal for a resolution on Warrant Scheme 2020/2023, including (A) adoption of Warrant Scheme 2020/2023, and (B) directed issue of warrants
19. Closing of the meeting

Proposals for resolutions

Election of chairman of the meeting (agenda item 2)

The nominating committee, consisting of Fredrik Wester, chairman of the Board of Directors, Per Håkan Börjesson (appointed by Investment AB Spiltan), chairman, Andras Vajlok (Westerinvest AB) and Peter Lindell (Lerit Förvaltning AB), proposes Fredrik Wester as chairman of the meeting.

Resolution on the allocation of the company's profits in accordance with the adopted balance sheet (agenda item 10)

The Board proposes a dividend of SEK 1.00 per share. The Board proposes Tuesday, May 19, 2020 as record date. If the meeting approves the proposal, the dividend will be distributed by Euroclear Sweden AB on Friday May 25, 2020.

Election of the Board of Directors etc. (agenda item 11 – 14)

The nominating committee proposes

- that the Board of Directors consists of five members and no deputy members,
- election of Linda Höglund and re-election of Håkan Sjunnesson, Josephine Salenstedt, Mathias Hermansson and Fredrik Wester as members of the Board for the period up to the end of the next AGM. The current member of the board Peter Ingman has declined re-election. Fredrik Wester is proposed to be appointed chairman and Håkan Sjunnesson is proposed to be appointed deputy chairman up to the next AGM. If Fredrik Wester's assignment should end ahead of time, the Board of Directors will elect a new chairman internally,
- that the remuneration to the Board of Directors shall be SEK 520,000/year (SEK 520,000 preceding year) for the deputy chairman and SEK 260,000/year (SEK 260,000 preceding year) for each of the AGM-elected Board members. To Fredrik Wester, in accordance with his wishes, a total remuneration of net SEK 1 is proposed for each fiscal year,

- re-election of Grant Thornton as auditor for the period up to the end of the AGM 2020, and
- that the remuneration for the auditor be paid in accordance with the approved invoice.

Below follows a short presentation of the person proposed for first time election.

Linda Höglund

Born: 1973

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

Other assignments: CFO/General Partner Luminar Ventures AB and member of a few of Luminar's portfolio companies.

Previous work experience: CFO Grab, CFO Klarna AB, CFO Electronic Arts Games Europe, CFO Digital Illusions AB, CFO/Co-founder BlueFactory AB, Goldman Sachs.

Own and closely associated holdings: 0 shares.

Independence: Independent of the Company, its senior management and the Company's major shareholders.

The nominating committee's statement regarding its proposal on the Board of Directors and information regarding the proposed members can be found on the company's website.

Resolution on the nominating committee for the AGM 2021 (agenda item 15)

The nominating committee proposes that the AGM resolves on the following order for the preparation of election of members of the Board of Directors and auditors.

The committee's task shall be to prepare proposals to the general meeting 2020 regarding Chairman of the Annual General Meeting, 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.

The chairman of the Board of Directors shall be a member of the nominating committee and be responsible for the summoning of the nominating committee. 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 Annual General Meeting 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 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 being one of the three largest shareholders, the nomination committee may be changed in accordance therewith if the nomination committee deems that it is required. 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 nominating committee shall appoint a chairman at the first meeting of the term. The nominating committee shall have the right to obtain resources from the company such as for example secretarial assistance, or use of executive search consultants at the expense of the company if it is deemed necessary.

Resolution on guidelines for remuneration to senior executives (agenda item 16)

The Board proposes that the Annual General Meeting resolves to approve the Board's proposed guidelines for remuneration for senior management as stated hereunder. Senior management refers to the CEO and other senior management members of the company.

The goal of the remuneration is to ensure attracting, motivating and retaining senior management and key personnel. The remuneration shall be market-based and competitive in the markets in which the company operates and at the same time favor the interests of the shareholders.

The CEO and the other senior management members are paid a market based monthly salary, a bonus of up to three monthly salaries and customary benefits. All members of senior management are part of the joint profit-sharing program for all permanent employees as decided by the Board.

The establishment of a warrant program starting 2020 is also proposed, see agenda item 18.

The fixed salary is in general reviewed on a yearly basis and shall take into account the individual's qualitative performance. Remuneration to the CEO and the other members of senior management shall be market based.

Both Paradox and the CEO shall observe a six-month notice period. CEO is entitled to a severance payment amounting to six fixed monthly salaries in case of termination by the company. In relation to the other members of senior management, Paradox will observe the period of notice set out in the Employment Protection Act and the employee must observe the same notice period up to a maximum of 6 months. Other senior management are not entitled to any compensation in connection with their employment being terminated. Other senior management 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.

Resolution on authorization for the Board of Directors to issue shares (agenda item 17)

The Board of Directors proposes that the annual general meeting authorises the Board of Directors to, on one or several occasions, during the period up to the next annual general meeting, with or without deviating from the shareholder's preferential rights, resolve to issue new shares, convertibles and/or warrants. The increase of the share capital, which entails issuance, conversion or subscription for new shares, may correspond to a dilution of a maximum of 10 percent of the share capital at the time of the first use of the authorisation to issue shares, convertible instruments and/or warrants. The purpose of the authorisation is to, in a fast and efficient way, acquire companies, businesses or parts thereof or broadening the ownership structure of the Company. Payment may be made in cash and/or with a condition to pay in kind or by way of set-off, or other conditions. A resolution in accordance with the Board of Directors' proposal shall only be valid where supported by not less than two-thirds of both the votes cast and the shares represented at the annual general meeting. The Board of Directors shall have the right to make such minor adjustments in this resolution that may be necessary in connection with the registration of the authorisation with the Swedish Companies Registration Office.

The Board of Directors' proposal for a resolution on Warrant Scheme 2020/2023, including (A) adoption of Warrant Scheme 2020/2023, and (B) directed issue of warrants (item 18)

The Board of Directors proposes that the annual meeting resolves to implement an incentive program for the employees of the Company and its subsidiaries – Warrant Scheme 2020/2023 – as set out below.

Adoption of the scheme (item 18(A))

Background and reasons

The purpose of Warrant Scheme 2020/2023 is to reward long term commitments of the group's employees, to ensure that the Company's long term value increase is reflected in the remuneration for the participants of the scheme, to contribute to the capability to recruit and retain competent co-workers and to otherwise increase shared incentives between the group's employees and the Company's shareholders. The scheme is further expected to motivate the participants to retain their employment with the Company.

It is the intention of the board of directors to annually propose incentive programs

Given the reasons set out above and the main terms and conditions set out below it is the opinion of the board of directors that the proposed Warrant Scheme 2020/2023 is reasonable and beneficial for the Company and its shareholders.

Main terms and conditions

- (a) The Warrant Scheme shall include no more than 550,000 warrants.
- (b) Each warrant entitles the holder to subscribe for one new share in the Company at a subscription price corresponding to 120 per cent of the volume weighted average transaction price (rounded off to the closest öre (SEK 0.01)) for the Company's share on Nasdaq First North during the 5 trading days following the date of publication of the Company's interim accounts for the first quarter of 2020 ("**Subscription Price 1**") and for the second quarter of 2020 ("**Subscription Price 2**") respectively. The subscription price and the number of shares which each warrant entitles to subscribe for may be subject to recalculation pursuant to a bonus issue, share split, new issue with preferential rights and similar measures, whereby conventional terms and conditions for recalculation shall be applied.
- (c) The Warrant Scheme shall comprise certain full-time employees of the Company and its subsidiaries.
- (d) Allotment of warrants is made with not more than 550,000 warrants in aggregate, to be distributed in accordance with the following allotment categories:
 - (i) the managing director: not more than 50,000 warrants, and

- (ii) other employees who have been employed for at least a year without interruption at the time of allotment (although the board of directors shall have the right to make exceptions to this condition): not more than 25,000 warrants per person.

A resolution on allotment will be made by the board of directors on two occasions during 2020 as soon as possible after the determination of Subscription Price 1 ("**Allotment 1**") and Subscription Price 2 ("**Allotment 2**") respectively, whereupon Allotment 2 shall comprise a maximum of 80,000 warrants which are allotted only to persons who were not employed in the group at the time of Allotment 1.

The allotted amount shall be determined taking into account the overall goals of the board of directors for the development of the group. There is no guaranteed lowest allotment.

- (e) Allotted warrants are offered for subscription for no consideration. Such offer shall be made within 10 banking days from the date the resolution on allotment is made.
- (f) Allotted and subscribed for warrants may be exercised by the holder from and including 15 June 2023 up to and including 30 June 2023.
- (g) In the event a holder of warrants terminates his or her employment or is dismissed or terminated from his or her employment with a group company, and wishes to transfer warrants and in certain other cases, the Company or the Company's assignee is entitled to re-purchase such holder's warrants at the market price. The right of re-purchase only relates to warrants which cannot be exercised for subscription yet.
- (h) For participation in Warrant Scheme 2020/2023 it is presumed that such participation is legally possible, and that such participation in the board of director's opinion is possible at reasonable administrative costs and with reasonable financial resources.
- (i) The warrants may be subject to restrictions in the United States and in other jurisdictions that, in the opinion of the Board, are necessary to comply with applicable laws.

Costs

The assessment of the board of directors is that Warrant Scheme 2020/2023 will lead to costs for the Company in terms of general payroll tax (*Sw. arbetsgivaravgifter*) with respect to the benefit the participants obtain following the offer to subscribe for warrants for no consideration and as a result of any exercised warrants as well as limited costs with respect to the establishment and utilisation of the Warrant Scheme.

The costs for general payroll tax at the time of issue of the warrants is estimated at SEK 2 700 000 before corporation tax, assuming allotment of 450 000 warrants to employees in the Company and its Swedish subsidiaries subscription for all allotted warrants, an average Subscription Price of SEK 202 as well as a theoretical value of each warrant calculated on the basis of, among other things, the risk free interest rate and share price as well as volatility and dividend yield. The cost for general payroll tax (*Sw. arbetsgivaravgifter*) is estimated to approximately SEK 1,300,000, assuming allotment of 100 000 warrant to employees in the Company's foreign subsidiaries, subscription of all the allotted warrants, an average Subscription Price of 202, as well as a theoretical value of each warrant calculated on the basis of, among other things, the risk free interest rate, share price, volatility, dividend yield and direct return as well as an annual increase in the share price amounting to 10%.

Dilution and effect on material key ratios

Provided a full subscription of all issued warrants with respect to Warrant Scheme 2020/2023 the number of shares in the Company will increase with 550 000 shares, corresponding to approximately 0.52 per cent of shares in the Company.

The Company has an outstanding warrant program which was adopted at the Annual General Meeting on May 18, 2018 ("**Warrant Scheme 2018/2021**") and an outstanding warrant program which was adopted at the Annual General Meeting on May 17, 2019 ("**Warrant Scheme 2019/2022**"). Within the framework of the Warrant Scheme 2018/2021, a total of 229,000 warrants are outstanding. Each such warrant entitles the holder to subscribe for one new share in the Company during the period from 15 June 2021 to 30 June 2021. Within the framework of the Warrant Scheme 2019/2022, a total of 258,850 warrants are outstanding. Each such warrant entitles the holder to subscribe for one new share in the Company during the period from 15 June 2022 to 30 June 2022. In the event all outstanding warrants issued within the scope of the Warrant Scheme 2018/2021 and the Warrant Scheme 2019/2022 are exercised for subscription of shares in the Company, 487 850 shares will be issued, corresponding to approximately 0.46 percent of the shares in the Company.

In the event that all warrants issued within the scope of the Warrant Scheme 2018/2021 and the Warrant Scheme 2019/2022 are exercised for subscription of shares and in the event all warrants proposed to be issued within the scope of the Warrant Scheme 2020/2023 are partly issued and partly exercised for subscription of shares, a total of 1 037 850 shares will be issued, corresponding to approximately 0.98 percent of the shares in the Company.

The material key ratios for the group's business are the group's equity ratio (*Sw. soliditet*) and net margin (*Sw. nettomarginal*). At maximal cost for general payroll tax at allotment and at full subscription of all the warrants issued with respect to Warrant Scheme 2020/2023 it is

the board of director's opinion that the effect of Warrant Scheme 2020/2023 on said key ratios is non-existent or marginal.

Preparation

The proposal for Warrant Scheme 2020/2023 has been prepared by the board of directors in consultation with external advisers. The proposal has been unanimously adopted by the board of directors.

Directed issue of warrants (item 18(B))

The Board of Directors proposes that the annual meeting resolves on a directed issue of not more than 550,000 warrants, whereby the Company's share capital may be increased by a maximum of SEK 2,750 on the following terms and conditions.

- a) The right to subscribe shall, with deviation from the shareholder's preferential rights, only be granted to the individuals participating in Warrant Scheme 2020/2023 and with the number of warrants set out in accordance with the principles for Warrant Scheme 2020/2023 adopted by the general meeting.
- b) Subscription for warrants shall be made on a subscription list not later than on September 30, 2020, provided however that subscription for warrants with a certain subscription price to subscribe for shares may not be carried out prior to such subscription price having been established. The board of directors shall be entitled to extend the term for subscription.
- c) The warrants are provided for no consideration.

The reason for deviation from the shareholder's preferential rights is that the issue is part of the implementation of Warrant Scheme 2020/2023. The warrants intended to be issued shall enable the Company's delivery of shares in accordance with the scheme.

To the extent the issued warrants – as a result of e.g. lower than the maximum allotment within the framework of Warrant Scheme 2020/2023 – are deemed by the board of director's not to be sufficient to cover the Company's commitments with respect to Warrant Scheme 2020/2023, the board of directors proposes that the board shall be authorized to as soon as possible cancel unnecessary warrants.

Majority requirements for resolution according to item 18

The Board of Directors' proposal for a directed issue of not more than 550,000 warrants, and the Board of Directors' proposal with respect to Warrant Scheme 2020/2023 is a cohesive proposal, why a resolution in accordance with one of the partial proposals shall be conditional upon a resolution in accordance with the other partial proposal and that Chapter 16 of the Companies Act shall be applied on the cohesive proposal. A valid resolution in accordance with the board of director's proposal requires that it is supported by shareholders representing at least nine tenths of both the number of votes cast and the shares represented at the meeting.

Number of shares and votes

At the time of issuing the notice there are 105,600,000 shares, representing a total of 105,600,000 votes in the company.

Right to information

The shareholders present at the Annual General Meeting has the right to request information regarding the matters on the agenda or the company's financial situation in accordance with Chapter 7 § 32 Companies Act (2005: 551).

Handling of information

Information collected on you in connection with your notification to attend the general meeting will be stored and archived internally at Paradox Interactive for a period of fem (5) years in such a manner that only a limited group within the company can access the information. The information is saved for the purpose of fulfilling our obligations under applicable rules and in order to be able to establish a voting register in accordance with Chapter 7 § 29 Companies Act. You can at any time get access to the information we have saved on you by contacting: privacy@paradoxinteractive.com.

Records

The annual accounts and the auditor's report, power of attorney form, the complete proposals and other documents under the Companies Act will by the latest be available on Friday April 24, 2020 on the company's website www.paradoxinteractive.com and held available at the company at the above address. The documents will also be sent free of charge to shareholders who so request and state their address.

Miscellaneous

The doors to the Annual General meeting will open at 12:45 noon.

Stockholm April 2020
Paradox Interactive AB (publ)
The Board of Directors