



*Please note that this is an unofficial translation of the Swedish-language original – in case of any discrepancies between this version and the Swedish original, the latter shall prevail.*

## **NOTICE OF ANNUAL GENERAL MEETING IN PARADOX INTERACTIVE AB (PUBL)**

The shareholders of Paradox Interactive AB (publ), 556667-4759, are hereby convened to the Annual General Meeting (the "**AGM**") to be held on Tuesday 10 May 2022.

The board of directors has decided that the AGM shall be carried out through advance voting (postal voting) only and without physical attendance of shareholders, proxies or persons who are not shareholders. The company invites the shareholders to exercise their voting rights at the AGM by way of advance voting as set out below. Information on the resolutions passed at the AGM will be made public on Tuesday 10 May 2022 as soon as possible after the votes have been compiled.

### **Right to attend the AGM**

Shareholders wishing to participate at the AGM shall be entered in the share register kept by Euroclear no later than on Monday 2 May 2022, *and* give notice of its participation at the AGM by casting its advance vote in accordance with the instructions under the heading "Advance voting" below, so that such notice and advance vote is received by the company no later than on Monday 9 May 2022.

### **Nominee-registered shares**

Shareholders who have their shares registered with a nominee must, in order to be entitled to participate at the AGM and exercise its voting right, temporarily register the shares in their own name in the share register kept by Euroclear (so-called voting right registration). The share register for the AGM, as of the record date of Monday 2 May 2022, will consider voting right registrations completed no later than Wednesday 4 May 2022, meaning that shareholders must request that the nominee makes such voting right registration well in advance of that date.

### **Proxy etc.**

Shareholder may postal vote ahead of the AGM through a proxy, by issuing a written, dated and signed power of attorney to the proxy holder. If the proxy is issued by a legal entity, a copy of the registration certificate or corresponding document of the legal entity shall be enclosed. The power of attorney must not be older than one year unless it is specifically stated that it is valid for a longer period, however no more than five years. The power of attorney and the registration certificate, if any, must be submitted together with the advance vote and shall be at the company's disposal no later than on Monday 9 May 2022. A proxy form and an advance voting form is available at the company's website [www.paradoxinteractive.com](http://www.paradoxinteractive.com).

## **Live-streamed company presentation**

The CEO and board member Fredrik Wester and CFO Alexander Bricca will host a company presentation and answer report-related and financial questions at 12.00-12.45 on Tuesday 10 May 2022. The presentation will be streamed live on the company's Youtube channel [youtube.com/paradoxinteractive](https://youtube.com/paradoxinteractive). Shareholders may submit questions in advance as well as during the presentation by way of email to [ir@paradoxinteractive.com](mailto:ir@paradoxinteractive.com). The company presentation is formally not a part of the AGM.

## **Advance voting**

The shareholders may exercise their voting rights at the AGM only by advance voting, so called postal voting, in accordance with the act on temporary exceptions to facilitate the execution of general meetings in companies and other associations.

A specific form, available at the company's website, shall be used for the advance voting. A submitted voting form constitutes also notice of participation at the AGM, meaning that a shareholder who exercises its voting right through advance voting does not need to notify the company of its attendance separately.

The completed and signed voting form shall be sent to the company's email address [agm@paradoxinteractive.com](mailto:agm@paradoxinteractive.com) and be at the company's disposal no later than on Monday 9 May 2022. If the shareholder votes in advance by proxy, a power of attorney shall be enclosed with the form. If the shareholder is a legal entity, a certificate of incorporation or a corresponding document shall be enclosed to the form. The shareholder may not note special instructions or conditions in the voting form. If the shareholder does so, the vote is invalid.

Further instructions and conditions are set out on the form for advance voting.

## **Proposed agenda**

1. Opening of the meeting
2. Election of the chairman of the meeting
3. Preparation and approval of the voting register
4. Approval of the agenda
5. Election of one or two persons to verify the minutes
6. Determination as to whether the meeting has been duly convened
7. Presentation of the annual report and the auditor's report as well as the consolidated annual report and the auditor's report in respect of such report
8. Resolution on the adoption of the income statement and the balance sheet as well as 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 directors of the board and the CEO
11. Determination of the number of directors and deputy directors

12. Resolution on remuneration to directors of the board and auditors
13. Election of board of directors and chairman of the board
14. Election of auditor
15. Resolution on amendment of the articles of association
16. Resolution on principles for the nomination committee ahead of the 2023 AGM
17. Resolution on guidelines for remuneration of senior executives
18. Resolution on authorisation for the board of directors to resolve on the issuance of shares, convertibles and/or warrants
19. Proposal of the board of directors for a resolution (A) implementation of Employee Stock Option Program 2022/2026 and (B) directed issue of warrants and approval of transfer of warrants to fulfil the company's commitments under the option program and to secure social security charges
20. Closing of the meeting

### **Proposals for resolutions**

#### *Election of chairman of the meeting (agenda item 2)*

The nominating committee proposes that the AGM elects the chairman of the company's board, Håkan Sjunnesson, as chairman of the meeting or, in his absence, the person appointed by him.

#### *Preparation and approval of voting register (agenda item 3)*

The board of directors proposes that the voting register shall be the voting register prepared by the chairman of the board which shall be based on the share register for the AGM per 2 May 2022 and the received advance votes, as verified by the person appointed to verify the minutes.

#### *Election of one or two persons to verify the minutes (agenda item 5)*

The board of directors proposes that Per H Börjesson or, in his absence, the person instead appointed by the board of directors, to be elected to verify the minutes of the AGM. The task of verifying the minutes of the AGM also includes verifying the voting list and that the advance votes received are correctly reflected in the minutes of the AGM.

#### *Resolution on the allocation of the company's profits in accordance with the adopted balance sheet (agenda item 9)*

In accordance with the proposal on allocation of profits in the annual report, the board of directors proposes that SEK 7,108,842 is carried forward and that a dividend of SEK 1 per share, in total SEK 105,600,000, is distributed to the shareholders, with Thursday 12 May 2022 as record date, in which case the dividend is expected to be distributed by Euroclear on Tuesday 17 May 2022.

*Determination of the number of directors and deputy directors (agenda item 11)*

The nomination committee proposes that the board of directors shall consist of five directors and no deputy directors.

*Resolution on remuneration to directors of the board and auditors (agenda item 12)*

The nomination committee proposes that the remuneration to the directors of the board, for the period through the end of the next AGM, shall be SEK 640,000 to the chairman of the board (SEK 520,000 the previous period) and SEK 320,000 for each of the other directors of the board (SEK 260,000 preceding year).

In addition to the remunerations set out above, the nomination committee proposes that the remuneration, for the period through the end of the next AGM, shall be SEK 80,000 to the chairman of the auditing committee, SEK 50,000 to the chairman of the remuneration committee, and that the remuneration to each of the other members of such committees shall be 75 percent of that of the chairman for the relevant committee.

The nomination committee proposes that the remuneration for the auditor shall be paid according to approved account.

*Election of board of directors (agenda item 13)*

The nomination committee proposes re-election of Håkan Sjunnesson, Fredrik Wester, Mathias Hermansson, Linda Höglund and Andras Vajlok as directors of the board as well as re-election of Håkan Sjunnesson as chairman of the board, all for the period through the end of the next AGM, and that the board of directors shall elect a new chairman amongst itself if such person's assignment should end in advance.

*Election of auditor (agenda item 14)*

The nomination committee proposes re-election of the auditing firm Öhrlings PricewaterhouseCoopers AB as the company's auditor. Öhrlings PricewaterhouseCoopers AB has declared that Aleksander Lyckow will be auditor-in-charge if the AGM resolves in accordance with the proposal.

*Resolution on the amendment of the articles of association (agenda item 15)*

The board of directors proposes to amend the articles of association so the lower limit of the number of directors is increased to five, so the possibility to elect deputy directors are removed, so the board of directors is enabled to decide that shareholders may exercise their voting rights per mail in the future and in accordance with certain updates in the Swedish Companies Act. Further, certain editorial changes are proposed. Consequently, the board of directors proposes the amendments to section 6 first paragraph and section 7 set out below. Additions are marked by underscored text and removals by struck-through text.

§ 6

The company's board of directors shall consist of at least ~~three~~ five but not more than eight directors and ~~not more than two deputies~~. The directors ~~and the deputies~~ shall be elected annually at the Annual General Meeting ("AGM") until the end of the next AGM.

§ 7

~~Notice to the Annual General Meeting and Extraordinary General Meeting where a change in the articles of association is to be resolved, must be made not earlier than six weeks and not later than four weeks ahead of the general meeting. Notice to other extraordinary general meetings must be made not 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 Swedish Official Gazette (*Sw. Post- och Inrikes Tidningar*) and by making the notice available on the company's website. The company shall concurrently advertise in *Svenska Dagbladet* that notice has been issued.

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 workdays~~ as per the number of days prior to the meeting as set out in the Swedish Companies Act, and shall 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 ~~five~~ the number of days before the meeting as set out in the Swedish Companies Act.

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 board of directors may collect proxies in accordance with the procedure set out in Chapter 7, § 4 of the Swedish Companies Act and may, before a general meeting, decide that the shareholders shall have the right to exercise their voting rights by mail in accordance with the procedure described in Chapter 7, § 4 a of the Swedish Companies Act.

*Resolution on principles for nomination committee to the 2023 AGM (agenda item 16)*

The nomination committee proposes that the AGM resolves on the following principles for the preparation of election of directors and auditors.

The nomination committee's task shall be to prepare proposals to the AGM 2023 regarding chairman of the AGM, the number of directors of the board, the remuneration to the directors of the board and the auditor, the composition of the board of directors, the chairman of the board, rules for the nomination committee for the following year's AGM, 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 shall contact the three largest shareholders in terms of votes per 30 September 2022. Each such shareholder shall elect a representative each to form the nomination committee along with the chairman of the board

for the period through the end of the next AGM, or, if applicable, until a new nominating committee has been appointed. If any of these shareholders waives its right to appoint a representative, its 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 minority shareholders. If a member leaves the nomination committee before its assignment 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 prior to 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 have occurred or if changes occur less than three months prior to the AGM.

The nominating committee shall at its first meeting appoint its chairman, who shall not be the chairman of the board. 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 of senior executives (agenda item 17)*

The board of directors proposes that the AGM adopts the following guidelines for remuneration of senior executives.

These guidelines apply to directors of the board, the CEO and other senior executives. Employments which are subject to non-Swedish laws and regulations may be duly adapted in order to comply with mandatory such laws and regulations as well as established practice in such jurisdictions, in which case the overall objectives of these guidelines shall be considered. These guidelines shall apply to remunerations which are agreed upon, as well as amendments to remunerations which have already been agreed upon, after the guidelines have been adopted by the AGM. The guidelines do not apply to remunerations resolved on by the AGM (see agenda item 12 for the resolution on remuneration to the directors and the auditors, and agenda item 19 for the proposal to adopt an employee stock option program).

#### **Forms of remuneration etc.**

The objective of the remuneration is to ensure the company's ability to attract, motivate and retain senior executives. The remuneration shall be on market terms and competitive on the markets on which the group conducts operations and shall at the same time benefit the shareholders' interests.

The remuneration to the senior executives may consist of a monthly salary, a variable salary, pension benefits and other customary benefits. The senior executives are also included in the group-wide profit-sharing program for all permanent employees, on terms no more favourable than those which apply for all employees. In addition, the general meeting may resolve on, for example, share and share based remuneration irrespective of these guidelines.

Pension benefits, including health care insurance, for the senior executives shall be premium based in accordance with the company's collective bargaining agreement (ITP1). The general principle is that the fixed salary shall be reviewed annually and shall take the senior executive's performance into account. The remuneration shall be based on the senior executive's individual engagement and performance as measured against previously adopted objectives, where such objectives may be both individual and group-wide.

The remuneration to the senior executives shall be on market terms. In order to determine what constitutes a total remuneration on market terms and in order to review prevailing remuneration levels, annual comparisons with relevant industries and markets are carried out. The results of these comparisons are key factors when deciding on total remuneration for the senior executives as well as other employees.

The current CEO has requested that the above rules and principles on market terms shall not apply to him, and has instead requested a total remuneration of SEK 1 in monthly salary. The board of directors has approved this request.

#### **Criteria for payment of variable salary etc.**

The variable salary shall be connected to predetermined and measurable criteria, which may be financial or non-financial. The objectives shall be set so that they promote the company's business strategy and long-term interests, including its sustainability agenda, for example by way of being clearly connected to the business strategy. When the period for measuring the fulfilment of the criteria for payment of the variable salary has lapsed, the board of directors shall determine the extent of the criteria fulfilment.

#### **Salary and employment terms for employees**

The salary and employment terms of the company's employees have been considered in the preparation of the board of directors' proposal for these guidelines, including the employees' total remuneration as well as its components, increase and rate of increase over time. Such data has formed part of the remuneration committee's and the board of directors' decision material in the evaluation of the fairness of the guidelines and the limitations which follow from the guidelines.

#### **Termination of employment**

Both the company and the CEO shall observe a nine months' notice period. Regarding other senior executives, both parties shall observe a six months' notice period. Senior executives are in addition to this not entitled to any other remuneration in connection with the termination of their employment.

## **Decision process for determining, reviewing and realising the guidelines**

The board of directors has established a remuneration committee. The members of the remuneration committee are independent from the company and the senior management. The company's CEO is not present at the board of directors' preparations of and decisions on questions relating to remuneration which affect the CEO. The committee's tasks include preparation of the board of directors' decisions on proposals for guidelines for remuneration to senior executives. The guidelines shall apply until new guidelines have been adopted by the general meeting. The nomination committee shall also monitor and review programs for variable remuneration for the senior executives, the application of the guidelines for remuneration to the senior executives and the current remuneration structures and levels at the company.

## **Deviation from the guidelines**

The board of directors is entitled to temporarily deviate from the guidelines, fully or partially, if there are specific reasons for doing so in a particular instance and such deviation is required for accommodating the company's long-term interests, including in relation to sustainability, or in order to secure the company's financial capacity. As stated above, the committee's tasks include preparation of the board of directors' decisions on questions relating to remuneration, which includes decisions to deviate from the guidelines.

*Resolution on authorisation for the board of directors to resolve on the issuance of shares, convertibles and/or warrants (agenda item 18)*

The board of directors proposes that the AGM authorises the board of directors to, on one or several occasions, during the period up to the next AGM, with or without deviating from the shareholders' preferential rights, resolve to issue new shares, convertibles and/or warrants. The increase of the share capital 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. The purpose of the authorisation is to, in a fast and efficient manner, be able to acquire companies, businesses, or parts thereof, broaden the company's ownership structure or improve the capital structure. 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 AGM. The board of directors shall have the right to make such minor adjustments in this resolution that may be necessary in order to register the authorisation with the Swedish Companies Registration Office.

*Proposal of the board of directors for a resolution (A) implementation of Employee Stock Option Program 2022/2026 and (B) directed issue of warrants and approval of transfer of warrants to fulfil the company's commitments under the option program and to secure social security charges (agenda item 19)*

The board of directors of Paradox Interactive AB (publ) (the "Company") proposes that the annual general meeting to be held on 10 May 2022 resolves to implement an option program for key employees of the group – Employee Stock Option Program 2022/2026 – as set out below.

### **Background and reasons**

Since 2018, the annual general meeting of the Company has resolved on annually recurring incentive programs for the employees of the group, based on warrants or stock options issued to the participants. Following an evaluation, the remuneration committee has proposed to the board of directors, and the board of directors has now decided, to propose to the annual general meeting the establishment of a new type of incentive program based on stock options. The purpose of Option Program 2022/2026 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 program, to contribute to the capability to recruit and retain competent co-workers and to otherwise increase shared incentives between key employees and the Company's shareholders. Participation in the program will be offered to the employees which according to the board's assessment have the largest impact on the Company's financial and operational development. The board of directors assesses that the aligned interests between the company and the participants which are created by the program are sufficient to promote the long-term value-creation of the Company, which is why no performance conditions have been connected to the program.

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

To secure the Company's commitments under Option Program 2022/2026 and the social security contributions connected therewith, the board of directors also proposes that the annual general meeting resolves on a directed issue of warrants and to approve the transfer of warrants in accordance with item B below.

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 Option Program 2022/2026 is reasonable and beneficial for the Company and its shareholders.

### **(A) Proposal by the board of directors on resolution regarding implementation of Option Program 2022/2026**

The board of directors proposes that the annual general meeting resolves to implement Option Program 2022/2026, according to the following main principles:

- a) Option Program 2022/2026 shall include no more than 580,000 stock options.
- b) Each stock option shall initially entitle 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 Growth Market during the five trading days following the date of publication of the Company's interim financial report for the first quarter of 2022. The subscription price and the number of shares for which each stock option entitles the holder to

subscribe 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) Option Program 2022/2026 participants shall comprise no more than 75 employees of the Company and its subsidiaries.
- d) Stock options will be distributed in accordance with the following allotment categories (none of which have a minimum guaranteed allotment):
  - a. senior managers: not more than 25,000 stock options per person; and
  - b. certain other key employees of the group, who according to the assessment of the board of directors have the largest impact on the Company's financial and operational performance: not more than 10,000 stock options per person.
- e) Allotted stock options shall be offered free of charge. Such offers shall be made within 10 banking days from the date the resolution on allotment is made. Over-allocation may not occur.
- f) 520,000 stock options are intended to be offered no later than on 15 June 2022. Further, 60,000 stock options are intended to be retained by the Company to be offered to employees who potentially are recruited later during 2022.
- g) Stock options allotted and subscribed for may be exercised by the holder during the 30 days following publication of the Company's interim financial reports for the second quarter of 2025, the third quarter of 2025 and the first quarter of 2026, respectively. Holders who have been offered stock options after 15 June 2022 will only be able to exercise such stock options during the last of the periods mentioned above.
- h) The holder shall be entitled to exercise the stock options during the periods set out above, provided that the holder concerned at the date of the publication of the Company's interim financial report for the second quarter of 2025 (i) is still employed by the Company or by any other company within the group and (ii) has not received notice of dismissal (Sw. avsked) or termination (Sw. uppsägning) from his or her employment in the Company or in any company within the group. For holders who have been offered stock options after 15 June 2022, the corresponding time limit is the date of publication of the Company's interim financial report for the first quarter of 2026.
- i) Upon exercise, each stock option will entitle the holder to receive one warrant immediately exercisable for one share in the Company against payment of the subscription price.
- j) For participation in Option Program 2022/2026 it is required that such participation is legally possible, and that such participation in the board of directors' opinion is possible at reasonable administrative costs and with reasonable financial resources.
- k) Issued employee stock options do not constitute securities and may not be transferred, pledged or otherwise disposed of by the holder.
- l) In the United States and such other jurisdictions as the board of directors may determine, the stock options will be subject to such other restrictions as in the board of directors' opinion is necessary to comply with under applicable law.
- m) In other respects, the board of directors shall establish the general terms for participation in the program.

**(B) Directed issue of warrants and approval of transfer of warrants to fulfil the Company's commitments under Option Program 2022/2026 and to secure social security charges**

To enable the Company's delivery of shares pursuant to Option Program 2022/2026 and to secure costs connected therewith, primarily social security charges, the board of directors proposes that the annual general meeting resolves on a directed issue of warrants and to approve the transfer of warrants on the following terms:

- (a) A maximum of 762,236 warrants shall be issued, entailing an increase in the share capital of a maximum of SEK 3,679.76 upon full exercise.
- (b) Right to subscribe shall, with deviation from the preferential right for existing shareholders, reside in the Company's wholly owned subsidiary Paradox Development Studio AB.
- (c) Subscription of the warrants shall be made on a separate subscription list no later than 15 June 2022.
- (d) The warrants shall be issued free of charge.
- (e) Each warrant shall entitle the holder to subscribe for one new share.
- (f) Each warrant shall initially entitle 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 Growth Market during the five trading days following the date of publication of the Company's interim financial report for the first quarter of 2022. The subscription price and the number of shares for which each warrant entitles the holder to subscribe 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.
- (g) Subscription of shares in the Company by virtue of the warrants shall be made during the 30 days following publication of the Company's interim financial reports for the second quarter 2025, the third quarter 2025 and the first quarter 2026, respectively. The share premium shall be transferred to the unrestricted premium reserve.
- (h) Shares issued following exercise of warrants during a certain financial year shall entitle to dividend for the first time on the record day for dividend which occurs following registration of the shares with the Swedish Companies Registration Office.
- (i) The complete terms and conditions for the warrants are set out in "Terms and conditions for Paradox Interactive AB (publ)'s warrants 2022/2026".

The reason for the deviation from the shareholders' preferential right is that the issue forms part of the implementation of Option Program 2022/2026. In view of what is set forth under Background and reasons above, the board of directors is of the opinion that it is of benefit to the Company and its shareholders that key employees of the group are offered to participate in Option Program 2022/2026.

The board of directors further proposes that the annual general meeting resolves to approve that Paradox Development Studio AB transfers warrants to participants in Option Program 2022/2026 and otherwise disposes of the warrants in order to secure the Company's commitments and costs in connection with Option Program 2022/2026.

Finally, the board of directors proposes that the board of directors, or anyone appointed by the board of directors, should be authorised to make such minor adjustments to the above proposal that may be necessary in connection with the registration procedures with the Swedish Companies Registration Office, and possible registration of the warrants with Euroclear.

## **Costs**

The Option Program 2022/2026 will incur costs for the Company in reference partly to personnel costs from an accounting perspective in accordance with IFRS 2 and partly to social security contributions.

Based on the assumption of a share price at the time of allocation of the stock options of SEK 196, that all 580,000 stock options will be allotted no later than on 15 June 2022 and subsequently exercised, the personnel cost from an accounting perspective according to IFRS 2 for the Option Program 2022/2026 is estimated to amount to a total of approximately SEK 21.4 million recognized during the period 2022-2025. Tax effects should be determined locally. As an example, from a Swedish perspective a final assessment should be made at the time of exercise, implying that the Company should make adjustments between the amount already recognised and the final market value that forms the basis for social security contributions. Personnel costs in accordance with IFRS 2 do not affect the Company's cash flow. The stock options do not have a market value since they are not transferable. However, the board of directors has calculated a theoretical value of the stock options using the Black & Scholes valuation model. The calculations have been based on the term of the stock options, the subscription price, an assumed share price of SEK 196 per share at the time of allocation of the stock options, a risk-free interest rate of 0.3 percent, an assumed volatility of 36.7 percent, and an expected dividend of SEK 1 per year. In accordance with this valuation, the value of the options in the Stock Option Program 2022/2026 is approximately SEK 36.93 per option.

Upon a positive development of the share price, the Option Program 2022/2026 will entail costs in form of social security contributions. The total costs for social security contributions will depend on the number of stock options that will be vested and on the value of the benefit that the participant finally will receive, i.e., on the value of the stock options when exercised, but also in which countries the participants are resident and what percentages that apply to social security contributions in these countries. The costs for social security contributions are estimated to approximately SEK 11.8 million, assuming allotment of 580,000 stock options, exercise of all the allotted stock options, that the average social security contribution amount to 31.42 percent, an exercise price of SEK 235.49, and an assumed share price of SEK 300 when the stock options are exercised. With the same assumptions except for instead a share price of SEK 319.2 when the stock options are exercised, the corresponding costs are estimated to approximately SEK 15.3 million. The costs for social security contributions will be recognised during the period from the grant date to the end of the vesting period. The Company's entire cost for social security contributions is expected to be secured through the directed issue of warrants in accordance with item (B) above.

All of the calculations above are preliminary and aim only to present an example of the potential costs that the Option Program 2022/2026 may incur. Actual costs may therefore deviate from what has been stated above.

## **Dilution and effect on material key ratios**

Option Program 2022/2026 comprises the issuance of maximum 762,236 warrants, of which 580,000 warrants are issued in order to fulfil the Company's commitments towards the participants in the program and 182,236 warrants are issued in order to secure costs for social security charges. At full exercise of all issued warrants under Option Program 2022/2026 for subscription of new shares, 762,236 shares will be issued, corresponding to approximately 0.72 percent of the shares in the Company.

The Company has an outstanding warrant program which was adopted at the annual general meeting on 17 May 2019 ("Warrant Scheme 2019/2022"), an outstanding warrant program which was adopted at the annual general meeting on 15 May 2020 ("Warrant Scheme 2020/2023") and an outstanding employee stock option program which was adopted on the annual general meeting on 18 May 2021 ("Employee Stock Option Program 2021/2025"). Within the framework of the Warrant Scheme 2019/2022, a total of 251,550 warrants are outstanding, which correspond to the number of warrants issued for the scheme, less the number of warrants that have been repurchased by the Company. 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. Within the framework of the Warrant Scheme 2020/2023, a total of 292,600 warrants are outstanding. Each such warrant entitles the holder to subscribe for one new share in the Company during the period from 15 June 2023 to 30 June 2023. Within the framework of Employee Stock Option Program 2021/2025, a total of 475,523 warrants are outstanding, which corresponds to the total number of stock options issued in the program, less the number of stock options which have lapsed since the holder no longer fulfils the prerequisites for exercising the stock options as well as the warrants issued to cover the social fees relating to such now lapsed options. Each such warrant entitles its holder to subscribe for one new share in the Company. If all outstanding warrants issued within the scope of the Warrant Scheme 2019/2022, the Warrant Scheme 2020/2023 and the Employee Stock Option Program 2021/2025 are exercised for subscription of shares in the Company, 1,019,673 shares will be issued, corresponding to approximately 0.97 percent of the shares in the Company.

In the event that all warrants issued within the scope of the Warrant Scheme 2019/2022, the Warrant Scheme 2020/2023 and the Employee Stock Option Program 2021/2025 are exercised for subscription of shares and in the event all warrants proposed to be issued within the scope of the Employee Stock Option Program 2022/2026 are issued and exercised for subscription of shares, a total of 1,781,909 shares will be issued, corresponding to approximately 1.69 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). By applying the above assumptions when estimating personnel costs from an accounting perspective in accordance with IFRS 2 and costs for social security contributions, it is the board of director's opinion that the effect of Option Program 2022/2026 on said key ratios is marginal.

## **Preparation**

The proposal for Option Program 2022/2026 has been prepared by the board of directors in consultation with external advisers. The proposal has been unanimously adopted by the board of directors. The managing director of the Company has not taken part in the preparation of the proposal.

### **Majority requirements**

The board of directors' proposal with respect to Option Program 2022/2026 and the board of directors' proposal for a directed issue and transfer of not more than 762,236 warrants 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 this notice there are 105,600,000 shares in the company, representing a total of 105,600,000 votes.

### *Right to information*

The board of directors and the CEO shall, if any shareholder so requests and the board of directors considers that it can be done without material harm to the company, provide information at the AGM on matters that may affect the assessment of an item on the agenda or the company's financial information. Such duty to provide information applies also to the company's relation to other group companies, the consolidated accounts and such circumstances regarding subsidiaries as specified in the foregoing sentence. Since the AGM will be carried out without physical attendance of shareholders, the following procedure shall apply. A request for information shall have been received by the company in writing no later than ten calendar days prior to the meeting, i.e. on Saturday 30 April 2022, by email to [agm@paradoxinteractive.com](mailto:agm@paradoxinteractive.com). The information will then be made available at the company's website [www.paradoxinteractive.com](http://www.paradoxinteractive.com) and head office no later than on Thursday 5 May 2022. The information will also be sent, within the same period of time, to any shareholder who so has requested and who has stated its email or postal address.

### *Processing of personal data*

In order to carry out the AGM, the company will before, in connection with and in the subsequent work of the AGM, process your personal data. The personal data collected may be information from the share register, notice of participation at the AGM and information on proxies and advisors who will be used for registration, preparation of the voting register for the AGM and, if applicable, minutes of the AGM. The personal data will only be used for carrying out the 2022 AGM. We process your personal data because it is necessary in order to meet legal obligations, and/or it is in our legitimate interest and that interest is not subordinate to your interest against the processing of your personal

data. You can at any time get access to the information we have saved on you by contacting: [privacy@paradoxinteractive.com](mailto:privacy@paradoxinteractive.com).

#### *Other information*

Copies of the annual accounts, audit report, proxy form, advance voting form, complete proposals, including the complete articles of association, and other documents that shall be available in accordance with the Swedish Companies Act are available at the company at Magnus Ladulåsgatan 4 in Stockholm and at the company's website, [www.paradoxinteractive.com](http://www.paradoxinteractive.com), at least three weeks in advance of the AGM and will be sent free of charge to shareholders who request it and provide their email or postal address. The nomination committee's complete proposal and motivated opinion is as of today available on the company's web site and will be sent to each shareholder who so requests and provides its email or postal address.

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Stockholm in April 2022

**Paradox Interactive AB (publ)**

*The Board of Directors*