

Notice of Paradox Interactive AB (publ)'s Annual General Meeting 2019

Shareholders in Paradox Interactive AB (publ), 556667-4759 are hereby invited to the Annual General Meeting (AGM) to be held May 17, 2019 13.00 CET at Biograf Victoria, Götgatan 67, 116 21 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 11, 2019 (Note that since May 11, 2019 is a Saturday, the shareholders' register will reflect the situation on May 10, 2019 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 13, 2019, to the address Paradox Interactive AB, "Årsstämma", 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/entre.aspx> (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/images/Fullmakt2019.pdf> (translation available: <https://anmalan.vpc.se/ParadoxAGM/images/FullmaktEng2019.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 11, 2019 (Note that since May 11, 2019 is a Saturday the shareholders' register will reflect the situation on May 10, 2019 and registration therefore needs to be completed no later than that day).

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. Presentation by the CEO
9. Resolution on the adoption of the income statement and the balance sheet, along with the group income statement and the group balance sheet
10. Resolution on the allocation of the company's profits in accordance with the adopted balance sheet
11. Resolution on discharge from liability for the members of the Board of Directors and the CEO
12. Determination of the number of members of the Board of Directors
13. Determination of remuneration for the members of the Board of Directors and the auditors
14. Election of members and chairman of the Board of Directors
15. Election of auditors
16. Election of the nominating committee for the AGM 2020
17. Resolution on guidelines for remuneration to senior executives
18. Resolution on authorization for the Board of Directors to issue shares
19. The Board of Directors' proposal for a resolution on Warrant Scheme 2019/2022, including (A) adoption of Warrant Scheme 2019/2022, and (B) directed issue of warrants
20. 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 21, 2019 as record date. If the meeting approves the proposal, the dividend will be distributed by Euroclear Sweden AB on Friday May 24, 2019.

Election of the Board of Directors etc. (agenda item 12 – 15)

The nominating committee proposes

- that the Board of Directors consists of five members and no deputy members,
- election of Mathias Hermansson and re-election of Håkan Sjunnesson, Josephine Salenstedt, Peter Ingman 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 Cecilia Beck-Friis 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 increased to SEK 520,000/year for the deputy chairman and SEK 260,000/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.

Mathias Hermansson

Born: 1972

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

Other assignments: CEO of NC Management AB.

Previous work experience: CFO of Veoneer Inc., Executive Chairman MTGx, CFO of Modern

Times Group MTG AB. Board member of CTC Media Inc. Board Chairman of Viaplay AB, MTG Sport AB, MTG TV AB, Nice Entertainment AB and MTG Radio AB. Board member of Turtle Entertainment GmbH and MTG eSports Holding AB.

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

Own and closely associated holdings: 1,000 shares.

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 2020 (agenda item 16)

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, 2019. 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 requires, 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 17)

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 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 2019 is also proposed, see agenda item 19.

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 18)

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 2019/2022, including (A) adoption of Warrant Scheme 2019/2022, and (B) directed issue of warrants (item 19)

The Board of Directors proposes that the annual meeting resolves to implement an incentive program for the employees of the Company – Warrant Scheme 2019/2022 – as set out below.

Adoption of the scheme (item 19(A))

Background and reasons

The purpose of Warrant Scheme 2019/2022 is to reward long term commitments of the Company'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, essentially corresponding to Warrant Scheme 2019/2022.

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 2019/2022 is reasonable and beneficial for the Company and its shareholders.

Main terms and conditions

- (a) The Warrant Scheme shall include no more than 352,000 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 preceding the date of publication of the Company's interim accounts for the first quarter of 2019 ("**Subscription Price 1**") and for the second quarter of 2019 ("**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 some full-time employees of the Company and of its Swedish subsidiaries.
- (d) Allotment of warrants is made with not more than 352,000 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 is made by the board of directors on two occasions during 2019 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 2022 up to and including 30 June 2022.

- (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 2019/2022 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.

Costs

The assessment of the board of directors is that Warrant Scheme 2019/2022 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 as well as limited costs with respect to the establishment and utilisation of the Warrant Scheme.

The costs for general payroll tax is estimated at approximately SEK 1,900,000 before corporation tax, assuming full allotment, subscription for all allotted warrants, an average Subscription Price of SEK 174 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.

Dilution and effect on material key ratios

Provided a full subscription of all issued warrants with respect to Warrant Scheme 2019/2022 the number of shares in the Company will increase with 352,000 shares, corresponding to approximately 0.33 per cent of the shares in the Company.

In the Company, an outstanding warrant program has previously been adopted at the Annual General Meeting on May 18, 2018 (Warrant Scheme 2018/2021). 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. In the event all outstanding warrants issued within the scope of the Warrant Scheme 2018/2021 are exercised for subscription of shares in the Company, 229,000 shares will be issued, corresponding to approximately 0.22 percent of the shares in the Company.

In the event that all warrants issued within the scope of the Warrant Scheme 2018/2021 are exercised for subscription of shares and in the event all warrants proposed to be issued

within the scope of the Warrant Scheme 2019/2022 are partly issued and partly exercised for subscription of shares, a total of 581,000 shares will be issued, corresponding to approximately 0.55 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 2019/2022 it is the board of director's opinion that the effect of Warrant Scheme 2019/2022 on said key ratios is non-existent or marginal.

Preparation

The proposal for Warrant Scheme 2019/2022 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.

There are currently no other equity related incentive programs in the group.

Directed issue of warrants (item 19(B))

The Board of Directors proposes that the annual meeting resolves on a directed issue of not more than 352,000 warrants, whereby the Company's share capital may be increased by a maximum of SEK 1,760, 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 2019/2022 and with the number of warrants set out in accordance with the principles for Warrant Scheme 2019/2022 adopted by the general meeting.
- b) Subscription for warrants shall be made on a subscription list not later than on 30 September 2019, 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 2019/2022. 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 2019/2022 – are deemed by the board of director's not to be sufficient to cover the Company's commitments with respect to Warrant Scheme 2019/2022, 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 19

The Board of Directors' proposal for a directed issue of not more than 352,000 warrants and the Board of Directors' proposal with respect to Warrant Scheme 2019/2022 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 five (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 26, 2019 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 12:15 noon. Snacks will be served after the meeting.

Stockholm April 2019

Paradox Interactive AB (publ)

The Board of Directors