



*The English text is an unofficial translation. In case of any discrepancies between the Swedish text and the English translation, the Swedish text shall prevail.*

## **ITEM 14 - PROPOSAL FOR RESOLUTION ON EMPLOYEE STOCK OPTION PROGRAM**

### **Background and motive**

Storytel AB (publ), reg. no. 556575-2960 (the “**Company**”), operates, through subsidiaries, within two business areas – Streaming and Print Publishing. The business area Streaming includes, in addition to Streaming, also Digital Publishing.

At the general meeting 2019 it was resolved to implement an employee stock option program for employees and key consultants in the Company and the subsidiaries operating within the business area Streaming (“**Employee Stock Option Program 2019/2022**”). When the Board of Directors presented their proposal at the annual general meeting 2019, the Board of Directors stated that this was with the intention that the structure for the program should be long-term basis and that the Board of Directors had the intention to, after evaluating the program, return with corresponding proposals at the general meetings in the coming years. The Board of Directors assesses that Employee Stock Option Program 2019/2022 has had a positive impact on the employees’ and key consultants’ commitment, motivation and sense of belonging with the Company, which is positive for the Company’s continued development.

In the light of the above, the Board of Directors of the Company proposes that the general meeting of 6 May 2020 resolves to implement an employee stock option program for employees and key consultants in the Company and the subsidiaries operating within the business area Streaming (“**Employee Stock Option Program 2020/2023**”) in accordance with Section A below. The proposed program has the same structure as Employee Stock Option Program 2019/2022.

The purpose of the proposed program is to offer the employees and key consultants in the group active within the business area Streaming an opportunity to take part of a value growth in the Company’s share of series B, which is expected to lead to an increased commitment to the Company’s operation and earnings development, and to raise the motivation and sense of belonging with the Company. Furthermore, it is expected to increase the possibility of recruiting and retaining competent personnel. The Board of Directors considers that the program may have a positive impact on the Company’s continued development to the benefit of the Company and its shareholders. The subsidiaries in the group operating within the business area Print Publishing currently have a different compensation structure in place.

In order to hedge the Company’s obligations under the Employee Stock Option Program 2020/2023 and hedge the ancillary costs, the Board of Directors also proposes that the general meeting resolves on a directed issue of warrants, as well as an approval of transfer of warrants in accordance with Section B below.

### **A. The Board of Directors’ proposal for implementation of Employee Stock Option Program 2020/2023**

The Board of Directors proposes that the annual general meeting resolves to implement Employee Stock Option Program 2020/2023 in accordance with the following substantial guidelines:

1. Employee Stock Option Program 2020/2023 shall consist of a maximum of 625,000 stock options.
2. Each stock option confers the holder a right to acquire one new share of series B in the Company against an exercise price corresponding to 120 per cent of the average volume weighted price for the Company’s share of series B as quoted on Nasdaq First North Growth Market during the period from 18 May 2020 up to and including 29 May 2020. The calculated exercise price shall be rounded off to nearest even hundredth of a krona, whereupon 0.005 krona will be rounded up. The exercise

price and number of shares that each stock option confers right to acquire may be recalculated in the event of a bonus issue, consolidation or split-up of shares, new issue, etc. wherein the recalculation terms in the complete terms and conditions of the Warrants 2020/2023:1 shall apply (please refer to B below).

3. Employee Stock Option Program 2020/2023 shall be offered to (i) all employees who are employed by the Company and the subsidiaries of the group operating within the business area Streaming as of 1 June 2020, and (ii) the key consultants that (personally or through companies) work in the mentioned companies as of the mentioned date and who are appointed by the Board of Directors based on their importance for the group. Employees refers to full-time and part-time employees, including probationary employees but not hourly employees. A person who has entered into an employment agreement with the Company or a subsidiary of the group that operates within the business area Streaming but has not taken up his/her employment as of the mentioned date, shall not be regarded as an employee. An employee who has terminated the employment or has been dismissed by the mentioned date but is still employed, shall not be regarded as an employee. The Company's CEO shall be offered to participate in the program in the same way as other employees. The number of employees and key consultants that the program shall be offered to is estimated to a maximum 550.

The stock options shall be offered to the employees/key consultants proportionally in relation to their respective annual fixed gross salary/consultancy fees converted to SEK.

Notwithstanding what a calculation as above results in, no employee or key consultant shall be offered more than 8,500 stock options.

4. Notice of participation in Employee Stock Option Program 2020/2023 shall be received by the Company on 14 June 2020 at the latest, with a right for the Board of Directors to prolong the time limit. Allotment of stock options to participants shall take place as soon as possible after the expiration of the notification period.
5. The allotted stock options will be vested over a three-year period in accordance with the following:
  - (a) 1/3 of the allotted stock options will be vested on 1 June 2021;
  - (b) 1/3 of the allotted stock options will be vested on 1 June 2022; and
  - (c) 1/3 of the allotted stock options will be vested on 1 June 2023.

Vesting requires that the participant is still active within the group and that the employment or consultancy agreement has not been terminated as of the date when the respective vesting occur. If a participant ceases to be an employee or consultant or terminates his/her employment with the group or his/her consulting agreement with the group before a vesting date, the already vested stock options may be exercised at the ordinary time for exercise as described below, but further vesting will not take place. If the employee's employment ceases due to dismissal from the employer's side or if the consultancy agreement is terminated due to corresponding reasons, however, also vested options will lapse, unless the Board of Directors decides otherwise on a case-by-case basis.

6. The stock options shall not constitute securities and shall not be able to be transferred or pledged. However, in the event of a participant's death, the rights constituted by vested stock options shall accrue to the beneficiaries of the holder of the stock options.
7. The stock options shall be allotted without consideration.
8. The holder can exercise allotted and vested stock options during the period from 1 June 2023 up to and including 15 December 2023. The Board of Directors has the right to limit the number of dates

for delivery of shares during the exercise period.

9. Participation in Employee Stock Option Program 2020/2023 requires that such participation is in accordance with applicable laws, as well as that such participation can be executed with reasonable administrative costs and financial efforts according to the Company's assessment.
10. The stock options shall be governed by separate agreements with each participant. The Board of Directors shall be responsible for the preparation and management of Employee Stock Option Program 2020/2023 within the above-mentioned substantial guidelines. The Board of Directors has the right to, within the framework of the agreement with each participant, make the reasonable changes and adjustments of the terms and conditions of the stock options that are deemed suitable or appropriate as a result of local employment law or tax law or administrative conditions. This may mean, among other things, that continued vesting of stock options may take place in some cases when otherwise would not have been the case. The Board of Directors also has the right to advance vesting and the timing of exercise of stock options in certain cases, such as in the case of a public takeover bid, certain changes in ownership of the Company, liquidation, merger and similar measures. Finally, the Board of Directors has the right to, in extraordinary cases, limit the scope of, or prematurely terminate, Employee Stock Option Program 2020/2023 in whole or in part.

**B. The Board of Directors' proposal for resolution on directed issue of warrants of series 2020/2023:1 as well as approval of transfer of warrants**

In order to enable the Company's delivery of shares under Employee Stock Option Program 2020/2023 as well as to hedge ancillary costs, primarily social security contributions, the Board of Directors proposes that the annual general meeting resolves on a directed issue of warrants of series 2020/2023:1 as well as an approval of transfer of warrants of series 2020/2023:1.

The Board of Directors therefore proposes that the general meeting resolves on an issue of a maximum of 781,250 warrants on the following terms:

1. With deviation from the shareholders' preferential rights, the warrants may only be subscribed for by Storytel Sweden AB, a wholly owned subsidiary of the Company, (the "**Subsidiary**"). The reason for the deviation from the shareholders' preferential rights is that the warrants are a part of the implementation of Employee Stock Option Program 2020/2023.
2. Subscription shall be made on 31 May 2020 at the latest. The Board of Directors shall be entitled to prolong the subscription period.
3. The warrants shall be issued without consideration.
4. The warrants and the exercise of the subscription right are subject to the terms and conditions set forth in the enclosed terms and conditions for warrants 2020/2023:1; Exhibit A, (the "**Warrant Terms and Conditions**"). The Warrant Terms and Conditions states among others:
  - (a) that each warrant confers right to subscribe for one new share of series B in the Company against cash payment at a subscription price corresponding to 120 per cent of the average volume weighted price for the Company's share of series B as quoted on Nasdaq First North Growth Market during the period from 18 May 2020 up to and including 29 May 2020. The calculated subscription price shall be rounded off to nearest even hundredth of a krona, whereupon 0.005 krona will be rounded up;
  - (b) that the subscription price and the number of shares that each warrant confers right to subscribe for may be recalculated in accordance with Clause 8 in the Warrant Terms and Conditions;

- (c) that the subscription right may be exercised during the time period from the registration of the warrants with the Swedish Companies Registration Office (*Sw. Bolagsverket*) up to and including 31 December 2023;
  - (d) that the time period for when the subscription right may be exercised may be postponed in accordance with Clause 8 in the Warrant Terms and Conditions; and
  - (e) that the shares issued upon exercise of warrants shall confer right to dividend in accordance with Clause 7 of the Warrant Terms and Conditions.
5. In case all warrants are exercised for subscription of new shares, the share capital will increase with SEK 390,625 kronor.
6. The Board of Directors, or anyone appointed by the Board of Directors, shall be authorized to make such minor formal adjustments of the resolution which may be required for registration with the Swedish Companies Registration Office (*Sw. Bolagsverket*) or Euroclear Sweden AB.

The Board of Directors further proposes that the annual general meeting resolves to approve that the Subsidiary may transfer warrants to the participants in Employee Stock Option Program 2020/2023 without consideration in connection with exercise of the stock options in accordance with the terms set out in section A, or in another way dispose of the warrants in order to be able to secure the Company's commitments and costs in relation to Employee Stock Option Program 2020/2023. The Board of Directors shall not have the right to dispose of the warrants for any other purpose than to secure the Company's commitments and costs in connection with Employee Stock Option Program 2020/2023.

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### **Dilution and previous incentive programs**

Per the day of this proposal there are 62,072,562 shares in the Company, whereof 635 shares of series A and 62,071,927 shares of series B. Share of series A entitles to ten votes and share of series B entitles to one vote.

In case all warrants issued within Employee Stock Option Program 2020/2023 (including those for hedge of ancillary costs in the form of social security contributions) are exercised for subscription of new shares of series B, the number of shares of series B and votes in the Company will increase with 781,250 (with reservation for any recalculation in accordance with the Warrant Terms and Conditions), which corresponds to a dilution of approximately 1.24 per cent of the number of shares and votes in the Company.

The Company currently has one ongoing share-based incentive program – Employee Stock Option Program 2019/2022. Per the day of this proposal there was approx. 440,000 outstanding stock options in the mentioned program. The stock options are held by employees and key consultants in the Company and the subsidiaries operating within the business area Streaming. Each stock option confers the holder a right to acquire one new share of series B in the Company against an exercise price of SEK 119.69. The stock options are vesting during three years with 1/3 per year and can be exercised from 1 June 2022 up to and including 15 December 2022. The delivery of shares under the program, as well as ancillary costs (primarily social security contributions), has been hedged by 687,500 warrants held by the Subsidiary.

Besides Employee Stock Option Program 2020/2023, the Board of Directors proposes that the annual general meeting of 6 May 2020 resolves to implement a warrant program for the executive management and key individuals (“**Warrant program 2020/2023**”) and Roxette Photo NV propose that the general meeting resolves on a warrant program for certain directors of the board (“**Warrant Program 2020/2024**”) (see separate proposals).

If (i) all outstanding warrants issued in connection to Employee Stock Option Program 2019/2022 are exercised in full for subscription of shares of series B, (ii) the general meeting resolves on the

implementation of Employee Stock Option Program 2020/2023, Warrant Program 2020/2023 and Warrant Program 2020/2024 in accordance with the proposals, and (iii) all warrants that can be issued in or in connection to Employee Stock Option Program 2020/2023, Warrant Program 2020/2023 and Warrant Program 2020/2024 are exercised for subscription of shares of series B, the number of shares of series B and votes in the Company will increase with 2,058,750 (with reservation for any recalculation in accordance with the respective program's terms and conditions), which corresponds to a total dilution of approximately 3.2 per cent of the number of shares and votes in the Company.

The dilution effect has been calculated as the number of additional shares and votes in relation to the number of existing shares and votes plus the number of additional shares and votes.

### **Costs and effects on key figures**

The Board of Directors assesses that Employee Stock Option Program 2020/2023 will entail costs partly in the form of accounting salary costs and partly in form of social security contributions.

Based on the assumption that 100 per cent of the options in Employee Stock Option Program 2020/2023 will be allotted and an assumed annual employee turnover rate of 5 per cent, meaning that 564,557 stock options will vest, the estimated accounting costs for the options amounts to approximately a total of MSEK 17 during the time period 2020-2023, based on the actual value of the options at the time of calculation. The options do not have a market value since they are not transferable. However, the Board of Directors has calculated a theoretical value of the options in accordance with the Black & Scholes formula. The calculations have been based on an assumed share price of SEK 143 per share, a risk-free interest rate of -0.34 percent and an assumed volatility of 39 percent. In accordance with this valuation, the value of the options in Employee Stock Option Program 2020/2023 is approximately SEK 29.74 per option. Limitations in the disposal rights have not been taken into consideration in the valuation.

Upon a positive development of the share price, Employee Stock Option Program 2020/2023 will entail costs in form of social security contributions. The total costs for social security contributions will depend on the number of options that will be vested and on the value of the benefit that the participant ultimately will receive, i.e. on the value of the options when exercised 2023, but also in which countries the participants are resident and what rates that apply for social security contributions in these countries. Based on the assumption that 564,557 of the options in Employee Stock Option Program 2020/2023 will be vested, that all vested options are exercised, an assumed share price of SEK 220 when the options are exercised, an assumed distribution between different countries and an assumed average rate for social security contributions of approximately 25 per cent, the total costs for social security contributions will amount to approximately MSEK 7. Based on the same assumptions as above but with an assumed share price of SEK 300 when the options are exercised instead of SEK 220, the total cost for social security contributions will amount to approximately MSEK 18.

The Company's entire costs for social security contributions are proposed to be hedged through a directed issue of warrants in accordance with section B above.

The total cost for Employee Stock Option Program 2020/2023 will be distributed over the years 2020-2023. Since 1/3 of the options vest per year, the cost will be distributed more towards the front of the three year term.

Given the above assumptions, including an assumed share price of SEK 220 and SEK 300 respectively at the time of exercise of the options, and that the program had been introduced in 2018 instead, it is calculated that the key figure earnings per share for full year 2019 would have decreased from SEK -5.59 to SEK -5.82 and SEK -5.88 respectively.

It shall be noted that all calculations above are preliminary, based on assumptions and are only intended to provide an illustration of what costs Employee Stock Option Program 2020/2023 may entail. Actual costs may therefore deviate from what has been stated above.

## **Preparation of the proposal**

The proposal for resolution on the implementation of Employee Stock Option Program 2020/2023 and the proposal of resolution on a directed issue of warrants of series 2020/2023:1 as well as approval of transfer of warrants of series 2020/2023:1 have been prepared by the Board of Directors together with external advisors. It is noted that the CEO, who is also a member of the Board of Directors, has not participated in the Board of Directors' preparation of the proposal, as he, as an employee, is comprised by the proposal.

## **Majority requirements**

The Board of Directors' proposal to implement Employee Stock Option Program 2020/2023 in accordance with section A, as well as the directed issue of warrants and an approval of transfer of warrants in accordance with section B, constitutes an overall proposal, which shall be resolved upon as one resolution. The resolution is subject to the provisions in Chapter 16 of the Swedish Companies Act, and a valid resolution hence requires that the proposal is supported by shareholders with at least nine-tenth of both the votes cast and the shares represented at the meeting.

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Stockholm in April 2020

The Board of Directors of Storytel AB (publ)