



*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 15 – PROPOSAL FOR RESOLUTION ON A WARRANT BASED INCENTIVE PROGRAM FOR EXECUTIVE MANAGEMENT AND KEY INDIVIDUALS**

### **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.

The Board of Directors of the Company proposes that the annual general meeting of 6 May 2020, resolves to implement a warrant based incentive program for executive management and key individuals in the Company and the subsidiaries operating within the business area Streaming (**”Warrant Program 2020/2023”**) by (A) resolution on an issue of warrants of series 2020/2023:2 to the Company’s wholly-owned subsidiary Storytel Sweden AB (the **”Subsidiary”**), and (B) resolution on approval of transfer of warrants of series 2020/2023:2 from the Subsidiary to executive management and key individuals in accordance with section B below.

The purpose of the proposed program and the reason for the deviation from the shareholders’ preferential rights, is to offer executive management and key individuals in the Company and the subsidiaries operating within the business area Streaming to, through an investments in warrants, get an increased possibility to take part in a value growth in the Company’s share of series B, which is expected to further increase the commitment to the Company’s operation and earnings development and to further raise the motivation and sense of belonging with the Company. 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.

### **A. The Board of Directors’ proposal for resolution on a directed issue of warrants of series 2020/2023:2**

The Board of Directors of the Company proposes that the annual general meeting resolves to issue a maximum of 520,000 warrants of series 2020/2023:2 on the following terms and conditions.

1. With deviation from the shareholders’ preferential rights, the warrants may only be subscribed for by the Subsidiary, with right and obligation for the Subsidiary to transfer the warrants to executive management and key individuals in the Company and the subsidiaries operating within the business area Streaming in accordance with what is stated under section B below. The Subsidiary shall not have the right to dispose of the warrants in any other way than as stated in the proposal under section B below.
2. The reason for the deviation from the shareholders’ preferential rights is that the warrants shall be used within the framework of Warrant Program 2020/2023.
3. The warrants shall be issued at a price equal to the warrant’s fair market value at the time of subscription. Calculation of the warrant’s market value shall be performed by an independent valuation institute, applying the Black & Scholes formula.
4. Subscription of the warrants shall be made on 1 June 2020 at the latest. The Board of Directors is entitled to prolong the subscription period.
5. Payment of the warrants shall be made on 5 June 2020 at the latest. The Board of Directors is entitled to prolong the payment period.

6. Each warrant entitles the holder to subscribe for one new share of series B in the Company against cash payment at a subscription price corresponding to 165 percent of the volume weighted average price for the Company's share of series B on Nasdaq First North Premier Growth Market during the period from 18 May 2020 up to and including 29 May 2020. The subscription price shall be rounded off to nearest even hundredth of a krona, whereupon 0.005 krona will be rounded up.
7. The warrants may be exercised for subscription of shares during the period from 1 June 2023 up to and including 30 June 2023.
8. Shares issued upon exercise of the warrants confer right to dividends for the first time on the next record date for dividends which occurs after subscription is effected.
9. The full terms and conditions for the warrants are set forth in the enclosed terms for warrants of series 2020/2023:2, Exhibit A (the “**Warrant Terms and Conditions**”). According to the Warrant Terms and Conditions the subscription price and the number of shares which each warrant confers right to subscribe for may be recalculated in the event of a bonus issue, reverse share split or share split, new issue, issue of warrants or convertibles and under some other circumstances. Further, the period for exercising the warrants may change to an earlier or later period/date under some circumstances.
10. If all warrants are subscribed for, all warrants are transferred to executive management and key individuals in accordance with the proposal under section B below and all warrants are exercised for subscription of shares, the Company's share capital will increase by SEK 260,000 (with reservation for any recalculation in accordance with Warrant Terms and Conditions).
11. The Board of Directors, or anyone appointed by the Board of Directors, shall be authorized to make such minor formal adjustments in the issue resolution that may be required for registration with the Swedish Companies Registration Office (Sw. Bolagsverket) or Euroclear Sweden AB.

**B. The Board of Directors' proposal for resolution on approval of transfer of warrants of series 2020/2023:2 to executive management and key individuals**

The Board of Directors proposes that the annual general meeting resolves to approve that the Subsidiary, within the framework of Warrant Program 2020/2023, transfers a maximum of 520,000 warrants of series 2020/2023:2 to executive management and key individuals in the Company and the subsidiaries operating within the business area Streaming on the following terms and conditions.

1. Right to acquire warrants from the Subsidiary shall accrue to members of the group executive management (5 individuals), all country managers (maximum of 20 individuals), all regional managers (maximum of 5 individuals) and the other key individuals that have been identified as being of particular importance for the Company's continued development (maximum of 20 individuals) (in total a maximum of 50 individuals).

The above-mentioned individuals (below jointly defined as the “**participants**”) shall be entitled to – personally or through a wholly-owned or controlled company – acquire a maximum of 15,000 warrants each. A participant can give notice of acquisition of a lower number of warrants than what is stated above, however not less than 1,000 warrants.

If the total number of warrants that the participants in aggregate want to acquire exceeds the maximum number of warrants that Warrant Program 2020/2023 comprise, the warrants shall be distributed equally among the participants who have given notice to acquire warrants (per person and not pro rata in relation to the number of warrants set out in their respective notice). However, no one shall be allotted further warrants than the number set out in his/her notice.

Participants can give notice to acquire additional warrants to what is stated above, however a maximum of additional 10,000 warrants each, and can be allotted warrants based on such notice provided there are remaining warrants to allot after the first allotment in accordance with the above. If the total number of warrants that such notices comprise exceeds the number of warrants that remain to allot, the remaining warrants shall be distributed equally among the participants who have given notice to acquire additional warrants (per person and not pro rata in relation to the number of warrants set out in their respective notice). However, no one shall be allotted further additional warrants than the number of warrants set out in his/her notice.

The above means that no participant may acquire more than a total maximum of 25,000 warrants through the first allotment and a possible second allotment.

2. Transfer of warrants shall take place at market value at the time of the transfer. Calculation of the warrant's market value shall be performed by an independent valuation institute, applying the Black & Scholes formula.
3. Notice of acquisition of warrants in accordance with 1 above shall be received by the Company on 31 May 2020 at the latest. The Board of Directors shall be entitled to prolong the notification period. Transfer to the participants shall take place as soon as possible after the end of the notification period.
4. Payment for warrants to be acquired shall be made no later than 5 June 2020. The Board of Directors is entitled to prolong the payment period.
5. A prerequisite for being entitled to acquire warrants from the Subsidiary is (i) that the participant at the time of the acquisition has neither given notice or received notice of termination of his/her employment, or, in applicable cases, that the participant's consultancy agreement at the time of acquisition has not been terminated by either party (ii) that acquisition of warrants can take place in accordance with applicable laws and, according to the Board of Directors' assessment, can be executed with reasonable administrative costs and financial efforts, and (iii) that the participant and/or, in applicable cases, the participant's company has entered into an agreement with the Company, according to which the Company, or the one the Company assigns, under certain circumstances has the right to repurchase the warrants from the participant/company if the participant's employment/consultancy assignment ceases or if the participant/company wishes to transfer the warrants before they can be exercised for subscription of shares, in some cases to an amount equal to the lower of the participant's/company's acquisition price and the market value, in other cases to market value. The Board of Directors has the right to make the reasonable changes and adjustments to the terms and conditions of the agreement that are deemed suitable or appropriate as a result of local employment law or tax law or administrative conditions.

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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.

If all warrants that can be issued under Warrant Program 2020/2023 are exercised for subscription of new shares of series B, the number of shares of series B and the number of votes in the Company will increase with 520,000 (with reservation for any recalculation in accordance with the Warrant Terms and Conditions), which corresponds to a dilution of approximately 0.83 per cent of the number of shares and votes in 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 Warrant Program 2020/2023, the Board of Directors proposes that the annual general meeting of 6 May 2020 resolves to implement an employee stock option program ("**Employee Stock Option 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 2019/20222 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 market value of a warrant of series 2020/2023:2 has, according to a preliminary valuation applying the Black & Scholes formula, been calculated as SEK 16.12 per warrant. The calculations have been based on an assumed share price of SEK 143 per share, a risk-free interest rate of -0.33 percent and an assumed volatility of 39 percent. The preliminary valuation is based on assumptions. When transferring the warrants to participants, the market value will be determined based on updated assumptions and then known parameters.

Upon a positive development of the share price, Warrant Program 2020/2023 will entail costs in the form of social security contributions with regards to participants in some countries. The total costs for social security contributions will depend on the number of warrants that participants residing in different countries will acquire and exercise for subscription of shares, the market value of the Company's share of series B at the time of exercise of the warrants in 2023, but also what rates that apply for social security contributions in these countries (where social security contributions are due). Based on the assumption that 100 per cent of the warrants that can be issued within the framework of Warrant Program 2020/2023 are transferred to participants, an assumed even distribution of warrants between the participants, the assumption that all warrants are exercised and an assumed share price of SEK 300 at the time the warrants are exercised, the average rate of social security contributions is calculated to approximately 4 per cent and the total cost for social security contributions is calculated to approximately MSEK 1. Based on the same assumptions as above but with an assumed share price of SEK 220 when the warrants are exercised, instead of SEK 300, no cost for social security contributions should incur since the subscription price in such case is higher than the share price at the time the warrants are exercised. Since the costs incurred for social security contributions are calculated as such a marginal amount, no hedge of these costs is proposed.

The total cost for social security contributions will be distributed over the years 2020-2023 based on the market value of the warrant.

Given the above assumptions, including an assumed share price of SEK 300 at the time the warrants are exercised, and that the program had been introduced in 2018 instead, it is calculated that the key figure earning per share for full year 2019 would have decreased from SEK -5.59 to SEK -5.60. With the same assumptions as above but with an assumed share price of SEK 220 at the time the warrants are exercised, and that the program has been introduced in 2018 instead, it is calculated that the key figure earning per share would remain unchanged of SEK -5.59.

It shall be noted that all calculations above are preliminary and are only intended to provide an illustration of what costs Warrant Program 2020/2023 may include. Actual costs may therefore deviate from what has been stated above.

### **Preparation of the proposal**

The proposal for resolution on the implementation of Warrant Program 2020/2023 and the proposals of resolutions according to section A and B above, 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.

### **Majority requirements**

The Board of Directors' proposal to implement Warrant Program 2020/2023 and the proposals of resolutions according to section A and B above, 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)