



# *Annual Report 2017*



storytel

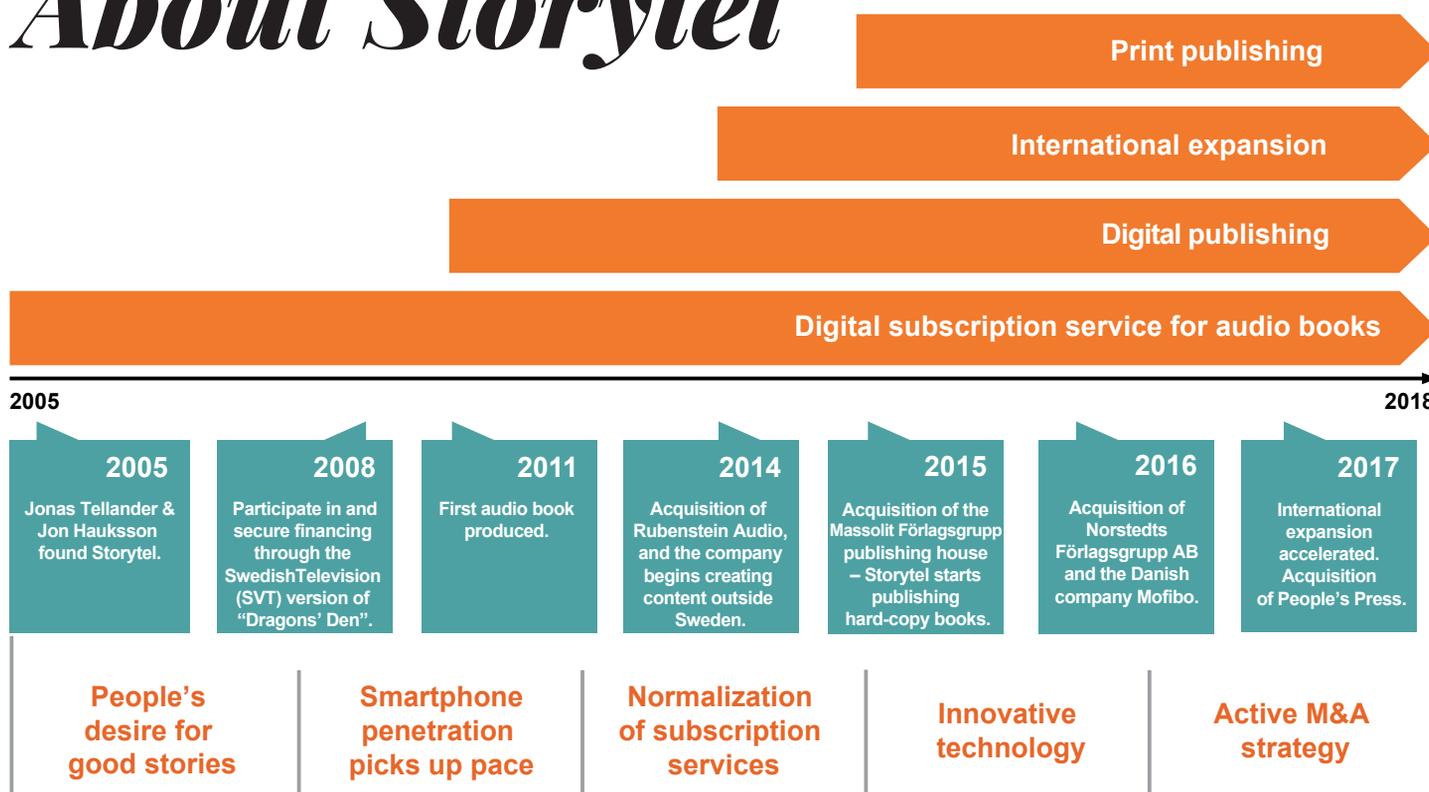


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# About Storytel



**The Storytel organization** comprises two divisions: Streaming and Publishing. Within the Streaming division, the company provides a subscription service for audio books and e-books under the Storytel and Mofibo brands, currently in Sweden, Norway, Denmark, Finland, the Netherlands, Poland, Russia, India, Spain and Iceland.

Within the Streaming division Storytel also publishes audio books and Storytel Original, primarily through the audio book publishers Storyside (Sweden) and Rubinstein Audio (the Netherlands). The Publishing division comprises Norstedts, Massolit, Kontentan, Telegram, the Danish publisher People’s Press (adults), Rabén & Sjögren and B. Wahlströms (children and young adults), as well as Norstedts Kartor.

Storytel AB (publ) is the only listed company in Sweden within the book and publishing sector. Storytel placed great emphasis on international expansion in 2017, launching operations on three new markets – with several more in the starting blocks.



# Statement from the CEO

PHOTO: ÅSA LFFNER

In 2017 our global streaming revenues were up 48% at MSEK 730. Our global subscriber base rose by 48% to an average total of 533,400 subscribers in Q4. All in all, our listeners consumed 136 million hours of audio books in 2017, 37 million hours of which were inhouse productions – an increase of 28 million on 2016. The proportion of streaming revenue overseas rose from 38% to 44% during the year, and we launched in three new countries, with preparations under away for expansion into a further six markets. Norstedts Förlagsgrupp AB enjoyed another positive year, with good profitability. We raised just over MSEK 200 of capital in October, recording a solid equity-to-assets ratio of 36% and cash at MSEK 250 at year-end.

#### **Good profitability and growth in Sweden and Denmark**

A number of book streaming services have been launched on the Swedish market over the last few years. In spite of this, Storytel Sweden continues to grow steadily, with just over 60,000 added subscribers each

**»We will work together to build the world's best employer, company, partner and book provider.«**

year – and the same rate of absolute growth is projected in Sweden in 2018. This equates to a growth rate of around 20% on a relatively mature market, which underlines the potential of digital books.

The Swedish book market (physical books included) has thrived in recent years thanks to Storytel and other streaming services, expanding by 4.2% in total during 2017. The book streaming segment in Sweden was up 50% at MSEK 509 in 2017, with Storytel accounting for MSEK 429 of sales (equivalent to an 84% market share). Total sales of digital subscription services for books rose by around MSEK 170 in 2017, with Storytel accounting for MSEK 106 of the increase.

For our total Swedish and Danish operations (including Print

Publishing), organic sales rose 11% in 2017 to around MSEK 1,070, with operating margin before depreciation at around 9%. The target for Sweden and Denmark is to achieve sustained two-figure growth, while increasing operating margin towards 15%. Under current regulations (K3), all costs associated with production of audio books are expensed as they occur. If these costs were capitalized, our current operating margin would be higher.

#### **Audio books becoming more popular the world over**

These are busy times for our expansion team, who are constantly traveling to all four corners of the world to prepare Storytel for expansion into new local markets. In recent years, audio books have emerged as the format for which book industries in most countries have the greatest confidence in sustained growth. Sweden and USA account for the highest sales per capita. Storytel and the Amazon-owned Audible have now emerged as the two leading audio book providers with global ambitions.



We can now sense an opportunity for Storytel to take the lead across a range of markets, and we're working proactively and systematically to expand both geographically and linguistically. When entering a new market, we always begin by developing and building up our local content, ensuring we can convert those signing up to campaigns into loyal paying customers. Only then do we begin to invest in the development of the brand. This is a process we've modified and fine-tuned for every new market we enter. It takes around six to 18 months to launch in each country, depending on the specific circumstances. We always carry out extensive analysis and feasibility studies before deciding to enter a market.

Just one year ago, Storytel was active on six markets (Sweden, Denmark, Norway, Finland, Holland and Poland), but since then, we've launched the service on four new markets (Iceland, Russia, Spain and India). And if all goes according to plan in 2018, another five markets will be added. Outside of Sweden, we've been operating in Denmark,

Norway and the Netherlands the longest, and these markets account for the lion's share of our foreign sales today. Moreover, in a few years time, the other six markets will contribute a substantial share of our streaming revenues.

#### **Our global teams enable expansion**

In June 2017, Storytel's head office was relocated to the Norstedt Building, on Riddarholmen in Stockholm, while our Danish workforce moved into the People's Press office in Copenhagen. These developments set the tone for our global organization, which has doubled in size since the summer to around 100 employees. We have a competent management group which is leading dedicated global teams in marketing, content, publishing, development, HR, expansion, finance and intelligence. These global teams are supporting our local teams around the world to operate successfully. Our Country Manager in Iceland summed it up well: "The global teams are so great it feels like being wrapped in cotton!" During the year, Storytel has

become a more well-known, attractive employer, which is reflected in the massive numbers of applications we receive from people who want to join our team. This is really pleasing, as we're planning to scale up our global organization in Stockholm and Copenhagen over the next few years.

***»After five challenging years building up the business, we've gone from strength to strength.«***

We also launched a management trainee program in 2017 to ensure we could secure the best talent from schools of economics and technology in the Nordic region. Within a few years, we're aiming for Storytel to be one of the best workplaces in Sweden, continuing to attract talent to every area of the business.



### Print publishing

2017 was another excellent year for Norstedts Förlagsgrupp AB, thanks to the continued success of Elena Ferrantes' four-part Neapolitan Novels and the release of the fifth book about Lisbeth Salander, written by David Lagercrantz. And just before Christmas, Norstedts author Johannes Anyuru received the August Prize for "De kommer att drunkna i sina mödrars tårar" (They will drown in their mother's tears), which lead to great sales during holidays.

Our children and young adult publisher Rabén & Sjögren also recorded a strong profit, contributing to an operating surplus of around MSEK 32 for the publishing group. Digital sales also played a key role in the increase in profit, with audio books in the ascendency, and currently account for 12% of the company's revenues.

The goal for Print Publishing (Norstedts Förlagsgrupp and People's Press) for 2018 is to generate stable

***»We have a fantastic organization of genuinely talented people who are passionate about Storytel and proud to be part of the revolution we've set in motion in the book industry.«***

revenue of around MSEK 500 at an operating margin of 6–8%.

### Outlook for 2018

Thirteen years have passed since I founded Storytel along with Jon Hauksson. And after five challenging years building up the business, we've gone from strength to strength. Our Board and Management have made a number of important decisions, such

as the acquisition of Norstedts and Mofibo, enabling us to take a leading market position in Sweden and Denmark with good profitability. We have a fantastic organization of genuinely talented people who are passionate about Storytel and proud to be part of the revolution we've set in motion in the book industry.

Along with many others at Storytel, I'm motivated by the need to build, whether it's developing customer experience, making digital books available, our content, the organization or our business. Nothing beats the buzz of hatching an idea and making it happen. We will together build the world's best employer, company, partner and book provider.

Jonas Tellander  
VD

# *Storytel in figures*

## *Launched on 10 markets*

### *Maturing*

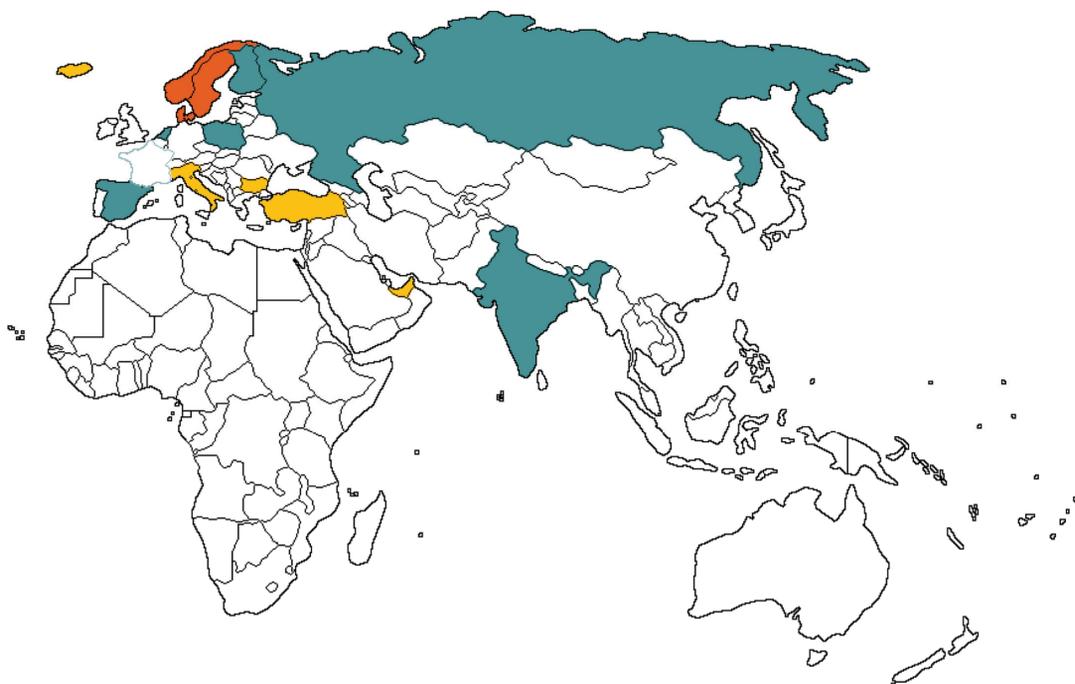
SWEDEN  
DENMARK  
NORWAY

### *Escalating*

THE NETHERLANDS  
POLAND  
FINLAND  
RUSSIA  
SPAIN  
INDIA

### *In preparation*

ICELAND  
BULGARIA  
THE UNITED ARAB EMIRATES  
ITALY  
TURKEY



# 534

*... thousand paying subscribers on average, in q4 2017, who listened to ...*

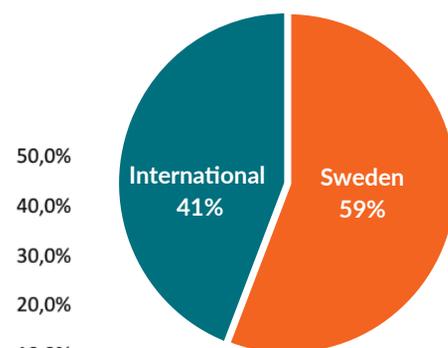
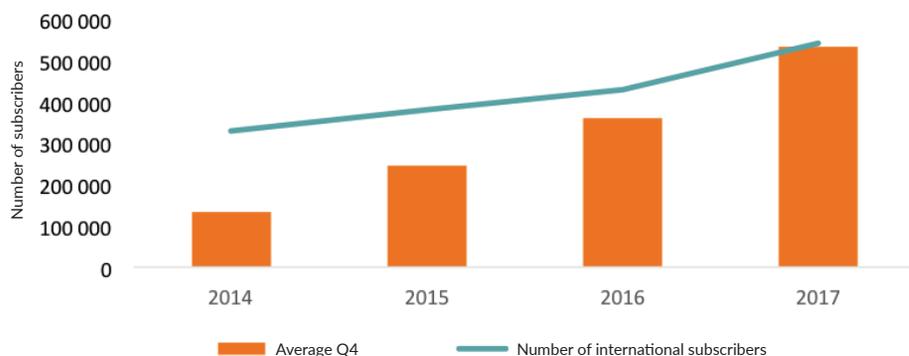
# 136

*... million hours of audio books, with a ...*

# 95%

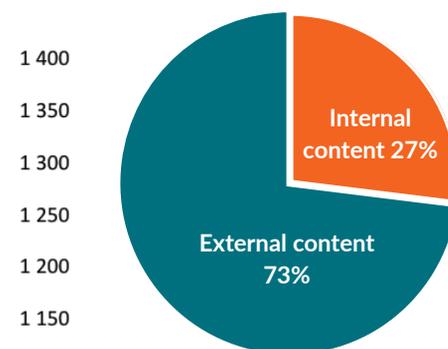
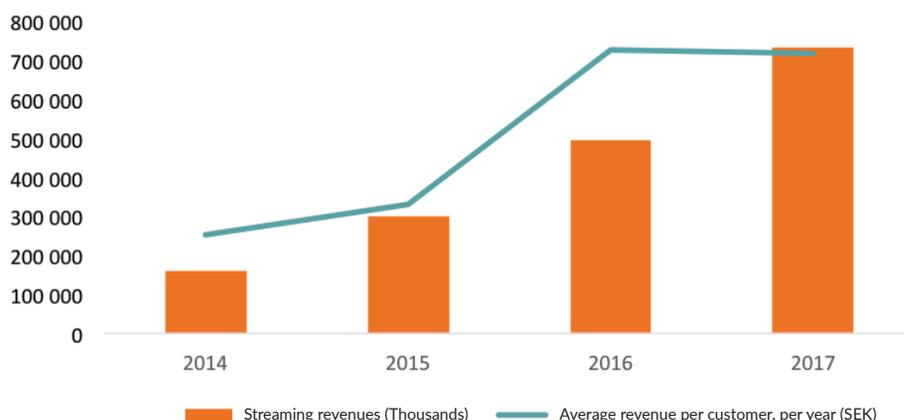
*...customer satisfaction...*

### Development subscriber base



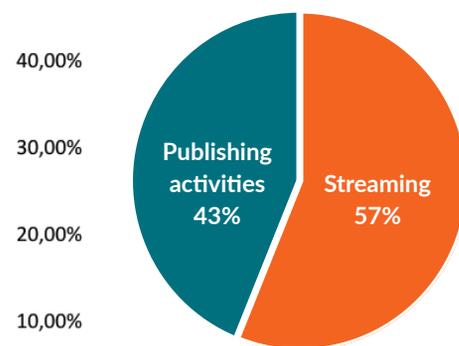
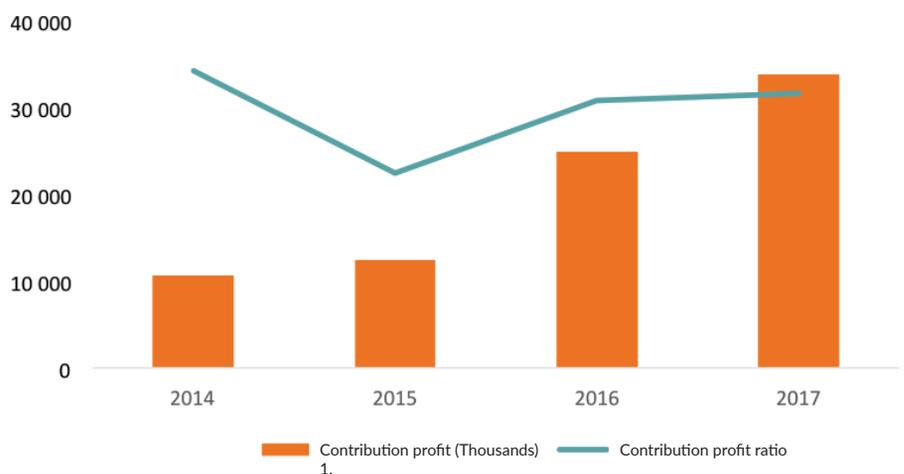
**Distribution of streaming revenues, 2017**

### Development streaming revenues



**Distribution of what subscribers listening, 2017**

### Development contribution profit (Sweden)

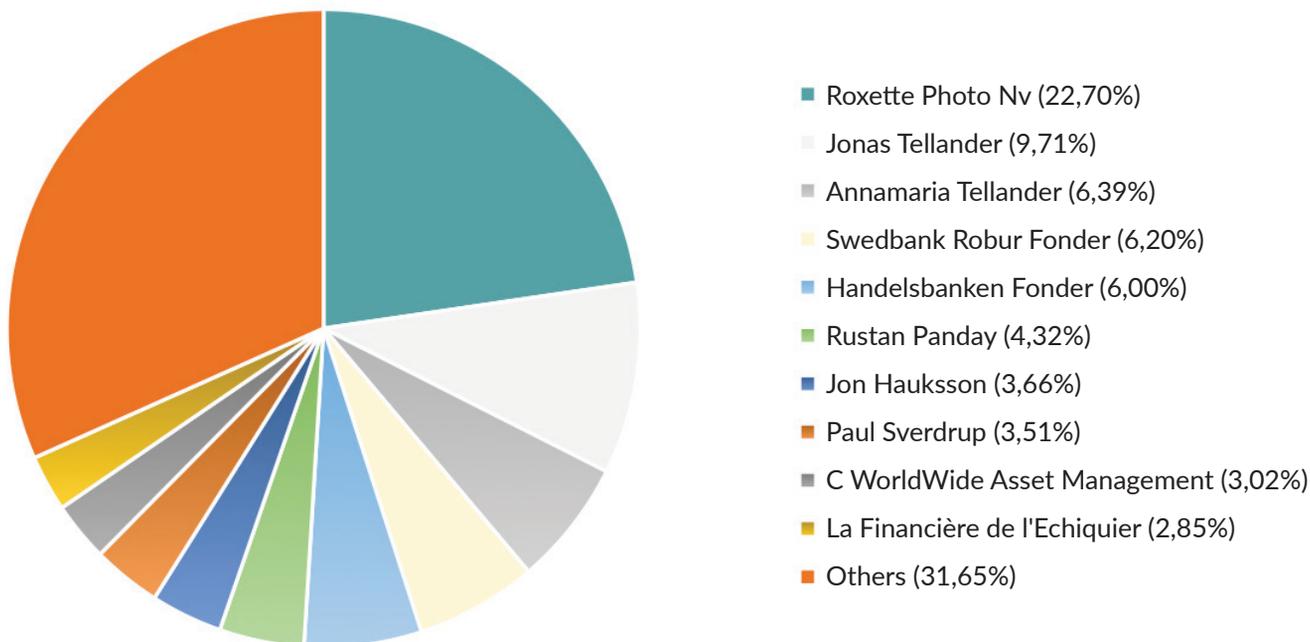


**Distribution of revenues, 2017**

1. Contribution profit is defined as revenues reduced by content and marketing costs.

# Share and ownership structure

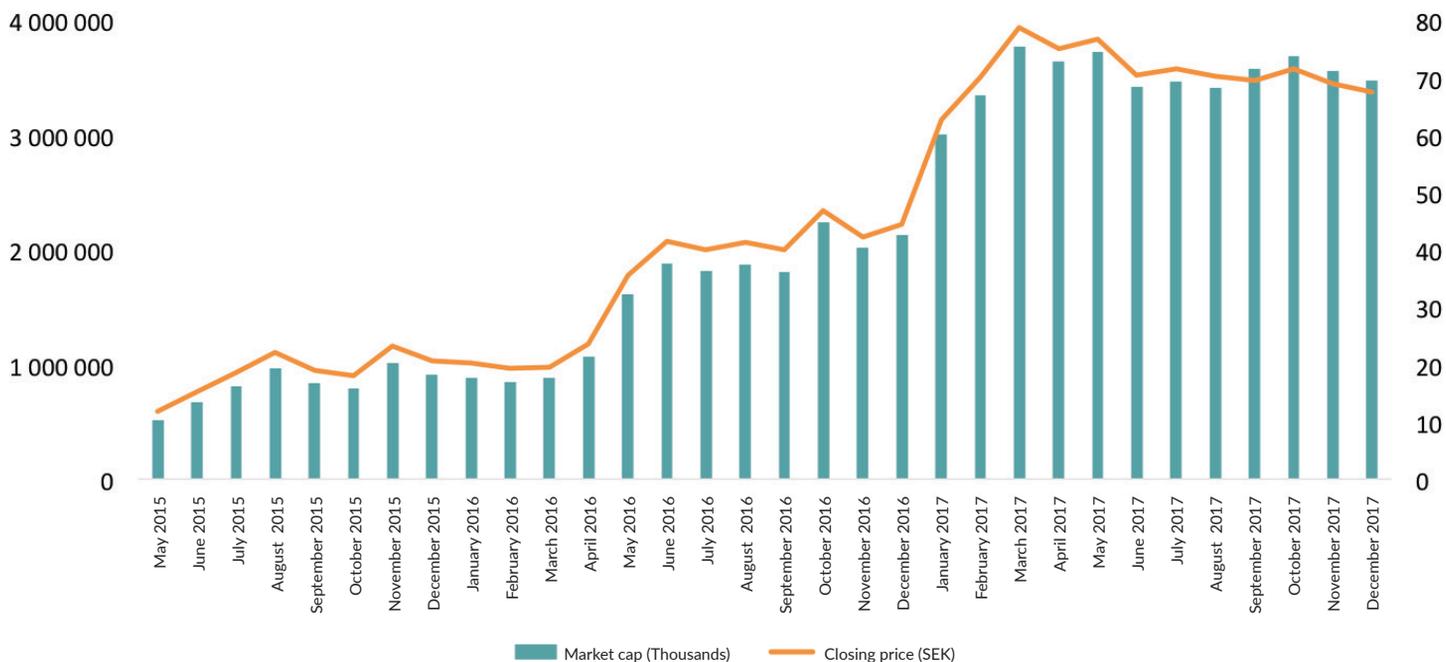
## Largest shareholders as of December 31, 2017



## Analysis monitoring:

ABG Sundal Collier, Derek Laliberté,  
Pareto Securities, Stefan Wård.

## Share price and market cap



# Board of Directors

PHOTO: ÅSA LIEFFNER



## RUSTAN PANDAY

Chairman of the Board of Directors since 2010.

**Born in:** 1969

**Education:** Economist

**Other commissions:** Chairman of the Board, Four Potentials AB and Brf Harpan 38. Several Board commissions within the Group. Privately owned company, Jehangir AB.

**Background:** Entrepreneur. Founder of Mediaplanet AB

**Shareholding:** 2 227 908

## JONAS TELLANDER

Member of the Board of Directors since 2006.

**Born in:** 1970

**Education:** MSc in Chemical Technology, Lund University, Faculty of Engineering MBA INSEAD.

**Other commissions:** Insplanet AB (publ), several subsidiaries within the Group and Tellander Holding AB.

**Background:** Head of global licensing Roche.

**Shareholding:** 5 000 000

## STEFAN TEGENFALK

Member of the Board of Directors since 2015.

**Born in:** 1965

**Education:** Telecom/Technical high school.

**Other commissions:** Member of the Board of Waystream Holding AB (publ).

**Background:** Founder of the Massolit publishing group.

**Shareholding:** 343 701

## JONAS SJÖGREN

Member of the Board of Directors since 2015.

**Born in:** 1966

**Education:** MSc in Electrical Engineering from Chalmers University of Technology, Licensed Physician from the Sahlgrenska Academy, and MBA from INSEAD.

**Other commissions:** CMC SPV of 3 April 2017 AB. Alligaor BIOscience AB. Alternate Member of the Boards of Exceca Allocation AB and Delibr AB. Ericsson 1991-2003.

**Background:** System engineer, Product Manager mobile internet, head of investments Exceca since 2004.

**Shareholding:** 11,692,423 through the associated company Roxette Photo NV.

## INGRID BOJNER

Member of the Board of Directors since 2016.

**Born in:** 1973

**Education:** MSc in Economics from Stockholm School of Economics, MBA courses at UCLA.

**Other commissions:** Carnegie Investment Bank, Movestic, Celemi International, Chair of the Board of New Republic PR, Chair of the Board of Bambuser (publ), Swema.

**Background:** Deputy CEO SSE Exed, Vice President Sales TeliaSonera, Associate Partner McKinsey & Company.

**Shareholding:** 9 671

## NILS JANSE

Member of the Board of Directors since 2013.

**Born in:** 1981

**Education:** MSc in Engineering, Industrial Engineering, KTH.

**Other commissions:** Chairman of the Board of Delibr.

**Background:** CEO and founder of Delibr, Engagement Manager, McKinsey.

**Shareholding:** 71 374

## KARIN ALEXANDERSSON

Member of the Board of Directors (staff representative) 2015.

**Born in:** 1973

**Education:** MPhil in Comparative Literature from Stockholm University, law, certified corporate board member (PTK).

**Other commissions:** Several commissions in association boards.

**Background:** Has worked in the book publishing industry since 1999, employed by the current Storytel Group since 2013.

**Shareholding:** –

# Management

PHOTO: ÅSA LIFFNER



## JONAS TELLANDER

**Position:** CEO and founder of Storytel.

**Born in:** 1970

**Education:** MSc in Chemical Technology, Lund University, Faculty of Engineering MBA INSEAD.

**Other commissions:** Insplanet AB (publ), several subsidiaries within the Group and Tellander Holding AB.

**Background:** Head of global licensing, Roche.

**Shareholding:** 5 000 000

PHOTO: ÅSA LIFFNER



## SOFIE ZETTERGREN

**Position:** CFO

**Born in:** 1986

**Education:** MSc in Economics from Uppsala University, Singapore Management University.

**Other commissions:** Member of the Boards of companies within the Storytel Group.

**Background:** Auditing at EY, CFO at Storytel since 2013.

**Shareholding:** 33 520

## MÄRTA LANGÉEN

**Position:** COO

**Born in:** 1983

**Education:** Degree in Book Publishing, literature and languages.

**Other commissions:** –

**Background:** Previous background in publishing and book trade in Stockholm Employed by Storytel since 2011.

**Shareholding:** 25 561

## DANIEL BODNÉR

**Position:** CTO

**Born in:** 1984

**Education:** MSc (Computer Science)

**Other commissions:** –

**Background:** Software Developer, Software Architect, Team Lead.

**Shareholding:** 18 250

## MORTEN QVIST STRUNGE

**Position:** CCO

**Born in:** 1986

**Education:** HHX Hillerød (business school).

**Other commissions:** Member of the Boards of Investru ApS, Winefamily ApS, Goodiebox ApS, Son of a tailor ApS, Ejendomsrådgiver Adam Schnack A/S, Blendle, Next advertising ApS and companies within the Storytel Group (Mofibo books app, Peoples Press A/S).

**Background:** CEO Onefone, CEO Mofibo, CCO Storytel.

**Shareholding:** 747 640

## STEFAN TEGENFALK

**Position:** Head of Expansion

**Born in:** 1965

**Education:** Telecom/Technical high school.

**Other commissions:** Member of the Board of Waystream Holding AB (publ).

**Background:** Founder of the Massolit publishing group.

**Shareholding:** 343 701

## MARTIN JONASSEN

**Position:** Head of Intelligence

**Born in:** 1977

**Education:** MSc-Business administration and Economic marketing.

**Other commissions:** –

**Background:** 12 years of experience in Data management, Modeling and BI in various roles and industries.

**Shareholding:** 2 000

## RICKARD HENLEY

**Position:** Head of Storytel Publishing

**Born in:** 1974

**Education:** M Phil in Comparative Literature, Poppius journalist program.

**Other commissions:** –

**Background:** Journalist and producer Digital Manager at Norstedts, Manager and responsible publisher at TV4 New media, digital manager and responsible publisher at Utbildningsradion, interim manager for LRF Media's digital platform, chief editor at Allt om Stockholm.

**Shareholding:** –

## ADMINISTRATION REPORT

The Board of Directors and Chief Executive Officer of Storytel AB (publ) hereby submit the annual report and consolidated financial statements for the 2017 financial year.

The annual report has been prepared in Swedish kronor (SEK), with all figures stated in thousands unless otherwise specified.

### Administration report

#### Information about operations

Storytel AB (publ) is the parent company of a number of companies operating in two business segments, Streaming and Publishing. Storytel AB (publ) is the only publicly held company in the Swedish book industry. The company is listed on the Aktietorget trading platform.

#### Important circumstances

The Streaming division, of which Storytel AG is parent company, currently delivers a subscription service for audio- and e-books under the Storytel brand in Sweden, Norway, Denmark, Finland, the Netherlands, Poland, Russia, Spain and India, and from the first quarter of 2018, Iceland.

There is also the Mofibo brand, in Denmark. The Streaming division also publishes audio books, primarily through the publishers Storyside (Sweden) and Rubinstein Audio (the Netherlands). The Publishing division comprises Norstedts, Massolit, Kontentan, Telegram, the Danish publisher People's Press (adult literature), Rabén & Sjögren and B. Wahlströms (children and young adults) as well as Norstedts Kartor.

Storytel AB (publ) is also parent company of Massolit Förlag AB and Omega Film AB, both of which are dormant companies.

The company is domiciled in Stockholm.

#### Significant events during the financial year

On February 2017, the Group company Storyside AB acquired Kontentan Förlag AB as part of Storytel's ongoing interest in shorter, popular non-fiction.

In March 2017 Storytel AB (publ) reached an agreement to acquire the Danish publisher People's Press. The acquisition comprised 100% of the shares in the Danish company ArtPeople A/S (the name of which was changed to People's Press A/S), and was worth MDKK 75 (around MSEK 97) on a debt-free basis. Storytel AB (publ) completed the acquisition in April 2017.

Storytel also expanded into Russia during the spring, kicking off with 1,500 audio books focusing on light literature, while in April completed the small-scale acquisition of Telegram.

The Annual General Meeting was held on 12 May 2017. Jonas Tellander, Nils Janse, Jonas Sjögren, Stefan Tegenfalk, Ingrid Bojner and Rustan Panday (Chairman) were re-elected as directors. Karin Alexandersson is employee representative on the Board of Directors. It was resolved, inter alia, to authorize the Board of Directors, in the period until the next Annual General Meeting, on one or more occasions and with or without derogation from the shareholders' right of priority, to approve the issue of new shares, stock options and/or convertibles on market terms. It was agreed for payment to be made in cash, in kind or by offset, with authorization granted for the dilution of no more than 10% of the company's share capital.

In September, Storytel AB (publ) undertook a targeted new share issue of three million shares, contributing MSEK 202.5 before issuing costs. Around 40 Swedish and international institutions, including Handelsbanken Fonder and Swedbank Robur, subscribed to shares. The objective of the share issue was to generate capital for the Storytel Group to pursue its extensive strategy of accelerated investment in geographical expansion and acquisitions.

On 19 September 2017, the Storytel Group reached an agreement to acquire all shares in D&D Factory, the company behind Audioknigi, Bulgaria's leading audio book provider. The initial purchase price of EUR 100 thousand – calculated on a

debt-free basis – was paid in cash on the date of completion, while a performance-based earnout may be due 24 months from this date based on the number of audio books produced, among other things. The earnout may not exceed an amount of EUR 100 thousand, and may be paid in cash or Storytel shares.

On 19 September 2017, the Storytel Group also reached an agreement to acquire all shares in Seslenenkitap, Turkey's leading audio book provider. The initial purchase price of EUR 170 thousand was paid in cash, while an earnout payment may be due thereafter. This amount may be paid in cash or Storytel shares. The earnout is based on a performance-based model which is linked to the number of subscribers who pay in full for the service during an annual measurement period which spans the first 36 months from the date of completion.

On 19 September 2017, the Storytel Group concluded an agreement on the acquisition of all shares in Skynjun, Iceland's leading audio book publisher and online audio book retailer. The initial purchase price – calculated on a debt-free basis – was paid in Storytel shares. The price of these shares was based on an average volume-weighted rate over the 30 trading days preceding completion. After the end of 2019, an earnout payment may be due based on a performance-based model calculated on the EBITDA measure. The total purchase price is estimated at around EUR 200 thousand.

Storytel launched in Spain on 10 October, initially offering just over 500 Spanish titles and 35,000 English audio books.

In November Storytel also launch in India, with just over 500 titles in local languages Marathi and Hindi, as well as English.

During the autumn, preparations were made ahead of expansion into Italy and the United Arab Emirates.

#### Significant events from the end of the financial year

Storytel was launched on Iceland – the company's tenth market – on 20 February 2018.

There were no other significant events during or after the end of the financial year.

#### Anticipated future development and significant risks and uncertainties

The Storytel Group will continue to invest in international expansion. In many cases, Storytel may be entering non-developed audio book markets, which means it can take longer than expected to form new patterns of behavior and encourage customers to listen to audio books.

The business is set to grow in future, both organizationally and through acquisitions. And as this growth progresses, Storytel must all the while ensure it has effective planning and management processes in place to handle the pace of change.

#### Opportunities for continued operation

Storytel AB (publ) recorded a loss in 2017. In line with budget and projections, this was attributable to the substantial investments made in the company's international operations, which usually take a number of years in order to become profitable. During 2017, Storytel AB (publ) operated on nine markets. Listed on the Aktietorget trading platform, Storytel AB (publ) is of the view that capital is available via the capital market or bank financing. There is not deemed to be any threat to the Group's continued operation.

#### Commitments within the Group

Storytel AB (publ) has lodged a security of MSEK 20 to PRI (Pension egen regi) in the form of funds held in an escrow account. Storytel AB (publ) has also acted as guarantor for Norstedts Förlagsgrupp AB. The security and parent company guarantee are related to the Norstedts Förlagsgrupp's pension obligation in respect of its employees, which takes the form of a pension fund.

#### The share

The closing price on the last day of trading (29 December 2017) was SEK 67.5. No share trading took place on 30–31 December 2017. During the financial year, the lowest share price was SEK 44.9 and the highest SEK 84.0, with the average price at SEK 70.1. An average of 66,689 shares were traded per day, with a high of 661,718 on a single day.

## THE SHARE

	Group 2017	Group 2016
Number of shares at year-end	51 516 672	47 847 183
Of which A shares	635	635
Earnings per share after tax (SEK)	-1,40	0,51

Largest shareholders as of 31 December 2017	A shares	B shares	Proportion (%)	Votes (%)
Roxette Photo NV		11 692 423	22,70 %	22,70 %
Jonas Tellander		5 000 000	9,71 %	9,71 %
Annamaria Tellander		3 292 264	6,39 %	6,39 %
Swedbank Robur Fonder		3 195 932	6,20 %	6,20 %
Handelsbanken Fonder		3 193 000	6,00 %	6,00 %
Other	635	25 143 053	49,01 %	49,01 %
	635	51 516 672	100 %	100 %

## SEVERAL YEAR SUMMARY (THOUSANDS)

Group	2017	2016	2015	2014
Net sales	1 170 861	743 900	298 600	142 545
Profit after financial items	-82 964	20 547	14 955	14 936
Operating margin (%)	-5,72	3,43	1,12	10,66
Equity	343 573	172 472	7 808	9 320
Return on equity (%)	-24,15	11,91	191,54	160,26
Equity-to-assets ratio (%)	36,2	23,8	4,8	15,0
Balance sheet total	949 421	724 293	162 033	62 151
Number of employees	309	164	56	24

Parent company	2017	2016	2015	2014
Net sales	2 685	1 606	1 201	1 230
Profit after financial items	2 242	-4 768	12 306	-3 035
Equity-to-assets ratio (%)	90,5	90,4	96,6	48,4
Equity	973 778	734 383	595 770	20 378
Balance sheet total	1 075 762	812 512	616 932	42 078

For definitions of key ratios, see the Recognition and Measurement principles.

## PROPOSED APPROPRIATION OF PROFITS

The Board of Directors recommends that the profit available for disposition:

Accumulated deficit	-13 556 577
Share premium reserve	950 278 987
Profit for the year	3 742 009
	<b>940 464 419</b>
To be carried forward	940 464 419

The results and position of the Group and parent company in general are presented in the following income statements, balance sheets and cash flow statements with related notes.

## CONSOLIDATED INCOME STATEMENT

Thousands	Note	1 January 2017	1 January 2016
	1	-31 December 2017	-31 December 2016
Net sales	2	1 170 861	743 901
Change in inventories during production		-1 049	-5 510
Share of profit from associates		0	-951
Other operating income	3	29 401	13 555
		<b>1 199 213</b>	<b>750 995</b>
<b>Operating costs</b>			
Unit-sale costs		-692 576	-431 937
Other external costs	4, 5	-308 022	-147 048
Personnel costs	6	-207 378	-115 426
Depreciation and impairment of tangible and intangible non-current assets		-55 659	-28 186
Revaluation of previously owned participation		0	-648
Other operating costs		-2 524	-2 250
		<b>-1 266 159</b>	<b>-725 495</b>
<b>Operating profit</b>		<b>-66 946</b>	<b>25 500</b>
<b>Profit from financial items</b>			
Profit from participations in associates		-29	755
Profit from other securities and receivables held as non-current assets		0	-269
Other interest income and similar profit/loss items	7	3 647	1 506
Interest expense and similar profit/loss items	8	-19 635	-6 943
		<b>-16 017</b>	<b>-4 951</b>
<b>Profit after financial items</b>		<b>-82 963</b>	<b>20 549</b>
<b>Profit before tax</b>		<b>-82 963</b>	<b>20 549</b>
Tax on profit for the year	9	-1 271	-8 489
Deferred tax	9	12 104	11 425
Other tax		-8	0
<b>Profit for the year</b>		<b>-72 138</b>	<b>23 484</b>
Parent company's share of profit for the year		-72 138	23 484

## CONSOLIDATED BALANCE SHEET

Thousands	Note	31 December 2017	31 December 2016
	1		
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible non-current assets</i>			
Capitalized expenses and similar work	10	43 367	54 752
Concessions, rights, licenses and brands	11	109 351	86 275
Tenancy rights and other rights	12	1 091	80
Goodwill	13	149 522	93 872
Advances relating to intangible non-current assets	14	1 062	1 221
		<b>304 393</b>	<b>236 200</b>
<i>Tangible non-current assets</i>			
Inventories, tools and installations	15	3 588	2 717
Construction in progress and advances relating to tangible non-current assets		0	118
		<b>3 588</b>	<b>2 835</b>
<i>Financial non-current assets</i>			
Participations in associates	16, 17	2 029	10 648
Other non-current securities holdings	18	254	348
Deferred tax asset	19	14 635	14 166
Other non-current receivables	20	7 228	7 237
		<b>24 146</b>	<b>32 399</b>
<b>Total non-current assets</b>		<b>332 127</b>	<b>271 434</b>
<b>Current assets</b>			
<i>Inventories, etc.</i>			
Work in progress		347	1 396
Finished goods and goods for sale		52 418	54 040
Work in progress on behalf of others		11 109	10 035
Advances to suppliers		1 757	0
		<b>65 631</b>	<b>65 471</b>
<i>Current receivables</i>			
Trade receivables		158 490	138 149
Receivables in associates		4 220	4 197
Current tax receivables		11 304	2 897
Other receivables		12 320	23 199
Prepaid expenses and accrued income	21	114 355	89 385
		<b>300 689</b>	<b>257 827</b>
<i>Current investments</i>			
Other current investments		1 842	0
<b>Cash and bank balances</b>	22	<b>249 132</b>	<b>129 561</b>
<b>Total current assets</b>		<b>617 294</b>	<b>452 859</b>
<b>TOTAL ASSETS</b>		<b>949 421</b>	<b>724 293</b>

## CONSOLIDATED BALANCE SHEET

Thousands	Note	31 December 2017	31 December 2016
	1		
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Equity attributable to shareholders in parent company</b>			
Share capital		25 759	23 924
Other contributed capital		370 699	136 881
Reserves		10 581	2 995
Retained earnings including profit for the year		-63 466	8 672
<b>Equity attributable to shareholders in parent company</b>		<b>343 573</b>	<b>172 472</b>
<b>Total equity</b>		<b>343 573</b>	<b>172 472</b>
<b>Provisions</b>			
Provisions for deferred tax	23	30 729	31 512
Other provisions	24	31 163	23 117
		<b>61 892</b>	<b>54 629</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	25, 26	127 962	151 268
Other liabilities		0	3 893
		<b>127 962</b>	<b>155 161</b>
<b>Current liabilities</b>			
Liabilities to credit institutions		45 887	41 225
Advances from customers		2 291	1 365
Trade payables		97 067	75 734
Accumulated uninvoiced income		0	1 315
Liabilities to associates		0	2 100
Current tax liabilities		588	1 603
Other liabilities		42 777	44 267
Accrued expenses and deferred income	27	227 384	174 422
		<b>415 994</b>	<b>342 031</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>949 421</b>	<b>724 293</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Thousands	Share capital	Other contributed capital	Reserves	Other equity including profit for the year	Total
<b>Closing equity as of December 31, 2015</b>	<b>21 909</b>	<b>0</b>	<b>-264</b>	<b>-13 836</b>	<b>7 808</b>
New share issue	2 015	139 630	0	0	141 645
Translation differences for the year	0	0	3 260	0	3 260
Valuation results of associates	0	0	0	-976	-976
Issue expenses	0	-2 749	0	0	-2 749
Profit for the year	0	0	0	23 484	23 484
<b>Closing equity as of December 31, 2016</b>	<b>23 924</b>	<b>136 881</b>	<b>2 996</b>	<b>8 672</b>	<b>172 472</b>
New share issue	1 835	239 462	0	0	241 297
Translation differences for the year	0	0	7 586	0	7 586
Issue expenses	0	-5 644	0	0	-5 644
Profit for the year	0	0	0	-72 138	-72 138
<b>Closing equity as of December 31, 2017</b>	<b>25 759</b>	<b>370 699</b>	<b>10 582</b>	<b>-63 466</b>	<b>343 573</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

Thousands	Note	1 January 2017	1 January 2016
	1	-31 December 2017	-31 December 2016
<b>OPERATING ACTIVITIES</b>			
Profit after financial items		-82 963	20 549
Adjustments for non-cash items, etc.	28	61 479	31 601
Tax paid		-10 660	-1 481
<b>Cash flow from operations before changes in working capital</b>		<b>-32 144</b>	<b>50 669</b>
<b>Cash flow from changes in working capital</b>			
Change in inventories and work in progress		20 088	15 333
Change in trade receivables		-6 826	-41 060
Change in current receivables		-4 970	17 435
Change in trade payables		12 903	-24 153
Change in current liabilities		22 983	34 978
<b>Cash flow from operating activities</b>		<b>12 034</b>	<b>53 202</b>
<b>Investment activities</b>			
Investments in intangible non-current assets		-6 735	-6 274
Investments in tangible non-current assets		-1 060	-452
Acquisition of subsidiaries	29	-64 100	-203 617
Investments in financial non-current assets		-1 876	-455
Sale of financial non-current assets		6 905	0
<b>Cash flow from investment activities</b>		<b>-66 867</b>	<b>-210 798</b>
<b>Financing activities</b>			
New share issue		196 852	118 896
Loans raised		22 230	170 727
Amortization of loans		-43 054	-43 507
<b>Cash flow from financing activities</b>		<b>176 028</b>	<b>246 116</b>
<b>Cash flow for the year</b>		<b>121 196</b>	<b>88 519</b>
<b>Cash and cash equivalents at beginning of year</b>			
Cash and cash equivalents at beginning of year		129 561	41 495
<b>Exchange rate difference in cash and cash equivalents</b>			
Exchange rate difference in cash and cash equivalents		-1 625	-453
<b>Cash and cash equivalents at year-end</b>		<b>249 132</b>	<b>129 561</b>

## PARENT COMPANY'S INCOME STATEMENT

Thousands	Note	1 January 2017	1 January 2016
	1	-31 December 2017	-31 December 2016
<b>Operating income</b>			
Net sales		2 685	1 606
Other operating income		63	51
		<b>2 748</b>	<b>1 657</b>
<b>Operating costs</b>			
Other external costs	4, 5	-2 666	-2 943
Personnel costs	6	-3 387	-1 783
		<b>-6 053</b>	<b>-4 726</b>
<b>Operating profit</b>	30	<b>-3 305</b>	<b>-3 069</b>
<b>Profit from financial items</b>			
Profit from participations in Group companies		9 500	0
Profit from other securities and receivables held as non-current assets		0	-269
Other interest income and similar profit/loss items	7	760	255
Interest expense and similar profit/loss items	8	-4 713	-1 685
		<b>5 547</b>	<b>-1 699</b>
<b>Profit after financial items</b>		<b>2 242</b>	<b>-4 768</b>
Appropriations	31	0	4 485
<b>Profit before tax</b>		<b>2 242</b>	<b>-283</b>
Tax on profit for the year		1 500	0
<b>Profit for the year</b>		<b>3 742</b>	<b>-283</b>

## PARENT COMPANY'S BALANCE SHEET

Thousands	Note	31 December 2017	31 December 2016
	1		
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Financial non-current assets</i>			
Participations in Group companies	32, 33, 34	867 119	752 659
Deferred tax asset		1 500	0
		<b>868 619</b>	<b>752 659</b>
<b>Total non-current assets</b>		<b>868 619</b>	<b>752 659</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from group companies		95 826	26 189
Other receivables		67	28
Prepaid expenses and accrued income	21	81	270
		<b>95 974</b>	<b>26 487</b>
<i>Cash and bank balances</i>		111 169	33 366
<b>Total current assets</b>		<b>207 143</b>	<b>59 853</b>
<b>TOTAL ASSETS</b>		<b>1 075 762</b>	<b>812 512</b>

## PARENT COMPANY'S BALANCE SHEET

Thousands	Note	31 December 2017	31 December 2016
	1		
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	35, 36		
<i>Restricted equity</i>			
Share capital		25 759	23 924
Statutory reserve		7 555	7 555
		<b>33 314</b>	<b>31 478</b>
<i>Non-restricted equity</i>			
Share premium reserve		950 279	710 817
Profit/loss brought forward		-13 557	-7 629
Profit for the year		3 742	-283
		<b>940 464</b>	<b>702 905</b>
<b>Total equity</b>		<b>973 778</b>	<b>734 383</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	25, 26	81 000	65 280
<b>Total non-current liabilities</b>		<b>81 000</b>	<b>65 280</b>
<b>Current liabilities</b>			
Liabilities to credit institutions		20 000	11 320
Trade payables		13	814
Current tax liabilities		112	60
Other liabilities		167	20
Accrued expenses and deferred income	27	692	635
<b>Total current liabilities</b>		<b>20 984</b>	<b>12 849</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 075 762</b>	<b>812 512</b>

## PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

Thousands	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit for the year	Total
<b>Closing equity as of December 31, 2015</b>	21 909	7 555	571 186	-4 272	-608	<b>595 771</b>
New share issue	2 015	0	139 630	0	0	<b>141 645</b>
Appropriation according to Annual General Meeting resolution	0	0	0	-608	608	<b>0</b>
Issue expenses	0	0	0	-2 749	0	<b>-2 749</b>
Profit for the year	0	0	0	0	-283	<b>-283</b>
<b>Closing equity as of December 31, 2016</b>	<b>23 924</b>	<b>7 555</b>	<b>710 817</b>	<b>-7 629</b>	<b>-283</b>	<b>734 383</b>
New share issue	1 835	0	239 462	0	0	<b>241 297</b>
Appropriation according to Annual General Meeting resolution	0	0	0	-283	283	<b>0</b>
Issue expenses	0	0	0	-5 645	0	<b>-5 645</b>
Profit for the year	0	0	0	0	3 742	<b>3 742</b>
<b>Closing equity as of December 31, 2017</b>	<b>25 759</b>	<b>7 555</b>	<b>950 279</b>	<b>-13 557</b>	<b>3 742</b>	<b>973 778</b>

## PARENT COMPANY'S STATEMENT OF CASH FLOW

Thousands	Note	1 January 2017	1 January 2016
	1	-31 December 2017	-31 December 2016
<b>Operating activities</b>			
Profit after financial items		2 242	-4 768
Adjustments for non-cash items	28	0,00	268
Tax paid		52	0
<b>Cash flow from operating activities before changes in working capital</b>		<b>2 294</b>	<b>-4 500</b>
<b>Cash flow from change in working capital</b>			
Change in current receivables		-69 410	-20 815
Change in trade payables		-801	782
Change in current liabilities		126	-20 481
<b>Cash flow from operating activities</b>		<b>-67 791</b>	<b>-45 014</b>
<b>Investment activities</b>			
Investments in financial non-current assets		-114 459	-117 228
<b>Cash flow from investment activities</b>		<b>-114 459</b>	<b>-117 228</b>
<b>Financing activities</b>			
New share issue		235 653	118 896
Loans raised		24 400	116 600
Amortization of loans		0	-40 000
<b>Cash flow from financing activities</b>		<b>260 053</b>	<b>195 496</b>
<b>Cash flow for the year</b>		<b>77 803</b>	<b>33 254</b>
<b>Cash and cash equivalents at beginning of year</b>			
Cash and cash equivalents at beginning of year		33 366	112
<b>Cash and cash equivalents at year-end</b>		<b>111 169</b>	<b>33 366</b>

## NOTES, Thousands

### Not 1 Accounting and valuation principles

#### General information

The annual report and consolidated financial statements are prepared in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 Annual Reports and Consolidated Financial Statements (K3).

Receivables and liabilities in foreign currencies have been valued at the closing day rate. Exchange gains and losses relating to operating receivables and liabilities are reported in operating profit, while exchange gains and losses relating to financial receivables and liabilities are reported as financial items.

Forward contracts are used to hedge assets and liabilities against foreign exchange risk.

The accounting principles are unchanged compared with previous years.

#### Recognition of revenue

Revenue has been measured at the fair value of the consideration received or receivable, and is recognized to the extent that it is likely the financial benefits will be absorbed by the company, and the revenue can be calculated in a reliable way.

When goods are sold, income is normally recognized as revenue when the significant benefits and risks associated with ownership of the goods have been transferred from the company to the purchaser.

#### Consolidated financial statements

##### The consolidation method

The consolidated financial statements are prepared in accordance with the acquisition method. This means the identifiable assets and liabilities of the acquired operations are recognized at market value in accordance with the acquisition analysis prepared. Should the acquisition value exceed the calculated market value of the anticipated net assets according to the acquisition analysis, the difference is recognized as goodwill.

##### Subsidiaries

Besides the parent company, the consolidated financial statements encompass every company in which the parent holds over 50% of the voting rights, either directly or indirectly, or otherwise has a controlling interest, and is thereby entitled to determine the company's financial and operational strategies with the aim of gaining financial benefits.

The revenue and expenditure of a subsidiary are recorded in the consolidated accounts from the date of the acquisition (inclusive) to the date on which the parent company no longer has a controlling interest in the subsidiary (inclusive).

##### Associates and jointly controlled entities

Associates are entities in which the company retains a significant but non-controlling interest. Ordinarily, a controlling interest is deemed to exist when the company owns a minimum of 20%, and a maximum of 50% of the voting rights in another company.

##### Reporting of associates

Holdings in associates are reported in the consolidated financial statements in accordance with the equity method. This entails preparation of an acquisition analysis and identification of surplus and deficit values, where relevant. During the holding period, the consolidated value of the participation is affected by the depreciation of the surplus values or reversal of the deficit values. The value of the participation is also affected by the share of profit in the associate during the holding period, adjusted for internal profits and other consolidated adjustments. Dividends received reduce the consolidated value.

The proportion of profit after tax for the associate is reported on a separate row and affects operating profit for the Group.

Holdings in jointly controlled entities are reported in the consolidated financial statements in accordance with the purchase method. This means the proportion corresponding to the owned participations of the company's assets, provisions and liabilities is reported in the consolidated balance sheet prepared by the

company. The proportion of revenue and expenditure which is owned is reported in the consolidated income statement prepared by the company.

##### Transactions between Group companies

Intra-group receivables and liabilities, transactions between Group companies and unrealized gains are eliminated in their entirety. Unrealized losses are also eliminated, provided the transaction does not relate to impairment loss.

Change in internal profit during the financial year has been eliminated from the consolidated income statement.

##### Recalculation of foreign subsidiaries

The financial statements of foreign subsidiaries have been recalculated in accordance with the current method. All balance sheet items have been recalculated at the closing day rate. All items in the income statement have been recalculated at the average rate over the financial year. Differences arising are recognized directly as equity.

##### Goodwill

Goodwill is the difference arising where the acquisition value of the acquired entity is greater than the value of the acquired entity's net assets. At the time of acquisition, the goodwill arising is recognized as an asset in the balance sheet.

Negative goodwill is the difference arising where the value of the acquired entity is lower than the value of the acquired entity's net assets. At the time of acquisition, the negative goodwill arising is recognized as a liability in the balance sheet.

##### Intangible assets

###### Internally generated intangible non-current assets

The Group applies the expensing model in relation to internally generated intangible non-current assets. Under this method, all internal expenses associated with production of an intangible non-current asset are expensed as they arise.

###### Other intangible non-current assets

Other, externally acquired intangible non-current assets are recognized by the Group according to the capitalization model. This means that all expenses are capitalized and depreciated over the asset's estimated useful life, provided the criteria of BFNAR 2012:1 are met.

###### Non-current assets

Intangible and tangible non-current assets are recognized at acquisition value less accumulated depreciation according to plan and any impairment losses.

Depreciation is performed on a straight-line basis over the estimated useful life of the asset, taking the material residual value into account. The following depreciation percentage is applied:

Intangible non-current assets	
Capitalized expenses for development work	5–10 years
Concessions, patents, licenses and brands	5 years
Tenancy rights and other rights	5 years
Goodwill	5–10 years

A depreciation period for goodwill exceeding five years is justified on the basis of a strategic acquisition the useful life of which is estimated to be 10 years.

###### Tangible non-current assets

Inventories, tools and installations	3–5 years
--------------------------------------	-----------

###### Borrowing costs

Costs arising when the company borrows capital are expensed in the income statement in the period in which they arise.

###### Financial instruments

Financial instruments are valued at acquisition value. The instrument is reported in the balance sheet when the company becomes a party under the contractual terms of the instrument. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument expires, or is transferred,

and the company has transferred practically all risks and benefits associated with ownership. Financial liabilities are removed from the balance sheet when the obligations have been settled or otherwise expired.

#### **Participations in subsidiaries**

Participations in subsidiaries are recognized at acquisition value less any impairment losses. The acquisition value includes the price paid to purchase the shares as well the costs of acquisition. Any capital contributed is added to the acquisition value as it arises.

#### **Other non-current securities holdings**

Investments in securities intended to be held on a long-term basis have been recognized at acquisition value. An assessment of impairment loss, where relevant, is made on each closing day.

#### **Trade receivables/current receivables**

Trade receivables and current receivables are recognized as current assets at the amounts which are expected to be paid less any individually assessed bad debt.

#### **Borrowings and trade payables**

Borrowings and trade payables are initially recognized at acquisition value less transaction costs. Where the recognized amount differs from the amount which is to be repaid on expiration, this difference is distributed as an interest expense over the term of the loan using the instrument's effective rate of interest. This ensures the recognized amount equates to the amount to be repaid on expiration of the term.

#### **Impairment testing financial non-current assets**

On each closing day, it is assessed whether there are indications that impairment testing is required for any of the financial non-current assets. Impairment occurs where the loss in value is deemed to be permanent, and is assessed individually.

#### **Leases**

As the financial risks and benefits associated with the asset have not been transferred to the lessee, leasing is classed as operational leasing. The assets for which the company is lessor are recognized as either non-current assets or current assets, depending on when the term of the lease expires. The leasing charge is set annually and recognized on a straight-line basis over the term of the lease.

#### **Inventories**

Inventories have been valued at their lowest acquisition value and net realizable value on the closing day. By net realizable value is meant the estimated selling price of the products less selling expenses. Under the chosen method of valuation, allowance has been made for obsolescence of inventories.

#### **Income tax**

Total tax consists of current tax and deferred tax. Taxes are reported in the income statement, except where the underlying transaction is recognized directly as equity, whereby the associated tax effects are also recognized as equity.

#### **Current tax**

Current tax refers to income tax for the current financial year and the proportion of income tax for previous financial years which is yet to be reported. Calculation of current tax is based on the rate which applies on the closing day.

#### **Deferred tax**

Deferred tax is income tax which refers to future financial years as a result of previous events. This is reported according to the balance sheet method. Under this method, deferred tax liabilities and deferred tax receivables are recognized as temporary differences which arise between the carrying and tax-related amounts for assets and liabilities, and for other tax-related deductions or deficits.

Deferred tax receivables shall be offset against deferred tax liabilities only when they can be paid with a net amount. Calculation of deferred tax is based on the rate which applies on the closing day. The effects of changes to current tax rates are recorded as income in the period for which the change is legally required. The deferred tax asset is recognized as a financial non-current asset, with the deferred tax liability recorded as a provision.

The deferred tax asset relating to loss carry-forwards or other future tax deductions is recognized to the extent that it is likely the deductions can be offset against future tax surpluses.

Due to the connection between accounting and taxation, the deferred tax liability attributable to untaxed reserves is not reported separately.

#### **Provisions**

Provisions have been made for known or feared risks following individual assessment. Storytel AB's subsidiaries have a detailed process for calculating provisions relating to the return of books sold. Provision to a sales return reserve is calculated continuously on sales and a historical percentage of returns. Negative goodwill which can be attributed to future losses and costs is recognized in the income statement during the financial year in which such losses and costs were incurred.

#### **Employee benefits**

Employee benefits refer to all forms of compensation provided by the company to its employees. Among other items, short-term benefits consist of salaries, compensated annual leave, compensated absences, bonuses and post-employment compensation (pensions). Short-term benefits are recognized as a cost and a liability where there is a legal or informal obligation to pay compensation relating to a previous event, and the amount can be reliably estimated.

#### **Post-employment employee benefits**

Pension plans for post-employment benefits are classified on a defined-contribution or defined-benefit basis.

In the case of defined-benefit plans, the company is obliged to provide the agreed compensation to current and former employees. In all material respects, the company bears the risk of the compensation being greater than anticipated (actuarial risk) and the return on assets failing to meet expectation (investment risk).

#### **Defined-contribution plans**

Contributions to defined contribution plans are recognized as costs. Unpaid contributions are recognized as liabilities.

#### **Defined-benefit plans**

Reporting of defined-benefit plans is subject to the simplification rules contained in BFNR 2012:1 (K3). Defined-benefit plans for which pension premiums are paid are recognized as defined-contribution plans, which means the contributions are expensed in the income statement. In cases where pension obligations have been secured through transfer of funds to a pension fund, a provision and annual cost are calculated on the basis of the present value of the accrued future benefit. Where the plan assets of the fund exceed the obligation, no asset is recorded. The net of interest on pension liability and anticipated return on associated plan assets are recognized as net financial income. Other components are recognized in operating profit.

#### **Public grants**

State grants are recognized at fair value where it is reasonable and certain that the grant is to be paid, and that the company will meet the requirements which are associated with it. Grants intended to cover investments in tangible or intangible non-current assets reduce the assets' acquisition value and thereby also the depreciable amount.

#### **Group contributions**

Group contributions paid and received are recognized as appropriations.

#### **Cash flow statement**

The cash flow statement has been prepared using the indirect method. The recognized cash flow covers only transactions that involve incoming or outgoing payments.

In addition to cash assets, the company classifies as cash and cash equivalents appropriated balances at banks and other credit institutions and current liquid investments which are listed on a marketplace and mature within three months of the acquisition date. Changes in blocked funds are recognized in investment activities.

## Definitions of key ratios

### Net sales

Operating main income, invoiced costs, incidental revenue and revenue adjustments.

### Profit after financial items

Profit after financial revenues and costs, before tax.

### Operating margin (%)

Operating profit as a percentage of sales.

### Equity-to-assets ratio (%)

Adjusted equity (equity and untaxed reserves less deferred tax) as a percentage of the balance sheet total.

### Equity

The company's net assets, that is, the difference between assets and liabilities.

### Return on equity (%)

Profit after financial items as a percentage of adjusted equity (equity and untaxed reserves less deferred tax).

### Balance sheet total

The company's total assets.

### Number of employees:

Average number of employees during the financial year.

## Estimates and assessments

The preparation of accounts and application of accounting principles are commonly based on the estimates, assessments and assumptions of management, which are considered to be reasonable at the time they were carried out. Estimates and assessments are based on historical experiences and a number of other factors which are considered to be reasonable under the current circumstances. The results are used to determine the carrying amount of assets and liabilities, which is not otherwise clearly specified by other sources. The actual outcome may differ from these estimates and assessments. Estimates and assumptions are reviewed on a regular basis.

## Estimation uncertainty

Details are provided below of the estimates and assumptions which have the most significant effect on reporting and valuation of assets, liabilities, revenues and costs. The outcome of these may differ substantially.

## Deferred tax receivables

Assessing the extent to which deferred tax receivables can be reported is based on an estimation of the company's probable future taxable income against which deferred tax receivables can be utilized. Moreover, careful consideration is required when assessing the effects of certain legal and financial restrictions or uncertainties in various jurisdictions.

## Trade receivables and publishing receivables

Trade receivables are valued at the cash flow which is expected to be accrued by the company. This entails a detailed, objective assessment of all amounts outstanding on the closing day. Trade and publishing receivables in the publishing industry are associated with relatively long credit periods. When closing its accounts, the Group conducts a thorough impairment test of outstanding receivables. The value may be affected by deterioration in the counter-party's ability to pay and that returns exceed anticipated sales volumes.

## Inventories

On each closing day, the net realizable value of inventories is calculated, whereby the most reliable information available is taken into account. The future value of sales may be affected by future technologies and other market-driven changes which may cause prices to fall.

## Royalty receivables

Royalty receivables are recognized at the amount expected to be offset against royalty liabilities. This entails a detailed, objective assessment of all amounts outstanding on the closing day. The net worth of royalty receivables is affected by the accuracy of sales forecasts. Where it is deemed royalty advances will be not be recovered, all or part of the receivable amount is to be written down.

## Note 2 Distribution of net sales

Group	2017	2016
Sales by category		
Subscription revenues	668 010	427 712
Technical books	106 087	112 548
Fiction	208 454	70 827
Children and young adult	161 865	119 115
Other	26 445	13 698
	<b>1 170 861</b>	<b>743 900</b>

## Note 3 Other operating income

Group	2017	2016
Profit from disposal of non-current assets	0	1 000
Grants received	4 084	2 363
Exchange gains relating to operations	759	815
Sale of rights	4 279	0
Other revenue	20 279	9 377
	<b>29 401</b>	<b>13 555</b>

## Note 4 Leases

### Group

Leases and rental agreements are reported as operational leasing (rental agreements), with the leasing charge expensed on a straight-line basis over the term of the lease. Rental agreements generally run for a term of three to five years, with the option to extend for three years at a time. Inventories and vehicles are leased for a period of two to three years, with an option to buy out.

Costs for the year relating to leases were SEK 22,611 (15,229) thousand.

Future leasing charges for non-terminable leases fall due for payment as specified below:

	2017	2016
Within one year	21 165	23 732
After one year but within five years	47 220	44 061
	<b>68 385</b>	<b>67 793</b>

The parent company has no leases agreed.

## Note 5 Auditor's fees

By audit assignment is equivalent the audit of annual accounts and accounting records and the administration of the Board of Directors and Chief Executive Officer, other tasks incumbent on the company's auditor and guidance or other assistance attributable to the observation of such audits or the execution of such other tasks.

Group			Parent company	
	2017	2016	2017	2016
<b>Grant Thornton Sweden</b>				
Audit assignment	0	66	Audit	0
Auditing activities besides the audit assignment	0	36	Auditing activities besides the audit assignment	0
Tax advice	0	28	Tax advice	0
Other services	0	25	Other services	0
	<b>0</b>	<b>155</b>		<b>97</b>
<b>PwC</b>			<b>PwC</b>	
Audit assignment and audit-related services	0	292	Audit and audit-related services	0
Auditing activities besides the audit assignment	0	5	Auditing activities besides the audit assignment	0
Tax advice	0	249	Tax advice	0
Other services	0	22	Other services	0
	<b>0</b>	<b>568</b>		<b>125</b>
<b>EY</b>			<b>EY</b>	
Audit assignment	1 906	911	Audit assignment	92
Auditing activities besides the audit assignment	553	28	Auditing activities besides the audit assignment	400
Tax advice	303	87	Tax advice	0
Other services	57	446	Other services	0
	<b>2 819</b>	<b>1 472</b>		<b>492</b>
				<b>60</b>

## Not 6 Employees and personnel costs by country

Group					Parent company				
Average number of employees by country	2017		2016		Average number of employees by country	2017		2016	
	Total	Women	Total	Women		Total	Women	Total	Women
Sweden	197	140	119	87	Sweden	2	1	1	0
Denmark	61	27	36	29		2	1	1	0
India	12	6	0	0					
The Netherlands	12	6	5	1					
Finland	6	5	0	0					
Spain	6	2	0	0					
Poland	5	1	3	2					
Norway	3	2	0	0					
Russia	3	1	0	0					
Turkey	1	1	0	0					
Iceland	1	0	0	0					
Bulgaria	1	1	0	0					
Austria	1	0	1	0					
	<b>309</b>	<b>192</b>	<b>164</b>	<b>119</b>					
			<b>2017</b>	<b>2016</b>					
<b>Salaries and other remuneration</b>								<b>2017</b>	<b>2016</b>
Board and Chief Executive Officer			2 587	8 899	Board and Chief Executive Officer			262	847
Other employees			140 834	74 751	Other employees			2 004	140
			<b>143 421</b>	<b>83 650</b>				<b>2 266</b>	<b>987</b>
<b>Social security costs</b>					<b>Social security costs</b>				
Pension costs for Board and Chief Executive Officer			240	1 281	Pension costs for Board and Chief Executive Officer			0	117
Pension costs for other employees			15 078	6 756	Pension costs for other employees			333	12
Other statutory and contractual social security contributions			39 780	20 523	Other statutory and contractual social security contributions			780	327
			<b>55 098</b>	<b>28 560</b>				<b>1 113</b>	<b>456</b>
<b>Gender breakdown among senior executives</b>					<b>Agreement on severance pay</b>				
Proportion of women on Board			29%	32%	There is currently no agreement on severance pay for senior executives.				
Proportion of men on Board			71%	68%					
Proportion of women among other senior executives			40%	40%					
Proportion of men among other senior executives			60%	60%					

### Agreement on severance pay

Agreement has been entered into with the Chief Executive Officer of the subsidiary, Norstedts Förlagsgrupp AB, on severance pay in the amount of 18 monthly salaries, including the period of notice.

## Note 7 Other interest income and similar profit/loss items

Group	2017	2016
Other interest income	301	1 006
Foreign exchange differences	3 346	482
Other financial revenues	0	18
	<b>3 647</b>	<b>1 506</b>
<b>Parent company</b>		
Interest income from Group companies	760	255
	<b>760</b>	<b>255</b>

## Note 8 Interest expense and similar profit/loss items

Group	2017	2016
Other interest expense	7 432	6 931
Foreign exchange differences	8 865	13
Other financial costs	3 338	0
	<b>19 635</b>	<b>6 943</b>
<b>Parent company</b>		
	<b>2017</b>	<b>2018</b>
Other interest expense	4 713	1 685
	<b>4 713</b>	<b>1 685</b>

## Note 9 Current and deferred tax

Group	2017	2016
<b>Tax on profit for the year</b>		
Current tax	-1 271	-8 489
Change in deferred tax relating to temporary differences	12 104	11 425
Other tax	-8	0
<b>Total reported tax</b>	<b>10 825</b>	<b>2 937</b>

## Reconciliation of effective tax

	2017		2016	
	Percentage	Amount	Percentage	Amount
Reported profit before tax		-82 963		20 548
Tax according to current tax rate, parent company	22	18 252	22	-4 563
Non-allowable costs		-1 847		-2 791
Non-taxable income		4 479		10 792
Deferred tax on temporary differences		-7 378		-778
Effect of other tax rates on foreign subsidiaries		-198		0
Loss carry-forwards whose tax value is not recognized as an asset		-1 749		-929
Utilization of previous years' loss carry-forwards during the year whose tax value is not recognized as an asset		159		1 207
Other		-893		0
<b>Reported effective tax</b>	<b>13,05</b>	<b>10 825</b>	<b>-14,30</b>	<b>2 938</b>

	2017	2016
<b>Parent company</b>		
<b>Tax on profit for the year</b>		
Change in deferred tax relating to temporary differences	1 500	0
<b>Total reported tax</b>	<b>1 500</b>	<b>0</b>

## Reconciliation of effective tax

	2017		2016	
	Percentage	Amount	Percentage	Amount
Reported profit before tax		2 242		-283
Tax according to current tax rate	22	-493	22	62
Non-allowable costs		-54		-62
Non-taxable income		2 198		
Utilization of previous years' loss carry-forwards during the year whose tax value is not recognized as an asset		-151		0
<b>Redovisad effektiv skatt</b>	<b>-66,90</b>	<b>1 500</b>	<b>0,00</b>	<b>0</b>

## Note 10 Capitalized expenses for development and similar work

Group	31 December 2017	31 December 2016
Opening acquisition value	116 316	8 271
Acquisition value	326	122 784
Purchases	2 177	4 385
Sales and disposals	0	-20 445
Translation differences	193	1 321
<b>Closing accumulated acquisition value</b>	<b>119 012</b>	<b>116 316</b>
Opening depreciation	-61 564	-7 599
Acquired depreciation	-35	-63 517
Sales and disposals	0	20 445
Deprecation for the year	-12 879	-10 975
Translation differences	-1 167	83
<b>Closing accumulated depreciation</b>	<b>-75 645</b>	<b>-61 564</b>
<b>Closing recognized value</b>	<b>43 367</b>	<b>54 752</b>

## Note 11 Concessions, brands, etc.

Group	31 December 2017	31 December 2016
Opening acquisition value	94 988	601
Acquisition value	43 514	92 430
Purchases	0	886
Translation differences	0	0
Omräkningsdifferens	763	1 071
<b>Closing accumulated acquisition value</b>	<b>139 265</b>	<b>94 988</b>
Opening depreciation	-8 713	-260
Acquired depreciation	-397	0
Sales and disposals	0	0
Deprecation of the year	-21 896	-8 371
Translation differences	1 092	-83
<b>Closing accumulated depreciation</b>	<b>-29 913</b>	<b>-8 713</b>
<b>Closing recognized value</b>	<b>109 351</b>	<b>86 275</b>

## Note 12 Tenancy rights and other rights

Group	31 December 2017	31 December 2016
Opening acquisition value	200	200
Acquisition value	0	0
Purchases	1 146	0
Sales and disposals	0	0
Translation differences	0	0
<b>Closing accumulated acquisition value</b>	<b>1 346</b>	<b>200</b>
Opening depreciation	-120	-80
Acquired depreciation	0	0
Sales and disposals	0	0
Deprecation for the year	-135	-40
Translation differences	0	0
<b>Closing accumulated depreciation</b>	<b>-255</b>	<b>-120</b>
<b>Closing recognized value</b>	<b>1 091</b>	<b>80</b>

## Note 13 Goodwill

Group	31 December 2017	31 December 2016
Opening acquisition value	147 562	12 091
Purchases through acquisitions	68 783	67 928
Purchases	3 412	65 824
Translation differences	-9	1 719
<b>Closing accumulated acquisition value</b>	<b>219 748</b>	<b>147 562</b>
Opening depreciation	-53 690	-2 077
Acquired depreciation	0	-43 578
Sales and disposals	0	0
Deprecation of the year	-18 805	-7 962
Translation differences	2 270	-73
<b>Closing accumulated depreciation</b>	<b>-70 225</b>	<b>-53 690</b>
<b>Closing recognized value</b>	<b>149 522</b>	<b>93 872</b>

## Note 14 Advances relating to intangible non-current assets

Group	31 December 2017	31 December 2016
Opening acquisition value	1 221	0
Acquired advances	0	219
Purchases	1 061	1 003
Outgoing items	-1 220	0
	<b>1 062</b>	<b>1 221</b>

## Note 15 Inventories, tools and installations

Group	31 December 2017	31 December 2017
Opening acquisition value	23 289	1 964
Acquisition value	1 445	23 543
Purchases	1 060	452
Sales and disposals	0	-2 687
Translation differences	-305	17
<b>Closing accumulated acquisition value</b>	<b>25 490</b>	<b>23 289</b>
Opening depreciation	-20 572	-955
Acquired depreciation	-312	-21 418
Sales and disposals	0	2 647
Deprecation for the year	-1 078	-839
Translation differences	60	-7
<b>Closing accumulated depreciation</b>	<b>-21 901</b>	<b>-20 572</b>
<b>Closing recognized value</b>	<b>3 588</b>	<b>2 717</b>

## Note 16 Participations in associates and jointly controlled entities

Group	31 December 2017	31 December 2016
Opening acquisition value	10 648	0
Acquisition value	0	12 939
Profit performance for the year	0	-951
Dividend from trading company	0	1 305
Adjustment of opening consolidation value	0	-221
Reclassification	0	-2 424
<b>Closing accumulated acquisition value</b>	<b>10 648</b>	<b>10 648</b>
Sales and disposals	-8 619	0
<b>Closing recognized value</b>	<b>2 029</b>	<b>10 648</b>

## Note 17 Specification of participations in associates and jointly controlled entities

Group	Capital share	Voting share	Book value
Name			
Storytel A.S	50%	50%	0
Bokinfo Norden HB	25%	25%	2 029
			<b>2 029</b>

	Corporate ID no.	Domicile
Storytel A.S	913 211 421	Oslo
Bokinfo Norden HB	969698-9996	Stockholm

Storytel A.S is reported according to the principle of proportional consolidation.

## Note 18 Other non-current securities holdings

Group	31 December 2017	31 December 2016
Opening acquisition value	348	203
Acquisition value	254	348
Sales and disposals	-348	-203
<b>Closing accumulated acquisition value</b>	<b>254</b>	<b>348</b>
<b>Closing recognized value</b>	<b>254</b>	<b>348</b>
Parent company		
Opening acquisition value	0	203
Acquisition value	0	-203
Reclassification	0	0
<b>Closing accumulated acquisition value</b>	<b>0</b>	<b>0</b>
<b>Closing recognized value</b>	<b>0</b>	<b>0</b>

## Note 19 Deferred tax on temporary differences

### Group

#### Deferred tax on temporary differences

31 December 2017

Temporary differences	Deferred tax asset	Deferred tax liability	Net
Allowable temporary differences	8 780	0	8 780
Tax-related loss carry-forwards	5 855	0	5 855
Taxable temporary differences	0	-30 729	-30 729
	<b>14 635</b>	<b>-30 729</b>	<b>-16 094</b>

#### Deferred tax on temporary differences

31 December 2016

Temporary differences	Deferred tax asset	Deferred tax liability	Net
Allowable temporary differences	10 434	0	10 434
Tax-related loss carry-forwards	3 732	0	3 732
Taxable temporary differences	0	-31 512	-31 512
	<b>14 166</b>	<b>-31 512</b>	<b>-17 346</b>

#### Change in deferred tax

	Amount at beginning of year	Reported in income statement	Reported in balance sheet	Amount at year-end
Allowable temporary differences	10 434	-2 100	446	8 780
Tax-related loss carry-forwards	3 732	3 850	-1 727	5 855
Taxable temporary differences	-31 512	10 355	-9 572	-30 729
	<b>-17 346</b>	<b>12 105</b>	<b>-10 853</b>	<b>-16 094</b>

## Note 20 Other non-current receivables

Group	31 December 2017	31 December 2016
Opening acquisition value	7 237	375
Acquisition value	991	12 573
Additional receivables	0	715
Outgoing receivables	-1 000	-6 438
Translation differences	0	12
<b>Closing accumulated acquisition value</b>	<b>7 228</b>	<b>7 237</b>
<b>Closing recognized value</b>	<b>7 228</b>	<b>7 237</b>

## Note 23 Deferred tax liability

Group	31 December 2017	31 December 2016
Amount at beginning of year	31 512	1 875
Change in deferred tax, untaxed reserves and income statement	-3 563	1 957
Change in deferred tax, consolidated surplus values and income statement	-6 792	-2 941
Change in deferred tax, consolidated surplus values and balance sheet	8 999	30 361
Translation differences	573	259
<b>Amount at year-end</b>	<b>30 729</b>	<b>31 512</b>

## Note 21 Prepaid expenses and accrued income

Group	31 December 2017	31 December 2016
Prepaid royalties	91 174	54 261
Production costs	3 106	10 682
Accrued income	7 320	5 537
Accrued interest income	0	255
Prepaid leasing	3 590	3 337
Other prepaid expenses	9 165	15 313
	<b>114 355</b>	<b>89 385</b>
<b>Parent company</b>		
	<b>31 December 2017</b>	<b>31 December 2016</b>
Accrued interest income	0	255
Other prepaid expenses	81	15
	<b>81</b>	<b>270</b>

## Note 24 Other provisions

Group	31 December 2017	31 December 2016
Provision attributable to the acquisition of Norstedts Förlagsgrupp	21 805	31 605
Acquisition value	2 036	0
Re-classification, sales return reserve	-2 254	2 799
Provision for the period	31 065	19 920
Utilization during the year	-19 663	-24 204
Reversal of unused amounts for the period	-1 826	-7 003
	<b>31 163</b>	<b>23 117</b>

## Note 22 Overdraft facility

Group	31 December 2017	31 December 2016
An overdraft facility has been sanctioned in the amount of	75 500	75 000
Credit has been utilized in the amount of	0	0
<b>Pledged assets</b>		
Floating charges	73 400	25 000
	<b>73 400</b>	<b>25 000</b>

## Note 25 Non-current liabilities

Group	31 December 2017	31 December 2016
<b>Fall due after one year but within five years of the closing day</b>		
Liabilities to credit institutions	107 962	131 268
Other liabilities	0	3 893
	<b>107 962</b>	<b>135 161</b>
<b>Fall due later than five years from the closing day</b>		
Liabilities to credit institutions	20 000	20 000
	<b>20 000</b>	<b>20 000</b>
<b>Parent company</b>		
	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Fall due after one year but within five years of the closing day</b>		
Liabilities to credit institutions	61 000	45 280
	<b>61 000</b>	<b>45 280</b>
<b>Fall due later than five years from the closing day</b>		
Liabilities to credit institutions	20 000	20 000
	<b>20 000</b>	<b>20 000</b>

## Note 26 Pledged assets and contingent liabilities

Group	31 December 2017	31 December 2016
<b>For liabilities to credit institutions:</b>		
Floating charges	112 825	112 825
Collateral in subsidiary shares	346 290	144 524
Bank guarantee	94	90
	<b>459 209</b>	<b>257 439</b>
<b>For pension obligations (PRI)</b>		
Blocked bank funds	20 000	0
	<b>20 000</b>	<b>0</b>
<b>Parent company</b>		
	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>For liabilities to credit institutions:</b>		
Floating charges	3 425	3 425
	<b>3 425</b>	<b>3 425</b>

## Note 27 Accrued expenses and deferred income

Group	31 December 2017	31 December 2016
Deferred income	30 508	17 096
Production costs	1 455	14 214
Accrued salaries	0	826
Accrued holiday pay	18 411	11 641
Accrued social security contributions	13 955	6 757
Accrued royalties	142 420	79 531
Sales return reserve	175	0
Other accrued expenses	20 460	44 356
	<b>227 384</b>	<b>174 422</b>
<b>Parent company</b>		
	<b>31 December 2017</b>	<b>31 December 2016</b>
Accrued salaries	0	24
Accrued holiday pay	379	339
Accrued social security contributions	119	0
Other accrued expenses	194	271
	<b>692</b>	<b>635</b>

## Note 28 Adjustments for non-cash items

Group	31 December 2017	31 December 2016
Depreciation	54 793	28 455
Provisions	-2 259	3 887
Dissolution of negative goodwill	0	-1 731
Exchange rate effects and other non-cash items	8 945	0
Loss on sale of non-current assets	0	40
Share of profit from associates	0	951
	<b>61 479</b>	<b>31 601</b>
<b>Parent company</b>		
	<b>31 December 2017</b>	<b>31 December 2016</b>
Loss on sale of non-current assets	0	268
	<b>0</b>	<b>268</b>

## Note 29 Acquisition of business

### Group

Kontentan Förlag AB was acquired in February. People's Press in Denmark was acquired for a sum equivalent to SEK 97,000 thousand in March. Telegram Bokförlag AB was acquired in April. Three companies were acquired in September: Seslenenkitap, in Turkey, for SEK 2,800 thousand, D&D Factory, in Bulgaria, for SEK 1,376 thousand and Skynjun, on Iceland, for SEK 1,346 thousand. A performance-based earnout may be due subsequently in all three cases.

In May 2016 Mofibo ApS was acquired for DKK 100,000 thousand, while Norstedts Förlagsgrupp was bought from KF for the sum of SEK 152,000 thousand in June 2016. In October 2016 Barnens Bokklubb was acquired through Norstedts Förlagsgrupp for the amount of SEK 550 thousand.

	31 December 2017	31 December 2016
According to the acquisition analysis, the value (book and surplus value) of acquired assets and liabilities for the companies were:		
Non-current assets	113 196	249 668
Current assets	53 345	211 676
Provisions	-18 916	-16 799
Non-current liabilities	0	-16 922
Current liabilities	-32 653	-196 607
Paid through new share issue	-38 801	-20 000
<b>Purchase price paid</b>	<b>76 171</b>	<b>211 016</b>
Cash and cash equivalents in the acquired companies	-12 071	-7 399
<b>Impact on the Group's cash and cash equivalents</b>	<b>-64 100</b>	<b>-203 617</b>

## Note 30 Sales and purchases between Group companies and related parties

### Parent company

For sales and purchases between Group companies, the same pricing principles apply as regards transactions with external parties. No transactions of significance have taken place with other related parties.

The Storytel Group's other related parties consist primarily of senior executives. Information on personnel costs can be found in Note 6, Employees and personnel costs.

Fees relating to the members of the Board who are not employees (three people) were SEK 521 thousand in total, and have been invoiced via the individuals' companies. The closing liability was SEK 651 thousand.

	2017	2016
The proportion of total purchases for the year made by other companies in the Group	0%	0%
The proportion of total sales for the year made to other companies in the Group	100%	100%

## Note 31 Appropriations

### Parent company

	2017	2016
Group contributions received	0	4 485
	0	4 485

## Note 32 Participations in Group companies

### Parent company

	31 December 2017	31 December 2016
Opening acquisition value	752 659	615 431
Purchases	103 882	137 228
Shareholder contributions	10 578	0
<b>Closing accumulated acquisition value</b>	<b>867 119</b>	<b>752 659</b>
<b>Closing recognized value</b>	<b>867 119</b>	<b>752 659</b>

### Note 33 Specification of participations in Group companies

#### Parent company

Name	Capital share	Voting share	Book value
Storytel AG	100%	100%	606 517
Massolit Förlag AB	100%	100%	6 859
Storytel Publishing AB	100%	100%	6 726
Omega Film AB	100%	100%	153
Norstedts Förlagsgrupp AB	100%	100%	142 982
People's Press A/S	100%	100%	103 882
			<b>867 119</b>

	Corporate ID no.	Domicile
Storytel AG	2803008746-7	Basel
Massolit Förlag AB	556676-0046	Stockholm
Storytel Publishing AB	556045-0297	Stockholm
Omega Film AB	556240-5059	Stockholm
Norstedts Förlagsgrupp AB	556045-7748	Stockholm
People's Press A/S	26608694	Copenhagen

## Note 34 Indirectly owned subsidiaries

### Parent company

Name and domicile	Domicile	Capital share	Corporate ID no.
D & D FACTORY EOOD	Sofia	100%	202130119
People's Press A/S	Copenhagen	100%	26608694
Storytel A/S	Copenhagen	100%	35207600
Mofibo Books ApS	Copenhagen	100%	35228691
Simaty Communications FZ LLC	Dubai	100%	31206
Storytel OY	Helsinki	100%	2792250-7
Rubinstein Audio NL BV	Amsterdam	100%	620.57.707
Storytel NL BV	Amsterdam	100%	582.16.111
Mofibo NL BV	Amsterdam	100%	639.66.077
Skynjun ehf	Reykjavik	100%	5705043040
Storyside India Llp	Mumbai	100%	AAH-6929
Storytel Sp.z.oo	Warsaw	100%	36273911
Helvetica Publishers OOO	Moscow	100%	1147847137020
Storytel AG	Basel	100%	2803008746-7
Storytel S.L	Barcelona	100%	B66996729
Norstedts Förlagsgrupp AB	Stockholm	100%	556045-7748
Barnens Bokklubb AB	Stockholm	100%	556103-0445
Böckernas Klubb med Journalen BKJ AB	Stockholm	100%	556317-0629
Norstedts Kartor AB	Stockholm	100%	556532-7540
Gammafon Barnmedia AB	Stockholm	100%	556367-7946
Kartcentrum i Stockholm AB	Stockholm	100%	556468-5575
Storytel AB (publ)	Stockholm	100%	556575-2960
Omega Film AB	Stockholm	100%	556240-5059
Storytel Publishing AB	Stockholm	100%	556045-0297
Massolit Förlag AB	Stockholm	100%	556676-0046
Storyside AB	Stockholm	100%	556630-2906
Earbooks AB	Stockholm	100%	556938-3762
Barnbolaget i Örebro AB	Stockholm	100%	556677-2611
Telegram Bokförlag AB	Stockholm	100%	556782-9303
Kontentan Förlags AB	Stockholm	100%	556502-7447
Mofibo Sweden AB	Stockholm	100%	56977-0166
Storytel Sweden AB	Stockholm	100%	556696-2865
Seslenenkitap A.S	Istanbul	100%	35728/5
Storytel GmbH	Vienna	100%	FN 439493p

## Note 35 Number of shares and quota value

### Parent company

Name	Number of shares	Quota value
Number of A shares	635	0,5
Number of B shares	51 516 672	0,5
	<b>51 517 307</b>	

## Note 36 Appropriation of profit or loss

### Parent company

31 December 2017

Proposed appropriation of profits	
The Board of Directors recommends that the profit available for disposition (SEK):	
Accumulated deficit	-13 557
Share premium reserve	950 279
Profit for the year	3 742
	<b>940 464</b>
To be carried forward	940 464

## Note 37 Significant events from the end of the financial year

### Group Parent company

Storytel was launched on Iceland – the company's tenth market – on 20 February 2018.

The undersigned hereby declare that the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and generally accepted accounting standards, current accounting standards have been applied and all records provided give a true and fair view of the company's financial position.

### Stockholm

Rustan Panday  
Chairman

Stefan Tegenfalk

Jonas Sjögren

Nils Janse

Karin Alexandersson

Ingrid Bojner

Jonas Tellander  
Chief Executive Officer

### Our auditor's report has been submitted

Ernst & Young AB

Alexander Hagberg  
Authorized Public Accountant



## AUDITOR'S REPORT

To the general meeting of the shareholders of Storytel AB (Publ),  
corporate identity number 556575-2960

### Report on the annual accounts and consolidated accounts

#### Opinions

We have audited the annual accounts and consolidated accounts of Storytel AB (Publ) for the year 2017-01-01 - 2017-12-31.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company and the group as of December 31, 2017 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

#### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

#### Report on other legal and regulatory requirements

##### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Storytel AB (Publ) for the year 2017-01-01 - 2017-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

##### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and

ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

*Auditor's responsibility*

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm  
Ernst & Young AB

Alexander Hagberg  
Authorized public accountant

