



Year-End Report

*January-December 2016
Storytel AB (publicly traded)*



Summary of q4, 2016

Highlights from the past quarter including Mofibo (compared to Q4 2015)

- ❑ Increased subscriber base from 341,500 to 360,200 subscribers (245,400 subs)
- ❑ Increased Streaming revenues from 135.7 MSEK to 147.4 MSEK (91.7 MSEK)
- ❑ Increased international share of Streaming revenues from 36.0% to 37.9% (29.6 %)
- ❑ Completed a secondary stock offering of 100 MSEK for institutional investors
- ❑ Delivered quarterly earnings, before depreciation, of 19.7 MSEK (0.9 MSEK)

Key numbers for the Streaming division (figures for each quarter include Mofibo) and Print Publishing

| Currency: thousand SEK | Q4 2015 | Q1 2016 | Q2 2016 | Q3 2016 | Q4 2016 | Q1 2017 |
|---|---------|---------|---------|---------|---------|----------|
| Total: Streaming | | | | | | Forecast |
| Revenue | 91 665 | 99 668 | 111 339 | 135 703 | 147 399 | 156 000 |
| Contribution Profit** | 19 313 | 22 425 | 20 961 | 29 269 | 32 684 | |
| Contribution percentage | 21,1% | 22,5% | 18,8% | 21,6% | 22,2% | |
| Paying subscribers | 245,4 | 268,3 | 291,6 | 341,5 | 360,2 | 381,0 |
| Subscriber-base change | 16,1 | 22,8 | 23,3 | 49,9 | 18,7 | |
| Streaming, Sweden | | | | | | |
| Revenue | 64 505 | 69 823 | 75 284 | 86 889 | 91 557 | 97 000 |
| Contribution Profit | 16 080 | 20 869 | 22 424 | 29 464 | 27 073 | |
| Contribution percentage | 24,9% | 29,9% | 29,8% | 33,9% | 29,6% | |
| Paying subscribers | 167,3 | 180,3 | 193,7 | 219,9 | 230,8 | 242,0 |
| Subscriber-base change | 12,0 | 13,0 | 13,4 | 26,2 | 10,9 | |
| Streaming, other markets *** | | | | | | |
| Revenue | 27 160 | 29 844 | 36 055 | 48 814 | 55 842 | 59 000 |
| Contribution Profit | 3 234 | 1 556 | -1 463 | -195 | 5 611 | |
| Contribution percentage | 11,9% | 5,2% | -4,1% | -0,4% | 10,0% | |
| Paying subscribers | 78,1 | 88,0 | 97,9 | 121,6 | 129,4 | 139,0 |
| Subscriber-base change | 4,1 | 9,9 | 9,9 | 23,7 | 7,8 | |
| Publishing, Sweden**** | | | | | | |
| Revenue | 167 688 | 90 106 | 105 137 | 112 689 | 154 099 | |
| Contribution Profit ***** | 72 685 | 33 106 | 42 722 | 41 576 | 64 038 | |
| Contribution percentage | 43,4% | 36,7% | 40,6% | 36,9% | 41,6% | |

* Forecast is based on information available at time of reporting

** Contribution Profit is defined as streaming revenue minus costs for content and marketing

*** Storytel Norway included in figures at 100%, according to the principle of proportional consolidation.

**** Publishing, Sweden includes Norstedts Förlagsgrupp for all four quarters. Revenue from Storytel and Mofibo redacted. Barnens Bokklubb not included in figures.

***** Contribution Profit is defined as streaming revenue minus costs for content and marketing



Comments from the CEO

When we uncorked the champagne on New Year's Eve and looked back on Storytel's past twelve months, it was clear the year had seen Storytel throw off its cloak of anonymity and step into the spotlight as one of Sweden's most exciting and rapidly growing tech- and content-based companies. In the process, we clearly come to lead the digital book-market in Sweden, Norway, Denmark and Holland.

At the same time, our acquisitions of traditional book publishers Massolit Förlagsgrupp and Norstedts Förlagsgrupp, as well as our ongoing project Storytel Original, assured that 40% of the seven million audio- and e-books our customers listened to and read last year originated with us. The contribution margin of Storytel in Sweden is steadily 30% of streaming revenues after deducting all content and marketing costs.

The Storytel group, as indicated, also own traditional publishing houses in which 85-90 % of revenues are derived from selling ink-on-paper books. The Publishing division's focus is on generating healthy profits and increasing digital sales by attracting skilled authors to form long-term partnerships with. Earnings for both Norstedts and Massolit have both been strongly positive. A large proportion of traditional book sales occur during the Christmas season, which explains why earnings for Publishing are the highest in Q4 and lowest in Q1. The year's bestsellers for each imprint were, respectively, the eighth *Harry Potter* book, (Rabén & Sjögren), Elena Ferrante's novels (Norstedts), *The Girl on the Train* (Massolit), and *Nordiska Gudar (Norse Gods)* (B. Wahlströms). We're very proud of them!

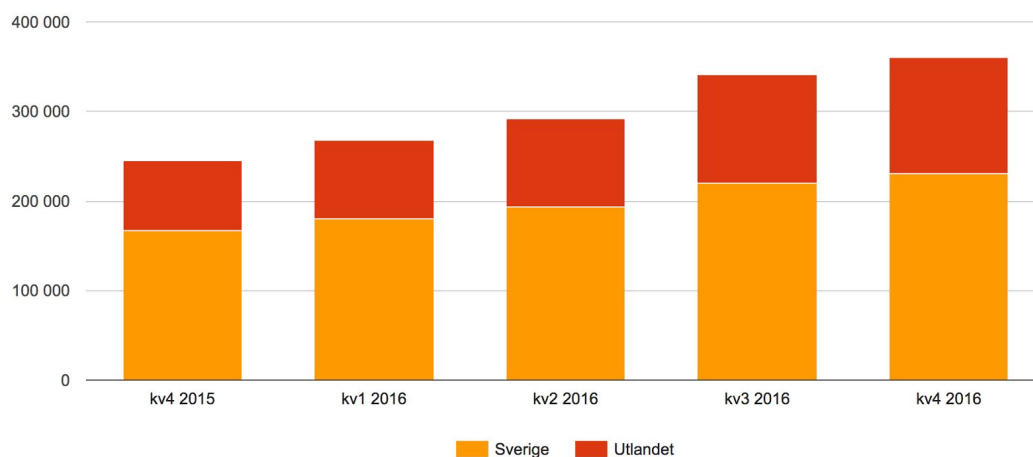
In Q4 2016 our Norwegian operations turned profitable (according to plan), and as previously communicated, our Danish operations turned profitable in Q3 2016, which proves we have the ability to launch in new countries and make these operations profitable after a few years' investment. In Denmark we raised the price during the summer and in end of December we also raised the price in Norway from 169 NOK to 199 NOK. We have seen a slight negative effect in subscriber growth during first part of Q1 2017, as a result of the price increase. However, we now see the markets picking up and growing according to plan.

We view Holland as a market with great potential, and during the second half of last year, we tripled our number of Dutch subscribers. During 2017, we plan to continue putting enormous efforts into audio-book production and marketing in the Dutch market. Our plan is to make Storytel Holland profitable by 2018, and we hope that a few years later it will be as large as Storytel in Sweden.

Our current focus is on growth, and accordingly, profits from Streaming will be reinvested in new markets. We plan to open our service in several new countries in 2017, according to our

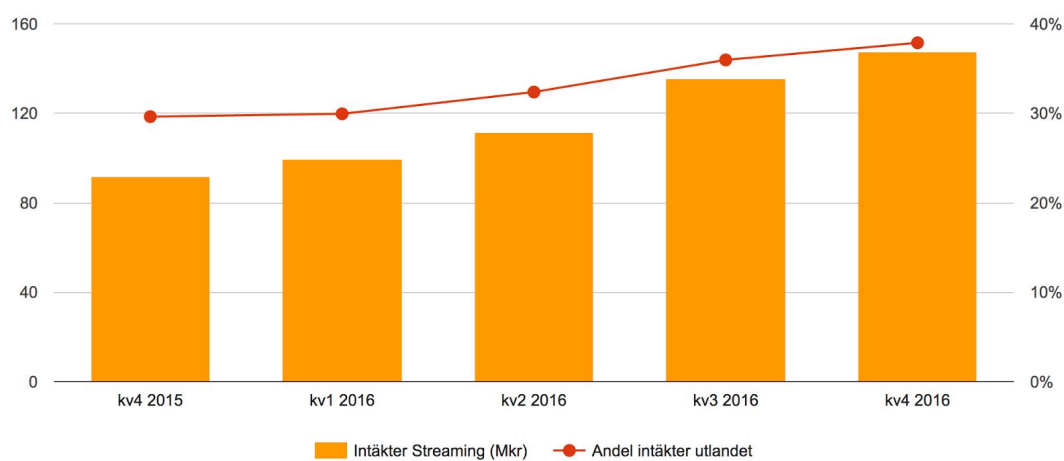
goal of spreading spoken stories to every corner of the globe. We currently operate in six countries (Sweden, Norway, Finland, Denmark, Holland and Poland). We have earlier stated that we have started acquiring audio-book rights in Arabic, and during the year several other languages will follow suit. Many chapters of the Storytel-story are still unwritten.

Average number of paying subscribers



In Q4 2017, revenues for Streaming were 147 MSEK (compared to 92 MSEK in Q2, 2015). Operations in Sweden generated 92 MSEK in Q4 2016, while other markets generated 56 MSEK (38% of the total). In Q4 2015, Swedish streaming revenues totaled 65MSEK, with other markets generating 27 MSEK (30% of total revenues).

Streaming revenue from subscribers (MSEK)



Organizational overview

Storytel's organization is comprised of two divisions, Streaming and Publishing. The Streaming division offers a subscription service for audio books and e-books under the brand names Storytel and Mofibo in Sweden, Denmark, Norway, Finland, Holland and Poland. The Streaming division also publishes audio books through StorySide in Sweden, and Rubinstein Audio in the Netherlands. The Publishing division is comprised of the publishers Norstedts and Massolit (adult trade), Rabén & Sjögren and B. Wahlströms (children's and young adult), Norstedts Kartor (maps), and Barnens Bokklubb (a book club for children and young adults).

Storytel AB (publicly traded) is the group's parent company, and the only publicly held company in the Swedish book industry.

Storytel Sweden AB, Storytel NL BV, Storytel A/S, Storytel A.S., Storytel sp. z.o.o., Storytel Oy, Mofibo Books ApS, Mofibo NL BV, and Mofibo Sweden AB are the consumer-oriented companies which comprise the Streaming division.

StorySide AB is an audio-book publisher who publishes the majority of the works produced by the Storytel group. Earbooks AB owns audio-book rights, but releases no new titles. Barnbolaget i Örebro AB owns audio-book rights connected to the *Sune* book series and *Bert* book series. Rubinstein Audio NL BV is an audio-book publisher in Holland and releases all its titles for the Dutch market. Audio-book titles are also released by Massolit, Norstedts, B.Wahlströms, and Rabén & Sjögren.

Norstedts Förlagsgrupp AB is a trade-book publisher with fiction titles and books for children and young adults, which owns the brands Norstedts and Rabén & Sjögren.

Massolit Förlagsgrupp AB is organized similarly to Norstedts Förlagsgrupp AB, and owns the brands Massolit Förlag och B.Wahlströms. Norstedts Förlagsgrupp AB also owns Norstedts Kartor (which sells maps in various formats as well as other products through physical and online retailers), as well as Barnens Bokklubb, a wholly owned subsidiary since November 2016.

Financial information

Accounting principles

This group of companies and its parent company comply with the Swedish law regarding yearly statements of accounts, as well as BFNAR 2012:1 (Swedish Accounting Standards Board standard 2012:1) concerning annual statements of accounts and group accounts at the K3 tier. The acquisition of Storytel AG by Storytel AB (publicly traded) (formerly Massolit Media (publicly traded)), is accounted for according to applicable accountancy regulations for reverse acquisition. According to the group's statement of accounts, the reverse acquisition means that Storytel AG is the parent company and Massolit is included in accounts from the time of acquisition. The registered parent company is Storytel AB (publicly traded). Mofibo Books ApS (and its wholly owned subsidiaries) and Norstedts Förlagsgrupp are included in the yearly statement of accounts from their time of acquisition. Storytel A.S. (Norway) is 50% owned by Cappelen Damm and is reported here according to the principle of proportional consolidation.

This report has not been audited by the company's accountants.

Statement of Accounts (TSEK)

| | Oct. - Dec Group | | Jan. - Dec. Group | | Oct. - Dec Parent Company | | Jan. - Dec. Parent Company | |
|--|---------------------|----------------|----------------------|----------------|------------------------------|----------------|-------------------------------|---------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Operating revenues | | | | | | | | |
| Net Turnover | 287 298 | 104 112 | 743 900 | 298 600 | 534 | 333 | 1 606 | 1 201 |
| Change in inventory during productions | -2 048 | - | -5 510 | - | - | - | - | - |
| Sum of profits from subsidiaries | -736 | - | -951 | - | - | - | - | - |
| Other revenue | 10 440 | 796 | 13 555 | 916 | 51 | - | 51 | - |
| Total operating revenue | 294 954 | 104 908 | 750 994 | 299 516 | 585 | 333 | 1 657 | 1 201 |
| Operating expenses | | | | | | | | |
| Unit-sale costs | -155 974 | -71 029 | -431 937 | -195 443 | - | - | - | - |
| Other external Costs | -66 435 | -17 704 | -149 946 | -62 742 | -996 | -638 | -2 943 | -2 726 |
| Staffing costs | -52 889 | -15 310 | -115 426 | -36 352 | -794 | -401 | -1 783 | -1 205 |
| Earnings before depreciation | 19 656 | 865 | 53 685 | 4 979 | -1 205 | -706 | -3 069 | -2 730 |
| Depreciation | -15 901 | -486 | -28 186 | -1 629 | - | - | - | - |
| Earnings before financial items | 3 755 | 379 | 25 499 | 3 351 | -1 205 | -706 | -3 069 | -2 730 |
| Net financial items | -1 279 | -673 | -4 951 | 11 605 | -464 | - | -1 699 | 15 035 |
| Earnings before taxes | 2 476 | -294 | 20 548 | 14 956 | -1 669 | -706 | -4 768 | 12 305 |
| Group contribution (given/received) | - | - | - | - | 4 485 | -12 305 | 4 485 | -12 305 |
| Deferred taxes | 11 425 | - | 11 425 | - | - | - | - | - |
| Taxes on year's profits | -4 815 | -4 477 | -8 489 | -6 191 | 8 | - | - | -608 |
| Earnings/Losses for period | 9 086 | -4 771 | 23 484 | 8 765 | 2 824 | -13 011 | -283 | -608 |

Balance Sheet (TSEK)

| | Group | | Parent Company | |
|---|----------------|----------------|----------------|----------------|
| | 31 Dec 2016 | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2015 |
| Assets | | | | |
| Intangible Assets | 236 201 | 12 948 | - | - |
| Tangible Assets | 2 834 | 1 008 | - | - |
| Financial Assets | 32 399 | 1 023 | 752 659 | 615 634 |
| Inventory | 65 470 | 26 482 | - | - |
| Current receivables | 257 828 | 79 078 | 26 487 | 764 |
| Liquid assets and short-term investments | 129 561 | 41 495 | 33 365 | 112 |
| Total Assets | 724 293 | 162 033 | 812 511 | 616 510 |
| Equity and liabilities | | | | |
| Share-capital | 23 924 | 21 909 | 23 924 | 21 909 |
| Other Equity, including current year's profit | 148 548 | -14 101 | 710 459 | 573 862 |
| Provisions | 54 629 | 6 168 | - | - |
| Long-term liabilities | 155 161 | 14 951 | 65 280 | - |
| Short-term liabilities | 342 031 | 133 106 | 12 848 | 20 739 |
| Total Equity and liabilities | 724 293 | 162 033 | 812 511 | 616 510 |

Changes in Equity (TSEK), Group

| | Share-capital | Reserves | Equity + current year's profits | Total Equity |
|---|---------------|--------------|---------------------------------|----------------|
| Opening balance 2016-01-01 | 21 909 | -264 | -13 837 | 7 808 |
| New stock offering | 2 015 | | 139 630 | 141 645 |
| Costs, New stock offering | | | -2 749 | -2 749 |
| Translation differences, from acquisition of Norstedts Förlagsgrupp | | | -976 | -976 |
| Other translation differences | | 3 260 | | 3 260 |
| Dividend | | | | - |
| Current year's profit | | | 23 484 | 23 484 |
| Closing balance 2016-12-31 | 23 924 | 2 996 | 145 552 | 172 472 |

Cash-Flow analysis (TSEK), Group

| | 2016 | 2015 |
|---|----------------|---------------|
| Net earnings/losses after financial items | 20 548 | 14 956 |
| Adjustments for items not included in cash-flow | 31 601 | -11 652 |
| Taxes, paid | -1 481 | -5 035 |
| Cash flow from operations, before changes in working capital | 50 668 | -1 731 |
| Cash flow from changes in working capital | 1 544 | 35 694 |
| Cash flow from day-to-day operations | 52 212 | 33 963 |
| Cash flow from investment activities | -209 809 | 1 285 |
| Cash flow from financial operations | 246 116 | -3 459 |
| Cash flow, current year | 88 519 | 31 789 |
| Available funds, beginning of year | 41 495 | 9 816 |
| Translation differences in available funds | -453 | -110 |
| Available funds, at end of year | 129 561 | 41 495 |

Revenues and profits for period

The group's total revenues for Q4 2016 were 287,298 (104,112) TSEK. Within the Streaming division, Sweden accounted for ca. 62.1% and other markets for ca. 37.9%. Cappelen Damm owns 50% of Storytel A.S. in Norway, which is reported here according to the principle of proportional consolidation. The table on page two includes all subscribers and revenues in Norway under Streaming, other markets. Also, in table on page two, any accrual of revenue is not taken into account.

The group's production costs during Q4 totaled 155,974 (71,029) TSEK. Production costs include costs for the actual production of audio books, the production costs of physical books, warehousing and distribution costs, and royalties. During the second half of the year, our publishing operations contributed to a higher gross margin.

Other external costs for the group during Q4 totaled 66,435 (17,704) TSEK. The greatest external costs included marketing, rental payments, tech services, and consultants.

Staffing costs for the group in Q4, 2016 totaled 52,889 (15,310) TSEK. Publishing requires a greater concentration of staff, which explains the relative increase in staffing costs compared to Q4 2015, when Norstedts Förlagsgrupp was not a Group company.

Profits before depreciation for the group for Q4 totaled 19,656 (865) TSEK. During Q4, 2016, the acquisition analyses ordered in connection with the purchases of Mofibo and Norstedts have been put into action, which has affected the size of depreciations. All extra value was preliminarily allocated to goodwill, which for both Mofibo and Norstedts will be written off in ten years.

The tables below shows identifiable extra values and their write-off periods. The unique effects of Q4, after completion of the acquisition analyses, will result in ca. 2.5 MSEK in increased write-offs. Other write-offs primarily concern purchases and systems development.

Mofibo

| Asset | Valuation (kDKK) | Deferred taxes (tusen kDKK) | Depreciation period (years) |
|-------------------------|------------------|-----------------------------|-----------------------------|
| Goodwill | 52 150 | 0 | 10 |
| Customer relations | 32 640 | 7 181 | 5 |
| Intellectual Properties | 35 355 | 7 778 | 5 |
| Brand | 2 880 | 634 | 3 |
| Total | 123 025 | 15 593 | |

Norstedts Förlagsgrupp

| Asset | Valuation (kSEK) | Deferred taxes (tusen kSEK) | Depreciation period (years) |
|-----------------|---------------------|--------------------------------|--------------------------------|
| Goodwill | 16 298 | 0 | 10 |
| Art | 356 | -78 | 0 |
| Brand | 43 600 | -9 592 | 10 |
| Rights (titles) | 4 200 | -924 | 5 |
| Total | 64 454 | 10 594 | |

In connection with the acquisitions of Mofibo and Norstedts, the group now has an increased reliance on loans, which has necessitated higher interest payments than in the past.

Earnings per share of stock in Q4 2016, after taxes, equaled 0.19 SEK and in 2016 to 0,51 SEK, calculated as current period's profit, after taxes, divided by average number of shares during the period.

Group: Financial position and cash flow (as of 31 December 2016)

At the end of the period, the group had 129,561 (41,495) TSEK in liquid assets. Solvency was 23.8% (4.8%). Equity totaled 172,472 (7,808) TSEK. External debt has been increased due to the acquisitions of Mofibo and Norstedts Förlagsgrupp, which were largely financed through bank loans. During Q1, 2017, we will start paying off these loans, and the short-term debts will be paid off during the next twelve months. During Q4 2016, 40 MSEK was repaid to the bank in connection with our secondary stock offering of October 2016, an activity attributable to the gap loan we took in order to finance our acquisition of Norstedts Förlagsgrupp.

Number of shares and share-capital (as of 31 December 2016)

There were 47,847,183 shares in issuance at the end of the period, divided between 635 A-shares and 47,846,548 B-shares. As of 31 Dec. 2016, share-capital totaled 23,923,591.5 SEK.

Post-period activity

On February 1st, 2017 Storytel acquired Kontentan Förlag AB as part of our ongoing interest in shorter, popular non-fiction.

Date of next report

The interim report for January–September 2017 will be released on May 15th, 2017.

General shareholders meeting

The next general shareholders meeting will be held on 12 May 2017 in Stockholm. Annual accounts and the annual financial report for the group will be made available through the company starting on 14 April 2017.

Dividends

The board of directors moves to forego paying dividends for the fiscal year 2016.

Stockholm 28 February 2017

Rustan Panday

Chair of the Board of Directors

Jonas Tellander

Board Member and CEO

Jonas Sjögren

Board Member

Nils Janse

Board Member

Stefan Tegenfalk

Board Member

Ingrid Bojner

Board Member

Karin Alexandersson

Board Member, staff representative

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