

This Company Description is not a prospectus and has not been approved by the Swedish Financial Supervisory Authority (Sw. Finansinspektionen). For more information, see section "Important information".

# *Storytel AB (publ)*

## *Company Description*

regarding application for admission to trading of class B shares  
on Nasdaq First North in Stockholm

### Important information about Nasdaq first north

Nasdaq First North is an alternative marketplace operated by an exchange within the Nasdaq group. Companies on Nasdaq First North are not subject to the same rules as companies on the regulated main market. Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in a company on Nasdaq First North may therefore be higher than investing in a company on the main market. All companies with shares traded on Nasdaq First North have a Certified Adviser who monitors that the rules are followed. The exchange (Nasdaq Stockholm AB) approves the application for admission to trading.





# Important information

This company description (the "Company Description") has been prepared in connection with the application for admission to trading of class B shares in Storytel AB (publ) ("Storytel" or the "Company") on Nasdaq First North in Stockholm ("Nasdaq First North"). Nasdaq First North is a Multilateral Trading Facility ("MTF"), an alternative marketplace operated by an exchange within the Nasdaq group, and is not subject to the same rules as companies on the regulated main market. In the Company Description the "Storytel Group" or the "Group" means the company group in which Storytel is the parent company, and "Group Companies" refers to one or several subsidiaries in the Group. "Norstedts" refers to Norstedts Förlagsgrupp AB, a subsidiary to Storytel within the Print Publishing division of the Group.

The Company Description has only been prepared in connection with the application for listing of Storytel's class B shares on Nasdaq First North and does not contain any offering of shares or any other offering of financial instruments in the Company in Sweden or in any other jurisdiction.

No measures have been or will be taken in any other jurisdiction than Sweden that would allow the possession and distribution of the Company Description or any other documents pertaining to the Company Description. Applications to acquire shares that violate such rules may be deemed invalid. Persons who come into possession of the Company Description are requested by the Company to inform themselves about and to observe such restrictions and shall not publish or distribute the Company Description in violation of applicable laws and regulations. The Company does not accept any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions.

Storytel's class B shares are as per the date of the Company Description admitted for trading on Spotlight Stock Market. The last day of trading on Spotlight Stock Market is planned to be on 4 December 2018 and the first day of trading on Nasdaq First North is planned to be on 5 December 2018. Storytel's class B shares are as per the date of the Company Description traded under the ticker STORY B and will continue to be traded under the ticker STORY B once the class B shares have been admitted to trading on Nasdaq First North. The Company's current shareholders do not have to take any measures in connection with the listing change.

The class B shares in Storytel have not been and will not be registered under the US Securities Act of 1933, as amended or under any relevant securities authority in any state or other jurisdiction in the United States and may not be offered or sold within the United States. Furthermore, the aforementioned authorities have not confirmed the accuracy or determined the adequacy of the Company Description. Any representation to the contrary is a criminal offense in the United States. The Company Description does not constitute an offer to sell, or an invitation to offer to buy, class B shares in any jurisdiction where such an offering is unlawful.

## Forward-looking statements

The Company Description contains certain forward-looking statements that reflect Storytel's views with respect to future events and financial and operational performance. Such words as "intends," "assesses," "expects," "can," "plans," "estimates" and other expressions that relate to indications or predictions concerning future development or trends and that are not based on historical facts constitute forward-looking statements. Forward-looking statements are, by nature, associated with known as well as unknown risks and uncertainties, given their dependence on future events and circumstances. Forward-looking statements are no guarantee of future results or trends, and the actual results could differ materially from those contained in the forward-looking statements. Factors that could result in Storytel's actual earnings and performance deviating from the content of the forward-looking statements include, but are not limited to, the descriptions in the section "Risk factors". Forward-looking statements in the Company Description apply only as of the date of publication of the Company Description. Storytel does not give any undertaking that the Company will disclose any updates or revisions of forward-looking statements due to new information, future events or other such matters above and beyond what is required according to applicable laws.

## Industry and market information

The Company Description contains information about the Storytel Group's geographic markets and products, market size, market shares, market position and other information concerning Storytel's operations and markets. Unless stated otherwise, such information is based on the Company's assessment of sev-

eral different sources, including statistics and information from external industry or market reports, market surveys, publicly available information and commercial publications. Information from third parties has been accurately reproduced, and as far as Storytel is aware and can ascertain by comparisons with other information published by the relevant third parties, no information has otherwise been omitted that could render the reproduced information inaccurate or misleading. Industry and market publications generally state that the information reproduced therein has been obtained from sources adjudged to be reliable, but the accuracy and completeness of such information is not guaranteed. Because the information has not been verified by the Company, the Company cannot guarantee the correctness of the market information contained in the Company Description, or that it has been collected or derived from these publications. The Company does not assume responsibility for the correctness of any industry or market information included in the Company Description that has been provided by third parties. Market information and market statistics, by nature, are forward looking and subject to uncertainty, could be interpreted subjectively and are not necessarily reflective of actual or future market conditions. Such information and statistics are based on market surveys, which, in turn, are based on selection and subjective interpretations and assessments, including assessments about the type of products and transactions that should be included in the relevant market, with respect to both those who perform the surveys and the particular respondents. Accordingly, potential investors should be aware that the financial information, market information, forecasts and estimated market information contained in the Company Description do not necessarily constitute reliable indicators of Storytel's future results.

The contents of the Company's website, the website of any Group Companies or any third-party websites referred to herein do not constitute part of the Company Description.

## Presentation of financial information

All financial amounts are presented in Swedish krona ("SEK"), unless otherwise indicated. "SEK thousand" refers to thousands of Swedish kronor and "SEK million" refers to millions of Swedish kronor. "EUR" refers to euro and "EUR million" refers to millions of euros. Certain financial information and other information presented in the Company Description have been rounded to make the information easily comprehensible to the reader. Accordingly, the figures contained in certain columns may not tally with the total amount specified.

## Nasdaq First North

Nasdaq First North is an alternative marketplace operated by the different exchanges within the Nasdaq Group. Companies on Nasdaq First North are not subject to the same rules as companies listed on the regulated main market. Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in a company on Nasdaq First North may therefore be higher than investing in a company on the main market. All companies with shares traded on Nasdaq First North have a Certified Adviser that monitors that the rules are followed. The exchange (Nasdaq Stockholm AB) approves the application for admission to trading.

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## PRELIMINARY TIMETABLE

Last day of trading on Spotlight Stock Market	4 December 2018
First day of trading on Nasdaq First North	5 December 2018

## MISCELLANEOUS

ISIN-code	SE0007439443
Ticker on Spotlight Stock Market	STORY B
Ticker on Nasdaq First North	STORY B

## FINANCIAL CALENDAR

Year-end report 2018	25 February 2019
Annual Report	15 April 2019
Annual General Meeting	15 May 2019
Q1 report	14 May 2019
Q2 report	13 August 2019
Q3 report	12 November 2019

# 1. *Risk factors*

*An investment in the shares of Storytel is associated with various risks. A number of factors influence, or can influence, Storytel's operations, both directly and indirectly. A number of risk factors and circumstances of major importance, which are regarded as material to Storytel's operations and future development, are described below in no particular order of importance or claim to be exhaustive. The risks described below are not the only risks to which the Company or its shareholders may be exposed. There are other risks that are currently unknown to the Company or that the Company currently does not regard as significant but that could also have an adverse impact on Storytel's operations, financial position or operating profit. If any of the risks described below, or another risk of which Storytel is not aware, actually were to occur, the Company's business operations, financial position and earnings could be materially adversely affected. This could also result in the price of the shares of Storytel declining significantly and in an investor losing his/her investment in part or in full. The Company Description contains forward-looking statements that could be affected by future events, risks and uncertainties. The Company's actual earnings could differ significantly from the earnings anticipated in the forward-looking statements due to many factors, including but not limited to the risks described below and in other parts of the Company Description. In addition to this section, investors should also take into account other information in the Company Description.*

## **Risks related to the Company and its industry**

**Storytel's growth strategy includes acquisitions, which come with risks and the Company may fail to successfully integrate acquired businesses**

The Company's strategy involves both organic growth and growth through acquisitions. Storytel continuously evaluates potential strategic acquisition targets to support the Company's long-term

strategy. The Group has and may in the future acquire companies to supplement the Group's current product portfolio or to gain access to new markets. There is a risk that the Company will be unable to find suitable candidates for acquisition, that the Company will be unable to complete acquisitions on acceptable terms and conditions, or at all, or that new acquisitions fail to bear the acquisition costs. There is also a risk that acquisitions may be regarded by the financial market or investors as something negative, for example if the consideration is deemed too high or if the acquisition is not considered to be in line with the Company's overall strategy, which in turn may affect Storytel's share price. The terms and conditions for any future acquisitions may also involve mechanisms for additional payments (so called earn-outs), and thus, the Company may be obligated to make such payments in the years following the acquisition. All acquisitions go through a thorough due diligence process, however there is a risk that adverse effects arise due to items or risks not identified in the due diligence process, which could have adverse financial, legal and reputational effects on Storytel.

In addition, any and all acquisitions carried out by Storytel could lead to difficulties in integrating operations and staff from acquired companies and in retaining and motivating key employees from acquired companies. Acquisitions and integration of operations could disrupt Storytel's current business activities, entail obligations and liabilities held by the acquired business and increase Storytel's expenses. Furthermore, future acquisitions could reduce Storytel's cash and cash equivalents and increase its indebtedness, and any of these risks could materially and adversely affect Storytel's operations, financial position and/or earnings.

**Storytel's ability to handle growth may prove to be insufficient and Storytel's growth and scaling plans may not materialise**

Storytel's operations and number of employees have grown substantially since its incorporation. Potential investors should not necessarily take historical growth as an indication of future developments. Earlier growth has exposed, and future growth will expose, the Company, its executive management, administration, IT system as well as operational and financial infrastructure to several challenges. The board of directors and management of Storytel have ambitious growth and scaling plans for the Storytel Group and the intention is, in coming years, to further expand the operations to or within, but not limited to countries in, Europe, Asia and Latin America. To grow and scale in an appropriate manner and in accordance with Storytel's growth and scaling plans, there will be high demands on Storytel's organisation, as well as on its operational and financial infrastructure. Internal processes must be carefully prepared and continuously evaluated and if necessary, amended.

Expansion to jurisdictions where Storytel has no presence as of the date of the Company Description may expose the Company to risks that Storytel is currently unfamiliar with (for example stricter laws, trade sanctions, consumer law and regulations that regard product liability, the existence of corruption, and macroeconomic risks specific to each jurisdiction). There is a risk that the Company may not consider every relevant risk that is associated with expansion to a new jurisdiction or that it is unable to address known risks. When the Group expands its operations, it has to hire employees with the right level of knowledge of the Company's markets, industry and operations and there is a risk that such employees are not available to the Company.

If the Company fails to handle growth and scaling, including hiring competent employees or if internal processes do not address the legal and financial risks associated with expansion, it could lead to the Company having to cancel or reduce its growth plans and/or pace of expansion, which could have a material and adverse impact on the Company's operations, financial position and/or earnings.

**The market for Storytel's services and products is global and operating in a global environment may expose the Company to risks such as political uncertainties, local business risks and laws, rules and regulations in many countries**

Storytel operates in a global environment and has or is in preparation of launching its service, as of the date of the Company Description, in

Sweden, Denmark, Norway, Finland, Iceland, the Netherlands, Russia, Poland, Italy, Spain, Turkey, India, UAE, Mexico, Bulgaria, Singapore and Brazil. Storytel is undergoing rapid growth to expand to new markets around the world. Consequently, Storytel is exposed to various risks related to operating in a global environment, such as implementation of new, or changes in existing, legislation, rules or regulations. Trade restrictions introduced by governments or authorities in the countries where Storytel operates, or in other countries where Storytel may operate in the future, as well as sanctions or other measures by associations and organisations such as the EU and UN, may restrict the Company's operations, delay or prevent planned investments or otherwise adversely affect Storytel's financial results. Storytel's business is also subject to risks inherent in its business activities, such as:

- Recessionary trends, inflation or instability in local markets;
- Differences and unexpected changes in regulatory environments, including environmental, health and safety, detailed development plans and labour laws;
- The introduction or application of more stringent product norms and standards and associated costs;
- Exposure to different legal standards and enforcement mechanisms and the cost of compliance with those standards;
- Being subject to multiple taxation regimes, including regulations relating to transfer pricing and tax deductions on remittance and other payments by or to subsidiaries;
- Being subject to various, and potentially overlapping, regulations and rules, particularly those relating to export and import controls, anti-corruption and anti-bribery;
- Lack of payment solutions feasible for Storytel's business model leading to difficulties collecting the subscription fee from customers;
- Customs duties, charges, export controls, import restrictions and other trade barriers;
- Changes in pricing restrictions;
- Foreign exchange control and restriction on repatriation factors of funds; and
- Political and social unrest and instability, including but not limited to freedom of speech issues.

There is a risk that Storytel fails to develop and implement systems, policies and practices to completely manage these risks or comply with applica-



ble regulations without incurring substantial costs. Any of these factors could lead to delays in the release and sale of products and services and provide time for competing technologies to develop and reputational damage, which may result in loss of revenue and profitability for Storytel. The materialisation of any of these risks could have a material adverse effect on Storytel's business, financial position and/or earnings.

#### The Company operates in a fast-growing and competitive market

Storytel offers services to consumers relating to the streaming of audiobooks and e-books as well as publishing of books through publishing companies in the Group. There are a number of competitors who develop and offer competing products and services in the market addressed by the Group. There is a risk that these, or completely new competitors, could develop new technologies and launch products and services that offer a better price and/or performance than the Group's products and services and thereby take market shares from the Company. Additionally, in the future, Storytel may also encounter competition from other large, well-established and well-financed entities that could develop their own solutions, or acquire, invest in or form joint ventures with providers of products/technology that are similar to or competes with Storytel's products and services. Competitors to Storytel may adopt an aggressive price strategy to capture early market shares. Increasing competition may result in increased price pressure, lower profit margins, increased R&D costs, and/or increased marketing and sales costs. Storytel is also exposed to the risk that its vendors or collaboration partners themselves develop technologies, products or services that partly or fully resolve the same needs that Storytel's offering resolves, which would reduce the need for the Company's offer. This could have a material adverse effect on the Company's business, financial position and/or earnings.

#### Storytel is dependent upon third-party digital publishers

In order for Storytel to secure the rights to stream and distribute primarily audiobooks and e-books, Storytel has entered into agreements with third-party digital publishing companies. As remuneration, Storytel pays royalties to such parties. There is no guarantee that these agreements will continue to be available in the future at rates and on terms that are favourable or commercially reasonable. Moreover, there is a risk that such agreements will

not be renewed indefinitely or that such agreements will not be renewed at all. The terms of these agreements, including the royalty rates that Storytel is required to pay pursuant to them, may change as a result of changes in the Company's bargaining power, changes in the industry, changes in the law, or for other reasons. Increases in royalty rates or changes to other terms of these agreements may materially impact Storytel's business, operating results, and financial condition. If such agreements cannot be renewed at all it could decrease the Company's offering on certain markets and the overall offering of digital titles. That may lead to a decreased use and demand for the Company's products and services, which could have a material adverse effect on the Company's business, financial position and/or earnings.

#### The Company is dependent on being innovative and adapting to technological advances and subscriber preferences and demands

Storytel competes with providers of on-demand audiobooks and e-books that are made available on mobile devices and in-home environments. Many, if not all, of the markets in which Storytel operates or could operate in the future are characterised by rapid technological development. The rapid technological development could also lead to a decreased demand for Storytel's print publishing products. Consequently, Storytel's ability to predict technical advances, market needs, subscriber preferences and demands and to adapt its products and services accordingly is critical for the continued success of the Company and the Group as a whole. There is a risk that Storytel could misjudge these developments. If Storytel's product development fails to keep up with the rate of development in these markets and the available technology, this could have a material adverse effect on the Company's business, financial position and/or earnings.

#### Streaming depends on effectively working with third-party platforms, operating systems, online platforms, hardware, networks, regulations, and standards that Storytel does not control

Storytel's services require high-bandwidth data capabilities. If the costs of data usage increase or access to data networks is limited, the Company's business may be seriously harmed. Additionally, to deliver high-quality audio and other content over networks, Storytel's services must work well with a range of technologies, systems, networks, regulations, and standards that the Company does not control. In addition, the adoption of any laws or reg-

ulations that adversely affect the growth, popularity, or use of the Internet, including laws governing Internet neutrality, could decrease the demand for the Company's services and increase Storytel's cost of doing business.

Storytel has designed its software and technological platform to utilise data processing, storage capabilities, and other services where hosting is mainly provided by Google Cloud Platform ("GCP") or what is commonly referred to as cloud computing. Storytel cannot easily switch its GCP operations to another cloud provider, and any disruption of, or interference with, the use of GCP could have a material adverse effect on the Company's business, operating results and/or financial condition.

#### Storytel is dependent on a third-party book printing company

Storytel, through Norstedts, currently has an agreement with a printing company in Latvia for the printing of books. The printing company could in the future experience periodic service interruptions and delays involving its printing and distribution, due to damage from earthquakes, floods, fires, power loss and similar events. It might also be subject to break-ins, sabotage, intentional acts of vandalism, the failure or lack of physical, administrative, technical and cyber security measures, or occurrence of terrorist acts, natural disasters, human error and financial insolvency. The occurrence of any of these events could result in delays in delivery of the Company's books, that the Company will not be able to deliver books at all and/or costs for replacing the printing company, which could have an impact on the Company's business reputation, customer relations and operating results. These risks could have a short-term material adverse effect on the Company's business, financial position and/or earnings.

#### Storytel is exposed to certain risks attributable to the Company's IT systems

Storytel relies on systems housed in the Company's own facilities and upon third parties, including bandwidth providers and third-party "cloud" data storage services, to enable Storytel's subscribers to receive the Company's content in a dependable, timely and efficient manner. Storytel has experienced and may in the future experience periodic service interruptions and delays involving its own systems and those of third parties that the Company works with. Both Storytel's own facilities and those of third parties are vulnerable to damage or interruption from earthquakes, floods, fires, power loss,

telecommunications failures, and similar events. They also are subject to break-ins, sabotage, intentional acts of vandalism, the failure or lack of physical, administrative, technical and cyber security measures, or occurrence of terrorist acts, natural disasters, human error, financial insolvency of third parties that Storytel work with, and other unanticipated problems or events. The occurrence of any of these events could result in interruptions in the Company's services and unauthorised access to, or alteration of, the content and data contained in Storytel's systems and that these third parties store and deliver on the Company's behalf.

Any disruption in the services provided by these third parties could materially adversely impact Storytel's business reputation, customer relations, and operating results. Upon expiration or termination of any of the Company's agreements with third parties, Storytel may not be able to replace the services provided to the Company in a timely manner or on terms and conditions, including service levels and cost, that are favourable to the Company, and a transition from one third party to another could subject the Company to operational delays and inefficiencies until the transition is complete, which could have a material adverse effect on the Company's business, financial position and/or earnings.

#### The Company is dependent on functional and secure payment solutions

Storytel accepts payments through various payment solution providers, such as payment with credit cards and iDeal NL bank transfers. The Company has plans to provide further payment solution options in the future. Furthermore, Storytel uses a payment platform from Adyen N.V. (formerly Adyen B.V.) ("Adyen"), which can handle different payment solutions. The services provided by Adyen includes, inter alia, handling of transactions between Storytel and its subscribers for monthly subscription payments and handling of settlement of the transactions with the credit card companies and the subscribers' banks. These payment solution providers provide services to the Company in exchange for a fee, which may be subject to change. Furthermore, the Company relies on their accurate and timely reports on sales and redemptions. If such accurate and timely reports are not being provided, it will affect the accuracy of the Company's reports to licensors, and also affect the accuracy of the Company's financial reporting. These inaccuracies could have a material adverse effect on the Company's business, financial position and/or earnings.

### The Group's handling of personal data

A new Data Protection Law, the General Data Protection Regulation (EU 2016/679) (the "GDPR"), has been adopted in the EU and came into full force and effect as of 25 May 2018. The GDPR applies immediately throughout the EU and has (as regards Sweden) replaced the Swedish Personal Data Act as regards the handling of personal data. It is still uncertain precisely how the authorities in the countries where Storytel operates will interpret and apply the regulations. The GDPR contains principles that existed in the Swedish Personal Data Act (which was driven by the then existing EU Data Protection Directive 95/46/EG), but there are additional new or amended provisions and principles. The GDPR also contains more stringent sanctions for failure to comply with its rules. Among other things, the supervisory authority is given the right to impose administrative fines of up to EUR 20 million, or four percent of a company's annual global turnover (whichever is higher), if certain rules are breached.

As part of its business operations, the Group collects and processes large amounts of personal data on a daily basis. In anticipation of the new EU data privacy regulation, Storytel has conducted GAP analysis and implemented organisational, technical and administrative measures including but not limited to the roll out of new terms and conditions and a privacy policy for subscribers on all, at the time, existing markets and there has been an internal implementation of Storytel's privacy policy for employees. Moreover, Storytel has updated employment terms and introduced a new awareness training program. Storytel's measures to maintain the secrecy and integrity of personal data and protected information as well as the justification and lawfulness of the personal data processing could prove to be insufficient and it is therefore a risk for unlawful infringement or that personal data or protected information are being disclosed or processed in a way not compliant with the GDPR or applicable legislation in other jurisdictions in which Storytel operates or will operate. Besides the GDPR, the Group is also subject to other data processing regulations in the non-EU countries in which it operates. Such regulations may entail stricter or different requirements for the Group's handling of personal data. Any failure to comply with the GDPR or other data processing regulations could subject the Company to litigation, civil or criminal penalties and adverse publicity as well as limitation of use of personal data required for the business as currently conducted that could

have a material and adverse impact on Storytel's operations, financial position and/or earnings.

Further, as more and more companies are being targeted with sophisticated attacks by hackers, the Group could also be held accountable if third-parties were to breach the Group's network security, including breaches from the employees or consultants of the Group. This could also entail specifications related to other improper use of personal data, including unauthorised marketing. The Group could also be held accountable for storing incorrect information or for flaws in their integrity and data protection routines. Liability for misuse of personal data or inadequate routines or systems for processing such information could adversely impact the Company's earnings. Furthermore, failure to comply with data protection laws or security breaches relating to personal data could damage Storytel's reputation and cause the Group to be liable for damages, fines or other legal remedies, thereby resulting in increased costs and/or a loss of income. For example, it could entail significant costs for the Group in order to investigate and manage breaches and any subsequent consequences related thereto. The Company could also sustain damage to its reputation and/or the value of its brands could decline. If any of the above risks were to materialise, this could have a material and adverse impact on the Group's operations, financial position and/or earnings.

### Storytel is dependent on key individuals

Storytel's future success is highly dependent on the talents and contributions of its executive management, members of the Company's executive team, and other key employees, such as key developers, finance, research and development, marketing, and publishing personnel. Storytel's future success depends on the Company's continuing ability to attract, develop, motivate, and retain highly qualified and skilled employees. All of the employees, including the executive management, are free to terminate their employment relationship with Storytel at any time, and their knowledge of the Company's business and industry may be difficult to replace. Qualified individuals are in high demand, particularly in the digital media industry, and Storytel may incur significant costs to attract them. If the Group is unable to attract and retain the Company's executive management and key employees, the Group may not be able to achieve its strategic objectives, and its business could be harmed. Thus, loss of key employees or failure to attract new employees could have a material adverse effect on Storytel's operations, financial position and/or earnings.

## Intellectual property rights

Storytel deems that the importance of intellectual property will increase with Storytel's growth strategy and expected expansion to new jurisdictions, as well as the potential wider acceptance of Storytel's service among customers and other stakeholders. The existence of, and activities by, Storytel's existing or future competitors is also expected to emphasise the importance of having adequate protection in terms of intellectual property rights and trade secrets. As of the date of the Company Description, the Group has no registered patents, however Storytel is the registered holder of 55 trademarks.

There is a risk that Storytel will not be able to protect material parts of its products and/or technology with intellectual property rights, especially considering the expected increasing competitive environment in Storytel's markets. Further, third parties may object approval of intellectual property rights and such objections from third parties may also concern already approved registrable intellectual property rights. There is also a risk that the costs of defending intellectual property will be too high for the Company to justify maintaining its rights to such intellectual property. If piracy increases and becomes widespread in the audio-books and e-books market in the future, there is a risk that Storytel's intellectual property rights cannot be protected; that may lead to increased costs for protection against piracy activities and disputes in relation to piracy investigations/criminal trials, reputational damage and a decreased demand for the products and services provided by Storytel.

Intellectual property rights held by third parties may prevent Storytel from using a certain technology, product or design. Consequently, Storytel is exposed to the risk of having to license the user rights to such technology, product or design, which may be costly and associated with restriction in the use of the same. However, no assurance can be given as to the possibility to license such rights at all, or at commercial terms acceptable to the Company. Storytel's business, both the streaming and print publishing side, is highly dependent upon intellectual property rights held by third parties, namely writers and/or publishers. Hence, the licensing and acquisition of the rights to third party content are core to Storytel's business. Failure to acquire or retain third party intellectual property rights could

therefore have a material impact on the Company's reputation or financial result.

If the Company's actions to protect its intellectual property rights as well as preserving the secrecy of trade secrets and confidential information are insufficient, or if the Company fails to prevent others from obtaining such rights or information, it may have a material adverse impact on Storytel's business, financial position and/or earnings.

## Regulations on online consumer services

There are currently few laws or regulations that are directly applicable to online consumer services. The E-Commerce Directive 2000/31/EC which came into force in January 2002 is intended to enable financial services providers to sell financial services throughout Europe without many of the legal hindrances existing at that time. New laws and regulations could be introduced in areas such as privacy protection, pricing, taxation, content, copyright, publishing, competition-impeding issues, and product and service quality. For example, the European Council has published two new EU regulations and one directive aiming at facilitating the collection of value added tax (VAT) when consumers buy goods and services online. The member states will have until 31 December 2018 and 31 December 2020 to transpose the corresponding provisions of the directive into national laws and regulations. The regulation on administrative cooperation will apply from 1 January 2021. The interpretation of the EU rules could lead to changes of VAT on electronic services and distance sales of goods in markets where the Company operates. The rapid growth in e-commerce can also lead to stricter consumer protection laws. The introduction of new laws and regulations for online-based business operations could restrict the growth of e-commerce, and harm the Company's operations, both directly and indirectly. There is a risk, due to the cross-border nature of the Internet, that other countries could attempt to regulate the content on the Company's services, or alternatively, could consider its laws to apply on the Company's services and impose fines on the Company or sue the Company for breach of its local laws. Further, new laws and regulations could be introduced in jurisdictions where the Group is currently operating that may impose restrictions on the use and distribution of content in the Company's services, which could have a material adverse impact on the Company's operations, financial position and earnings.

### Storytel could be unsuccessful in maintaining and strengthening its brand

Storytel's success is partly dependent on it maintaining a strong brand. The Company believes that it has an established, trusted and recognised brand in conjunction with a good reputation in the digital books market. The Company's brand comprises a competitive advantage regarding the development of new and existing customer relationships. The future success of the Company will depend on its ability to maintain and enhance the strength of the brand. There is a risk that the Company's efforts, or any of its other initiatives to maintain and enhance the strength of the brand, may fail or that the brand is damaged due to actions taken by third parties that negatively affect the Group. If the Company is unable to maintain or enhance the strength of the Group's brand, then the Company's ability to retain or expand its subscriber base may be impaired, and it could have a material adverse impact on the Group's operations, financial position and/or earnings.

### Storytel needs to attract new subscribers and retain existing subscribers

The Company's ability to attract new subscribers and retain existing subscribers depends in large part on the Company's ability to continue to offer leading technologies and services, compelling content, superior functionality, and an engaging user experience. As consumer tastes and preferences change on the Internet and with mobile devices and other internet-connected products, Storytel may need to enhance and improve its existing services, introduce new services and features and offer books, audiobooks, e-books or other digital content that are in the interest of current and future subscribers. If Storytel fails to offer a compelling service and state-of-the-art delivery platforms to meet consumer demands, the Company's ability to grow or sustain the reach of its services, attract and retain subscribers may be adversely affected. If the Company cannot attract and retain subscribers, it will have a material adverse effect on the Company's business, financial position and/or earnings.

### Negative media coverage could adversely affect Storytel's business

Storytel receives a high degree of media coverage around the world. Unfavourable publicity regarding, for example, payments to publishers, writers, and other copyright owners, the Company's privacy practices, terms of service, service changes, service quality, handling or licensing of intellectual prop-

erty, litigation or regulatory activity, government surveillance, the actions of Storytel's advertisers, the actions of the Company developers whose services are integrated with Storytel's services, the use of the Company's services for illicit, objectionable, or illegal ends, the actions of Storytel's subscribers, the quality and integrity of content shared on Storytel's services, or the actions of other companies that provide similar services to the Company, could materially adversely affect the Company's reputation. Such negative publicity could also have an adverse effect on the size, engagement, and loyalty of the Company's subscriber base. In relation to both digital and print publishing, negative publicity for the Company could lead to current and potential new authors not wanting to cooperate, renew their current agreements and publish their titles with the Group. The materialisation of any of these risks could result in both damaged reputation and decreased revenue, which could materially adversely affect the Company's business, operating results and/or financial condition.

### Storytel may become involved in legal disputes

Storytel is a commercial company that operates in an international market and could become involved in disputes within the framework of normal business activities and risk being subjected to claims in legal processes regarding agreements and due to violation of regulatory requirements and/or other legal violations.

In general, disputes, claims and investigations could be time-consuming, interrupt normal business activities, entail substantial damages, lead to considerable costs and/or require the executive management's attention, which may disturb day-to-day operations. Moreover, potential disputes may be settled applying laws of countries which Storytel is unfamiliar with and it may be difficult to predict the outcome of complex disputes, claims and investigations. Future disputes, claims and investigations could have a material adverse impact on Storytel's operations, financial position, earnings and/or reputation.

### Storytel's insurance coverage could prove to be inadequate for protecting the Company against losses and/or the liability that may arise pursuant to its operations

As of the date of the Company Description, Storytel holds the following main insurances, on a global level:

- property damage and business interruption insurance covering for loss of property damages and business interruption;
- general liability and product liability insurance protecting against claims from third parties;
- media liability insurance protecting against negligence in the Company's own media content;
- legal aid insurance covering legal fees in civil trials;
- crime insurance covering the Company against losses arising from criminal acts;
- director and officer insurance protection for costs associated with litigation resulting from errors made by directors and officers for which they are liable; and
- business travel insurance giving protection for employees when travelling within their work.

There is a risk that the scope of the Company's insurance coverage could prove to be insufficient or inapplicable in the event of damages or claims for liability. If these risks were to materialise, it could materially and adversely impact Storytel's operations, financial position and/or earnings.

#### The Company is exposed to interest rate risks

Interest rate risk refers to the risk that financial income and expenses as well as the value of financial instruments could fluctuate due to changes in market rates. Interest rate risks could lead to changes in market values and cash flow as well as fluctuations in the Group's profit. The Company is exposed to interest rate risks, primarily through its non-current loans with variable interest rates.

#### The Company is exposed to tax risks

The Company conducts its operations, calculates its taxes and determines the scope of deferred tax assets in the accounts in accordance with its interpretation of current tax laws in Sweden, and in other countries where the Group operates. Storytel frequently obtains advice from tax experts to understand changes in tax systems and mitigate tax risks. Nevertheless, there is a risk that the Company's interpretation and application of current laws, regulations, legislative provisions based on court practices and relevant tax authorities' administrative practices have not been or will not be correct in the future or that such laws, regulations, legislative provisions or practices will be amended, possibly with retroactive effect.

There is a risk that the tax authorities in the relevant countries could arrive at decisions that differ from the interpretation made by the Company. The tax authorities could have a different opinion than the Company, particularly regarding transactions between Group Companies in different countries (so-called transfer pricing issues). If these risks were to materialise, they could materially and adversely impact the Group's operations, outlook, earnings and financial position and lead to retroactive changes in the Company's tax returns.

The Group has partially grown through acquisitions. Acquisitions generally entail exposure to both current and future tax positions in relation to the object of the acquisition, which could materially and adversely impact the Group's operations, outlook, earnings and financial position. If these risks were to materialise, they could materially and adversely impact the Group's operations, outlook, earnings and/or financial position.

**Storytel may need to raise additional capital in the future, which may not be available at reasonable terms or at all**

There is a risk that the Company will not have sufficient incomes in order to finance its operations, and Storytel may thus be forced to raise capital by way of, for example, private placements, share issues with preferential rights for existing shareholders, bank loans or other external financing alternatives. The Company's ability to raise such capital will be affected by a number of factors, some of which are outside the Company's control, and includes: (i) the general market condition and the availability of capital; (ii) the Company's credit rating; and (iii) disturbances and/or insecurity on the capital and credit markets. Considering the Company's current financial position, there is a risk that Storytel will not be able to raise capital at terms available for financially stronger companies in the industry. Investors should observe that there is a risk that capital cannot be raised at all. If Storytel is unable to raise capital at attractive terms, or at all, it could lead to: increasing costs, the Company losing market shares, not being able to realise the Company's growth strategy and forcing the Company's board of directors and executive management to revise the existing business plan and growth strategy. If these risks were to materialise, it could have a material adverse impact on the Company's operations, financial position, earnings and/or ultimately bankruptcy.

### The Company is exposed to currency exchange risks

Currency risk refers to the risk of exchange rate fluctuations having adverse effects on Storytel's income statement, balance sheet or cash flow. Storytel prepares its financial statements in SEK and SEK is the Group's functional currency. Foreign exchange exposure occurs in conjunction with products and services being bought or sold in currencies other than the respective subsidiary's local currency (transaction exposure) and during conversion of the balance sheets and income statements of non-Swedish subsidiaries into SEK (translation exposure). Storytel's global operations give rise to cash flows in currencies other than SEK. Storytel is primarily exposed to changes in EUR/NOK/DKK in relation to SEK. Accordingly, any substantial exchange rate fluctuations could have a material adverse effect on the Company's business, financial position and/or earnings.

### Risks related to the Company's shares

#### The sale of shares by existing shareholders, or the perception that such sales could occur, could reduce the market price of the shares

The market price of Storytel's shares could decline in the event of substantial sales of shares in the Company, particularly sales by the Company's board members, senior executives and major shareholders, or if a large number of shares are sold within a short period of time.

#### Dividend risk

As of the date of the Company Description and since Storytel became a listed company, Storytel has not paid any dividends and the Company's board of directors have not adopted a dividend policy. In accordance with the Swedish Companies Act (Sw. Aktiebolagslag (2005:551)), payment of dividend is resolved at the shareholders' meeting. The amount of dividend paid and time of payment is proposed by the board of directors. Furthermore, the main rule is that the shareholders cannot decide on higher dividends than proposed and approved by the board of directors, with the exception of the right of minority shareholders to demand dividends in accordance with the Swedish Companies Act. If the shareholders' meeting does not decide on dividends according to what is stated above, shareholders cannot make demands on dividends and the Company has

no obligation to pay dividends. Accordingly, all potential future dividends that Storytel could pay will depend on a number of factors, such as future income, financial position, cash flow, working capital requirements, cost of investments and other factors. There is a risk that Storytel will not have sufficient distributable funds and Storytel's shareholders may decide not to approve payment of dividends in the future.

#### Differences in currency exchange rates could adversely affect the value of shareholdings or dividends

The Company's shares will be listed only in SEK and potential dividends will be paid in SEK. This means that shareholders whose principal currency is not SEK will experience a negative effect on the value of their shareholdings and dividends when they are converted to other currencies if SEK decreases in value against their principal currency.

#### An active, liquid and functioning market for trading in the Company's shares may not emerge

Prior to the listing change, Storytel's shares are traded on Spotlight Stock Market. There is a risk that an active, liquid trading market will not develop after the listing change to Nasdaq First North. There is a risk that upswings and downturns will occur with regards to prices and volumes, that have no relation to, or that is disproportionate in relation to, the Company's earnings and that are beyond the Company's control. General economic and industrial factors could have a material impact on the price of the Company's shares, regardless of its actual earnings. These fluctuations could be even more pronounced in share trading shortly after the listing change.

#### Future issues of shares or other securities in the Company could dilute shareholdings and affect the price of the shares

The Company could, in the future, decide to offer shares or other securities in the Company to finance new capital-intensive projects, in conjunction with unforeseen obligations or costs or for other purposes. Any additional offerings could reduce the proportional ownership and voting rights for the Company's shareholders, earnings per share and net debt per share in the Company and adversely impact the market price for the shares.

# 2.

## *This is Storytel*

Storytel aspires to be a global market leader in storytelling. Stories add an extra dimension to people's everyday lives, create diversion and make a boring wait into an exciting experience. Storytel sees boundaries between yesterday's story formats and today's lifestyle. By leveraging technology, Storytel is democratising stories by providing a platform for both content creators and users. Today, Storytel is both a comprehensive print publishing group and a digital platform provider for stories allowing the Company to bring together the best of print publishing and technology. Storytelling, often associated with physical books, is a long-serving source of both entertainment and education. Research shows that reading makes people smarter, more relaxed and even more empathetic.<sup>[1]</sup> By focusing on making stories available on a digital platform, Storytel's subscribers can reap the benefits of reading in a way that fits into a modern lifestyle. Storytel, being both a media & entertainment and print publishing company, specialises in digital formats and makes reading feel simple and enjoyable. The Group has grown organically and through a focused M&A strategy. The Storytel Group consists of two main divisions, Streaming and Print Publishing, which operate within the media & entertainment and print publishing industry respectively. The different branches of Storytel are synergetic and help Storytel to deliver both premium content and a premium digital distribution platform. Storytel has been a public company since 2015.

### The Storytel Group: Streaming

Streaming can be split into two subdivisions, the technological platform and digital publishing. Within the Streaming division, the company provides a platform and subscription service primarily for audiobooks and e-books under the Storytel brand in Sweden, Norway, Denmark, Finland, the Netherlands, Poland, Russia, India, Spain, Iceland, UAE, Italy, Turkey and Mexico, as well as under the Mofibo brand in Denmark. Storytel is also preparing for launch in Bulgaria, Singapore and Brazil. Storytel's subscribers pay a monthly fee between EUR 6 in markets such as Turkey and Russia and up to around EUR 20 in some of the Nordic markets,

to listen to and read an unlimited number of books in the service for a single account. In December 2018, Storytel is rolling out a family subscription to certain markets in the Nordics with different pricing for different subscription plans. In the past four years, Storytel has grown the subscriber base from just above 100,000 subscribers in 2014 to over 700,000 subscribers in 2018 and aims to reach almost 800,000 paying subscribers by end of 2018. In the same time period, the number of employees has grown from around 30 to over 400 employees in the Group and Storytel has expanded to a total of 14 markets. Since 2013, the Streaming division has been producing its own audiobooks and e-books, primarily through the wholly-owned audiobook publisher Storyside AB ("Storyside"). In 2017, Storytel streamed more than 100 million hours of audio and by the end of 2018 Storyside is expected to have produced more than 5,000 audiobooks in 17 different languages. The long-term goal for Storytel is to be the leading and most innovative digital book service globally and a trusted partner for publishers and rights-holders. In June 2018, an e-book reading device, the "Storytel Reader", was launched to further promote Storytel's large library of e-books.

### The Storytel Group: Print Publishing

The Print Publishing division comprises physical book imprints such as Norstedts, Massolit, Printz Publishing, the Danish publisher People'sPress (adults), Rabén & Sjögren and B. Wahlströms (children and young adults), as well as Norstedts Kartor AB and book clubs. The Storytel Group entered the print publishing market by acquiring Massolit Media AB in 2015 (now merged with Norstedts), followed by Norstedts in 2016 and People'sPress A/S ("People'sPress") in 2017. Through its publishing imprints, the Storytel Group is now a well-known physical publisher and literary agency in Europe, especially in the Nordic countries. One of the most successful authorships has been Stieg Larsson and the Millennium Series. The latest published book, Millennium 5, was released simultaneously in 26 countries.

1 Gabriel S. & Young A.F. – Becoming a vampire without being bitten: the narrative collective-assimilation hypothesis. Robert S. Wilson, Patricia A. Boyle, Lei Yu, Lisa L. Barnes, Julie A. Schneider & David A. Bennett – Life-span cognitive activity, neuropathologic burden, and cognitive aging. Dr. David Lewis (Mindlab International, Sussex University) – Galaxy Stress Research.



## 3. Background and reasons

Storytel was founded in 2005 as a subscription service for audiobooks. Since its founding, it has developed into the Storytel Group, specialising in the production and distribution of digital book formats. Storytel is also one of the leading print publishers in Sweden and Denmark. The digital books are distributed on a self-developed proprietary tech platform. Storytel has experienced rapid growth and has expanded its operations and service on an international level. Currently, Storytel has established operations in Sweden, Denmark, Norway, Finland, Iceland, the Netherlands, Russia, Poland, Italy, Spain, Turkey, India, UAE and Mexico and is preparing for launch in Bulgaria, Singapore and Brazil. Storytel Norway, as an exception, is a joint venture together with the Norwegian publisher Cappelen Damm AS ("Cappelen Damm") and is owned 50 percent by Storytel. The board of directors and executive management of Storytel have ambitious growth and scaling plans for the Company and the intention is, in coming years, to further expand the operations to or within, but not limited to countries in, Europe, Asia and Latin America.

The Company's board of directors has decided to apply for trading of the Company's class B shares on Nasdaq First North. Storytel was admitted for trading on Spotlight Stock Market on 25 August 2015 and has since then raised capital through preferential rights issues. The latest share issuance was registered on 5 October 2018, in which the Company raised approximately SEK 500 million through a directed issue.

The Company's board and executive management believe that a listing of the Company's class B shares on Nasdaq First North is a positive and important step in Storytel's journey to become one of the leading providers of digital books in the world and strengthen the Company's brand on the market. Moreover, the listing change can give Storytel further access to Swedish and international stock market investors which facilitates for Storytel to be successful in realising its growth strategy, through organic growth and forthcoming acquisitions. With reference to the background and reasons above, Storytel's board of directors considers that this is the right timing for application of the Company's class B shares to Nasdaq First North.

The Company Description does not contain any offering of class B shares or any other offering of financial instruments in the Company. In addition, reference should be made to the full particulars of the Company Description, which has been prepared by the board of directors of Storytel in connection with the application for listing of the class B shares on Nasdaq First North.

*The Board of directors of Storytel is responsible for the contents of the Company Description. It is hereby assured that all reasonable precautionary measures have been taken to ensure that the information contained in the Company Description, as far as the board of directors is aware, corresponds to the facts and that nothing has been omitted that would affect its importance.*

Stockholm, 3 December, 2018  
Storytel AB (publ)  
The Board of Directors

# 4. Market overview

## Overview of the market

Digitalisation has not reached a peak yet and is predicted to continue to change and disrupt industries.<sup>[2]</sup> In many countries digital book formats are underdeveloped, but Storytel has confidence in that the worldwide penetration level of the digital book format will reach similar or higher levels than the ones in the US and UK. Sweden is already at the forefront in the audio segment with a market penetration of around 5 percent. However, in many markets the penetration is still less than 1 percent according to Storytel's own estimations. The Storytel Group, being active in both the global media & entertainment industry as well as the global print publishing industry, specialises in digital formats and makes reading feel simple and enjoyable. Storytel provides a technological platform for content creators and users and is also a producer of audiobooks, e-books and printed books. Since 2018, the Company also sells its own hardware, the Storytel Reader to promote the Company's library of e-books. The global media & entertainment industry is growing rapidly as the smartphone penetration increases, broadband connectivity expands and paying for content through subscription services becomes more popular.<sup>[3]</sup> The global print publishing industry, including educational literature, was valued at EUR 122 billion in 2017 and is characterised by a strong concentration among a few markets such as the US.<sup>[4]</sup> The synergies gained by being active within both the global media & entertainment industry as well as the global print publishing industry help Storytel to deliver both premium content and a premium digital platform.

## Media & Entertainment

### Rise of Digital and streaming entertainment

Emerging technologies allow entertainment and media companies to differentiate by creating innovative user experiences. New technology has not only changed how people consume media but also how companies can set up their business models. Spotify and Netflix, among others, are testimonies of the change in how people consume and pay for media and entertainment. The economy of entertainment has moved from ownership to access and customers today expect broad catalogues of content to be available to them, on demand, in exchange for a monthly payment as part of a subscription. A personal and physical library of music, films and books is widely considered less desirable than access to a larger library that is shared and cloud-based. Connectivity is ubiquitous and with virtually unlimited coverage, capacity and bandwidth, consumers' mobile devices are always ready to be used.<sup>[5]</sup>

### Penetration of the smartphone

Today the smartphone penetration is around 85 percent in developed countries and owners interact with their smartphones 54 times per day on average. By the end of 2023, penetration of smartphones among adults in developed countries is predicted to exceed 90 percent and smartphone owners are expected to interact with their phones on average 65 times per day, corresponding to a 20 percent increase over 2018.<sup>[6]</sup>

2 Strategy& – Industry 4.0 - How digitalization makes the supply chain more efficient, agile and customer-focused.

3 PwC – Global Entertainment & Media Outlook 2018–2022.

4 BookMap – How Big is the Global Publishing Industry?, Publishing Perspective's.

5 Deloitte Global – Technology, Media and Telecommunications Predictions 2018.

6 Deloitte Global – Technology, Media and Telecommunications Predictions 2018.

This means that smartphones are, and will increasingly be, an integral part of people's everyday life and the growth can be understood by new mainstream applications such as in-store payment options, but also by more intensive use of existing applications. There is an extensive number of apps available today so for companies to monetise their services they need to be truly value-adding to its users and keep innovating. As the smartphone will be the primary means of accessing media & entertainment content and services, the mobile experience will be the industry's focus area rather than traditional sales and distribution approaches. By 2020, smartphone data consumption is predicted to surpass fixed broadband data consumption, placing app-based platforms in a good position for future growth in the industry.<sup>[7]</sup>

### Consumer spending on subscription services

By the end of 2018, 50 percent of adults in developed countries are predicted to have two online-only media subscriptions on average, and by the end of 2020, that average is likely to have doubled to four subscriptions. Already, 20 percent of adults in developed countries pay for, or have access to, at least five paid-for online media subscriptions, and it is predicted that by the end of 2020, that same group will have 10 subscription services. This group will likely, by the end of 2020, spend an average of EUR 85 per month on subscription services. Note that this excludes traditional media subscriptions like pay TV and newspapers. By the end of 2018, it is predicted that there will be 350 million media & entertainment subscribers worldwide.<sup>[8]</sup>

### Content creation and curation

For most subscription services within media & entertainment today, it is of central importance to outperform competitors in both the creation and curation of content. Content creation can, for example, be done by offering content in the form of original productions. Original productions may not only have better margins than licensed material, but they also allow content creators to develop content specifically tailored for the preferences and interests of its subscriber base, thereby reducing churn. It also allows for the development of specific content that can attract new user segments to the service. Leveraging data by combining intelligence and insights in the process of content creation results in produced content that is demanded and that subscribers perceive as worth paying for. Video streaming platforms such as Netflix have successfully managed to attract and retain large au-

diences because of their original content that is only made available on their respective platform.<sup>[9]</sup>

Content curation refers to companies' ability to store and recommend the most relevant material to its subscribers. Success in this area requires the use of artificial intelligence alongside content experts to provide the best user experience. Subscribers expect more than one-size-fits-all services and demand a personal user experience. Data and analytics will continue to play a pivotal role in media & entertainment and first-party data has emerged as one of the most valuable company assets because it allows for personalisation of services.

### Competition in the media & entertainment industry

The media & entertainment industry consists of a variety of streaming content providers including video, music and podcasts providers. Although other subscription services such as Spotify and Netflix currently focus on other types of content than Storytel, they answer to similar customer demands and leverage the same type of trends and technology. Also, the companies mentioned above are, like Storytel, competing for people's increasingly limited time and attention. On the other hand, different subscription services help each other grow as every company's success contributes to educating consumers about the subscription concept and the value of streaming. In other words, the global streaming services set a behaviour and act as enablers of adoption to new subscription services when they enter into new markets.

### Global audio trend

The audio format in general is growing in popularity as displayed by the growth in audiobooks and podcasts as well as in smart speakers.<sup>[10]</sup> Listening to content makes learning and enjoying text-based entertainment possible in situations when reading the same content would not be possible, such as while commuting or working out. In addition, recent research has shown that audiobooks produce a stronger emotional and physiological response than visual storytelling.<sup>[11]</sup> When measuring heart rates, body temperature and skin conductance the researchers found that emotional engagement was stronger with audio storytelling rather than visual; the same result could be observed across different genres and demographics. This suggests that the audiobook is in fact a powerful storytelling tool that can be highly engaging.

7 PwC – Global Entertainment & Media outlook 2018-2022.

8 Deloitte Global – Technology, Media and Telecommunications Predictions 2018.

9 Article CNBC – Netflix's original content could boost its international subscriber base 50 percent by 2020, analyst says. Article Wired – Netflix is killing it - big time - after pouring cash into original shows.

10 Edison Research & Triton Digital – The Infinite Dial 2018.

11 Daniel C. Richardson, Nicole K. Griffin, Lara Zaki, Auburn Stephenson, Jiachen Yan, John Hogan, Jeremy I. Skipper & Joseph T. Devlin – Measuring narrative engagement: The heart tells the story.

## The Global print publishing industry

The global print publishing industry, including educational literature, was valued at EUR 122 billion in 2017.<sup>[12]</sup> It is an industry characterised by a strong concentration among few markets, with the six largest book markets accounting for 66 percent of the worldwide print publishing business; the industry is primarily driven by the United States, China and Germany.

Publishing, with focus on books, can be divided into the following three cross-sections:

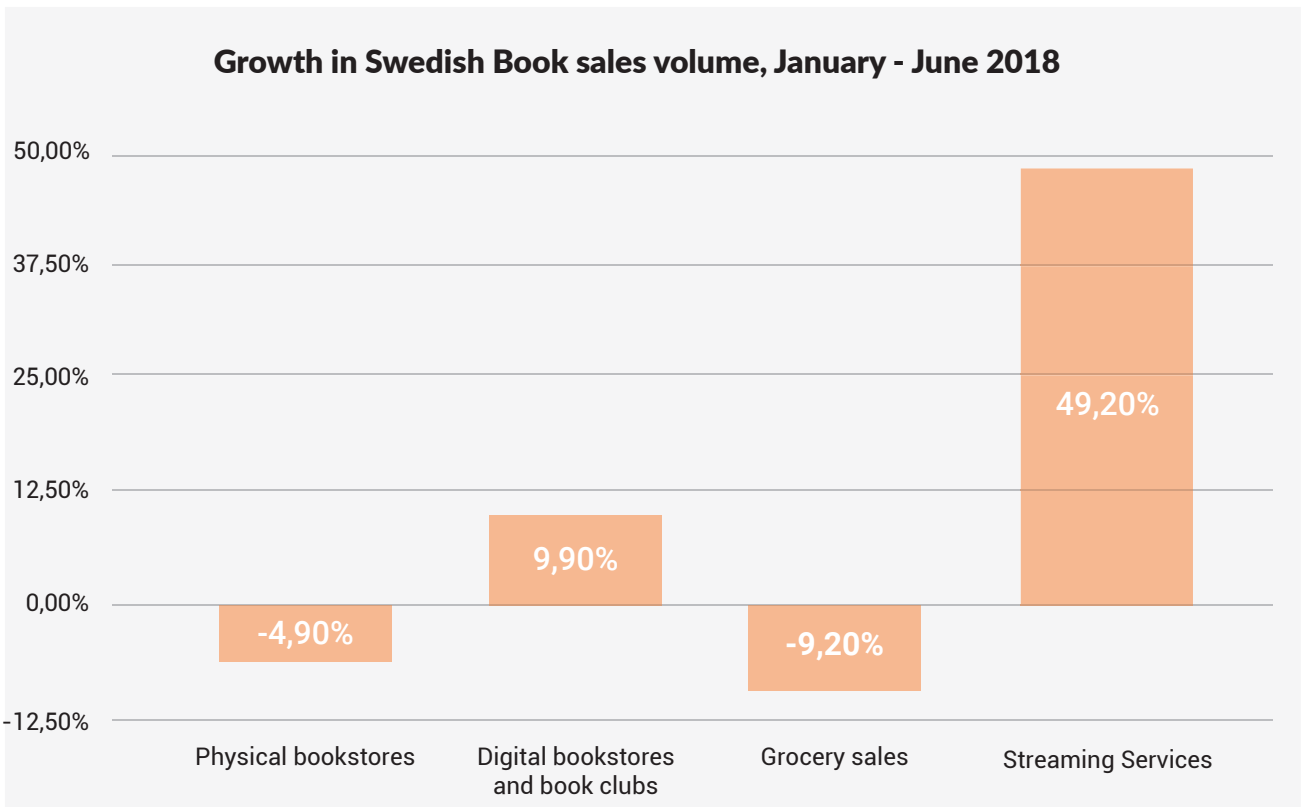
- Publishing category vs consumer category – Storytel Print Publishing is active in the publishing category and Storytel Streaming is active in the consumer category.
- Physical vs digital books – Storytel Print Publishing produces and distributes physical books while Storytel Streaming is focused on digital book formats.
- E-books vs audiobooks – Storytel Streaming wants to provide good stories in both text and audio formats.

Digital books		Physical books
E-books – Making a digital copy of a script in text format.	Audiobooks – Recording audio versions of scripts. It can also be Audio-first.	Production of printed books. Physical books can be further divided into soft-cover and hard-cover books.

12 BookMap – How Big is the Global Publishing Industry?, Publishing Perspective's.

On a global level, there is strong growth in distributing the digital book formats. The performance of physical books is influenced negatively by the declining sales from brick and mortar bookstores. Considering the Swedish market and excluding streaming services for digital books, the physical book market did not grow between the years 2016 and 2017. However, when subscription-based providers of digital books are included the Swedish book market's total sales increased by 4.2 percent between 2016 and 2017, and the subscription-based providers of digital books grew by 50.1 percent in terms of sales.<sup>[13]</sup> Taking a closer look at the

Swedish book market, the first half of 2018 showed that total book sales increased by 6.2 percent. This growth can be attributed to the subscription-based distributors of digital books. In the first half of 2018, it was reported that the subscription-based book sales increased by 36.9 percent and that today 40 percent of books sold in Sweden are through a subscription service.<sup>[14]</sup> Counting the number of books sold, the sales grew by 15.1 percent. Again, this growth can be explained by the subscription-based distributors of digital books where volume increased by 49.2 percent.



Source: Svenska Förläggareföreningen – Bokförsäljningsstatistiken Första halvåret 2018.

<sup>13</sup> Svenska Förläggareföreningen – Boken 2018.

<sup>14</sup> Svenska Förläggareföreningen – Bokförsäljningsstatistiken Första halvåret 2018.

## The book segments - performance and competitive environment

### The audiobook

Audiobooks are the fastest growing segment within the digital publishing industry, with the US being the biggest market for the audio format in 2017. In the US audiobook sales generated EUR 2.4 billion in 2017, which is an increase of 22.7 percent over 2016, and the Audiobook Publishing Association reported a 33.9 percent increase in the number of audiobooks published compared with the previous year.<sup>[15]</sup> According to the same publication, 26 percent of the US population listened to at least one audiobook in the last year. Audiobook sales have doubled in the UK in the past five years and in 2017 audiobook sales rose by 12 percent in volume and 15 percent in value. Digital audio is now 5 percent of consumer book spending.<sup>[16]</sup> The growing popularity of the audiobook is also proven by the fact that the New York Times now publishes an audiobook bestseller list. Audio rights are also considered increasingly valuable and audiobook services are now bidding to acquire exclusive audio rights against the traditional publishing houses in the larger audiobook markets.

In 2017, the global audiobook market was valued at approximately EUR 3 billion.<sup>[17]</sup> The growth in audiobooks is predicted to continue and there are numerous forces within the industry that publishers, authors and audiobook distributors alike can capitalise on. Growth is partly driven by the sheer number of titles and categories that are now available, making an audiobook subscription increasingly attractive. With more titles, audiobooks do not only cater the needs of the mass market but can also satisfy readers with niche interests. In addition, as more people listen to audiobooks, awareness increases among consumers as well as among authors and agents. Some authors write directly for audio rather than for print, known as straight-to-audio production. The success of an audiobook was once thought to be directly correlated with the success of the print book, which has been shown to not always be the case. Dedicated audiobook fans now choose titles because they are good audiobooks, not necessarily because they are good printed books. Audible and Storytel have emerged as two of the leading audiobook services with global ambitions and with strong emphasis on international expansion in Europe. In Sweden, there are primarily two other providers of audiobooks that compete with Storytel: BookBeat and Nextory. Both are also operating in Finland. In the other markets where Storytel has launched its service, it varies if there are any competing digital book services or not. On

some markets, Storytel has been part of creating a market for the audiobook.

### The e-book

E-books were widely popularised when Amazon launched its e-book reader, the Kindle, in 2007. In English-speaking countries, the e-book is used by a significant part of the population, but in many European countries it is still in the beginning of a diffusion process. Today, most large publishing houses such as Penguin Random House, Hachette Livre and HarperCollins produce books in the e-book format, however it has been reported that self-published literature has taken over the big five traditional publishing groups in terms of sales of e-books.<sup>[18]</sup> In North America and the UK, e-books had a share between 15 and 25 percent of the largest publishers' sales in 2013, but ever since that share has declined, this can be understood by the rise of Amazon and self-publishers.<sup>[19]</sup> In Sweden, the e-book market is currently a small part of the total book publishing industry and is estimated to be less than one percent. E-books can best be read on regular tablets or specifically dedicated e-readers. Distributors of e-books have caught on and developed their own e-reading tablets and key players within that field are Amazon's Kindle, Barnes & Noble, Bookeen, Kobo and Sony Corporation. In 2018, Storytel, decided to launch its Storytel Reader for e-books and it was ready for orders in late June the same year.

### The physical book

The global physical book industry is primarily composed of a small number of large international publishers like Pearson, Penguin Random House, Hachette Livre and HarperCollins. In Sweden, the largest publishing house is the Bonnier Group followed by Storytel's wholly owned subsidiary Norstedts. Unlike inherently global entertainment forms like music, video and games, the physical book market is characterised by strong local publishers and distributors. No single company has so far been able to cater to a global book reading community and this is primarily due to readers' propensity to consume stories that are written by native authors and that are written in their native language.

The brick and mortar book business has been disrupted by the advancement of e-commerce, particularly by Amazon, and it is primarily the distributors, the bookstores, that are now faced with more intense competition and pressure on prices. In Sweden, for the first half of 2018, revenue from physical bookshops fell by 5.2 percent and grocery trade declined by 5.8 percent compared with the first half of 2017.<sup>[20]</sup>

15 Good e-Reader – Global Audiobook Trends and Statistics for 2018.  
 16 Good e-Reader – Global Audiobook Industry Report for the First Half of 2018.  
 17 Good e-Reader – Global Audiobook Trends and Statistics for 2018.  
 18 Ruediger Wischenbart Content and Consulting – Global eBook Report 2017.  
 19 Ruediger Wischenbart Content and Consulting – Global eBook Report 2017.  
 20 Svenska Förläggareföreningen – Bokförsäljningsstatistiken Första halvåret 2018.

## The value chain

The value chain, which consists of all the different steps needed to develop, produce and distribute a product or service from start to finish, will differ depending on the industry and market segment. The value chain for media & entertainment, digital publishing and print publishing respectively are presented below.

### Media & entertainment – the platform

For a digital platform providing content the value chain is not linear and processes are iterative. In an integrated supply chain there is a central supply chain control power, which in this case can be a provider of a digital platform.<sup>[21]</sup> A first step is usually to develop the actual platform where content can be distributed. The content that is to be distributed on the platform needs to be collected, either through an acquisition of content that is already produced in the right format or the platform provider might acquire the rights to produce the content in the right

format. Alternatively, the content is produced as an original in-house production. Once the content has been secured, it can be ingested onto the platform and is thereby made available to the customers. When the content is ingested onto the platform, it also needs to be curated, which is the process of making content available to users in a way that is easy to navigate and explore. For customers to find the platform to start with, there is a need for marketing of the platform so that people buy it or subscribe to it.

Platform design → Acquire or produce content → Ingest content onto platform →  
Curation of content → Marketing and sales of the platform → Customer

### Digital publishing – audiobooks and e-books

Within the digital book industry, some companies produce their own content while others license titles to distribute the content on a platform. Others, like Storytel, do both. When licensing content, the audiobook and/or e-book distributor needs to sign an agreement with the rights owner to be allowed to distribute a title. Once agreements have been signed granting the distributor the right to distribute an audiobook or e-book, they can be uploaded to the company's distribution platform and made available to its customers. This assumes that any given audiobook or e-book has already been pro-

duced so that the company can distribute it in exchange for paying royalties as the given title is consumed.

It can also be the case that no audiobook or e-book has yet been produced for a physical title. In that situation the production rights need to be acquired to be able to distribute the audiobook or e-book. Once the rights have been purchased, the audiobook or e-book needs to be produced through a production company before it can be made available on the distribution platform.

Content creator → Agent → Publisher → Audiobook/E-book producer →  
Audiobook/E-book distributor → Marketing and sales of audiobook/e-book → Customer

### Print Publishing – physical books

Publishing a physical book, in the traditional way, usually starts with a content creator – be it a writer or illustrator - with an idea. By working with a publisher, a content creator receives help with editing, design, copyright law and printing. Sometimes content creators work with an agent to find the right publisher and to negotiate terms. It may also be that a publisher or agent proposes a book idea to a content creator, this is especially common for fact

books and non-fiction. It is also common to include freelance workers for editing, translation and design. Next, paper manufacturers provide materials and printing companies are engaged to create the physical copy of the book. The publisher usually arranges the printing process and not the content creator. Finally, distribution to the end customer is facilitated mainly by booksellers, both physical and online distributors are common.

21 Strategy& – Industry 4.0 - How digitalization makes the supply chain more efficient, agile and customer-focused.

Content creator → Agent → Publisher → (Freelance workers) →  
Paper manufacturers → Booksellers → Customers

Self-publishing has challenged the traditional model by allowing content creators to skip the publishing step and go straight to printing through printing houses.

### Underlying belief in market growth

Digitalisation has not reached a peak yet and is predicted to continue to change and disrupt industries.<sup>[22]</sup> In many countries digital book formats are underdeveloped, but Storytel is confident that the worldwide penetration level of the digital book formats will reach a similar or higher level than in the US and UK. Below are some indicators as to why:

#### Streaming and subscription-based payment together form a widely accepted model

Spotify, Netflix and Storytel, to name a few, have proven success with this business model despite focusing on different media & entertainment categories. Amazon-owned Audible is also offering an unlimited streaming subscription model in a number of markets, although they have the so-called credit model in their largest markets where a subscriber pays for one book a month and then adds on credits if the subscriber wishes to listen to additional books. In order to pursue a subscription-based business model, strong content is essential to get consumers to sign up and not churn (unsubscribe). In a world where people have almost unlimited access to information, it may not be the content that subscribers will pay for in the long-run. It could rather be the curation that is key to long-term success.

#### The advantages of digital formats

The second core underlying factor for anticipated future growth of digital books are the advantages that they offer. Firstly, digital book files, both audiobooks and e-books, require little data space and as a result a user can carry almost an unlimited amount of titles in one's smartphone. This also allows distributors of audiobooks to offer, in theory, an unlimited amount of titles, including backlist (usually defined as titles older than 12 months), as they are not bound by physical limitations such as shelf space and inventory logistics to the same extent. Also, audiobooks fit well into the modern lifestyle and publishers agree that audiobooks help them bring in new customers.<sup>[23]</sup>

People can listen to books when a print copy or e-book would not be possible to read, for example while driving or doing housework. According to Storytel's subscribers, the top three occasions for listening to audiobooks are while commuting to work, when doing chores and before going to bed.<sup>[24]</sup> Digital formats allow people to read more and 75 percent of Storytel's subscribers have reported that they consume more books since subscribing to Storytel.

#### Enriching people's lives

Books make people more knowledgeable and stimulate the brain in ways that can be both entertaining and challenging intellectually. Studies have shown a link between regular reading and higher intelligence, lower stress and more empathy.<sup>[25]</sup> Reading is important for all ages and for children it is important for building a vocabulary and for elderly reading is a way to delay mental decline. A study at Berkeley showed that kids who read children's books were exposed to 50 percent more words than kids who watched TV or listened in on a conversation between college graduates. Exposure to new vocabulary has in turn been linked to higher intelligence.<sup>[26]</sup> Books use a more extensive vocabulary that enriches and improves people's linguistic and cognitive abilities.

While the advantages of habitual reading are well-documented, books compete with many other sources of entertainment and social media. With today's many entertainment services and social media, the amount of information consumed in a day can be overwhelming and cause distress. Social media usage commonly results in stress, and this specific stress has been shown to have a negative impact on sleep.<sup>[27]</sup> In 2018, 45 percent of global adult smartphone users will have worried that they use their phones too much for certain activities, and 45 percent of all adult smartphone users will also have tried to limit their phone usage.<sup>[28]</sup> According to the same source, this concern will be especially big among people in the age 18-24. Going forward it will therefore be increasingly important to focus on producing and distributing high quality content that people find enriching, for example an interesting audiobook.

22 Strategy& – Industry 4.0 - How digitalization makes the supply chain more efficient, agile and customer-focused.

23 Article by Michel Lafrance (on The Bookseller.com) – How audiobooks can take on Netflix.

24 Storytel – Global Customer Satisfaction Survey 2018, Q1.

25 Gabriel S. & Young A.F. – Becoming a vampire without being bitten: the narrative collective-assimilation hypothesis. Robert S. Wilson, Patricia A. Boyle, Lei Yu, Lisa L. Barnes, Julie A. Schneider & David A. Bennett – Life-span cognitive activity, neuropathologic burden, and cognitive aging. Dr. David Lewis (Mindlab International, Sussex University) – Galaxy Stress Research.

26 Tom A. F. Anderson & C.-H. Ruan – Vocabulary and the Brain: Evidence from Neuroimaging Studies.

27 Winneke A. van der Schuur, Susanne E. Baumgartner & Sindy R. Sumter – Social Media Use, Social Media Stress, and Sleep: Examining Cross-Sectional and Longitudinal Relationships in Adolescents.

28 Deloitte Global – Technology, Media and Telecommunications Predictions 2018.



## Changes in VAT regulations within the EU

On 2 October 2018, ECOFIN (Economic and Financial Affairs Council) decided to allow each member state to reduce their value added tax (VAT) on digital books, which includes streaming and downloading audiobooks and e-books. This decision allows Sweden and other member states to reduce VAT-rates, which in Sweden would be from 25 percent to 6 percent, hence puts sales tax in line with the sales tax on paper books. Some countries such as France and Italy have previously ignored EU

directives and lowered the VAT on digital books. Storytel believes chances are good that Sweden will lower its VAT rates on digital books. Among other indicators, Swedish Minister of Finance Magdalena Andersson and Minister of Culture Alice Bah Kuhnke have explained in a co-authored opinion piece in the Swedish daily Dagens Nyheter that they intend to reduce the VAT on digital publications as soon as EU regulations adjust to allow it.

5.

*The  
Storytel  
Group*

## Introduction

Storytel was founded in 2005 as a subscription service for audiobooks. Since its founding, the Company has developed into the Storytel Group, specialising in the production and distribution of digital book formats and Storytel is also one of the leading physical publishers in Sweden & Denmark. The digital books are distributed on a self-developed proprietary tech platform. Currently, Storytel has established operations in Sweden, Denmark, Norway, Finland, Iceland, the Netherlands, Russia, Poland, Italy, Spain, Turkey, India, UAE and Mexico and is preparing for launch in Bulgaria, Singapore and Brazil. Storytel Norway, as an exception, is a joint venture together with the Norwegian publisher Cappelen Damm and is owned 50 percent by Storytel. The markets in which Storytel operates can be divided into three categories:

1) profitable markets 2) scaling up markets and 3) in preparation markets. The profitable markets are the markets currently producing a surplus that can be used to finance the entry into new markets and the scaling up of the recently launched markets. Markets in the “scaling up” phase are markets in which Storytel has launched its service and made material marketing investments, but that have not yet reached a profitable stage. The markets in preparation are those that have been communicated to the public, but where either the service has not yet been launched or no material marketing activities have been initiated yet. The profitable Storytel markets are Sweden, Denmark, Norway and Iceland. The countries in the scaling up phase are the Netherlands, Finland, Russia, Poland, Turkey, Italy and Spain. Markets in preparation are India, UAE, Bulgaria, Mexico, Singapore and Brazil.



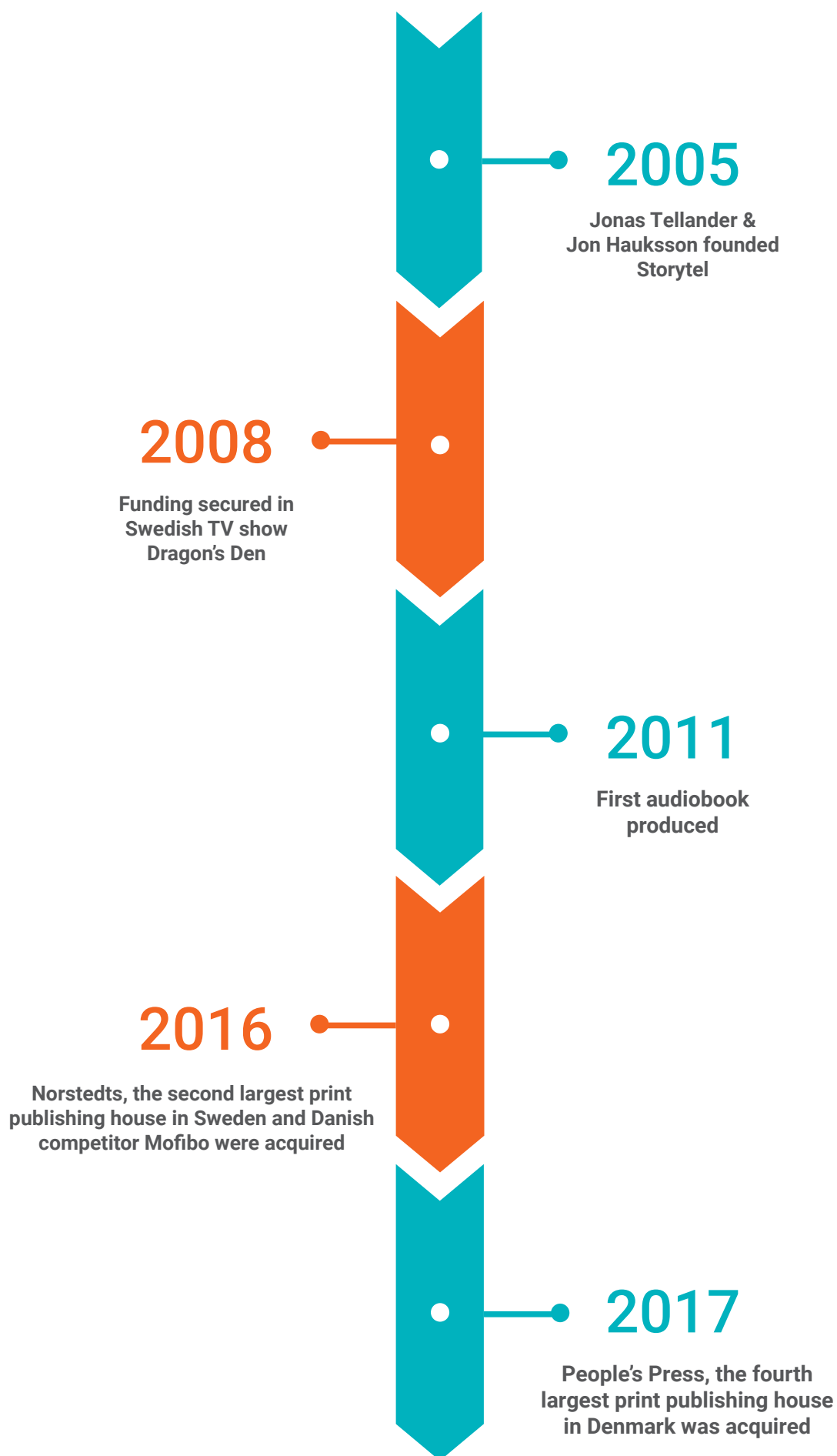
## Vision

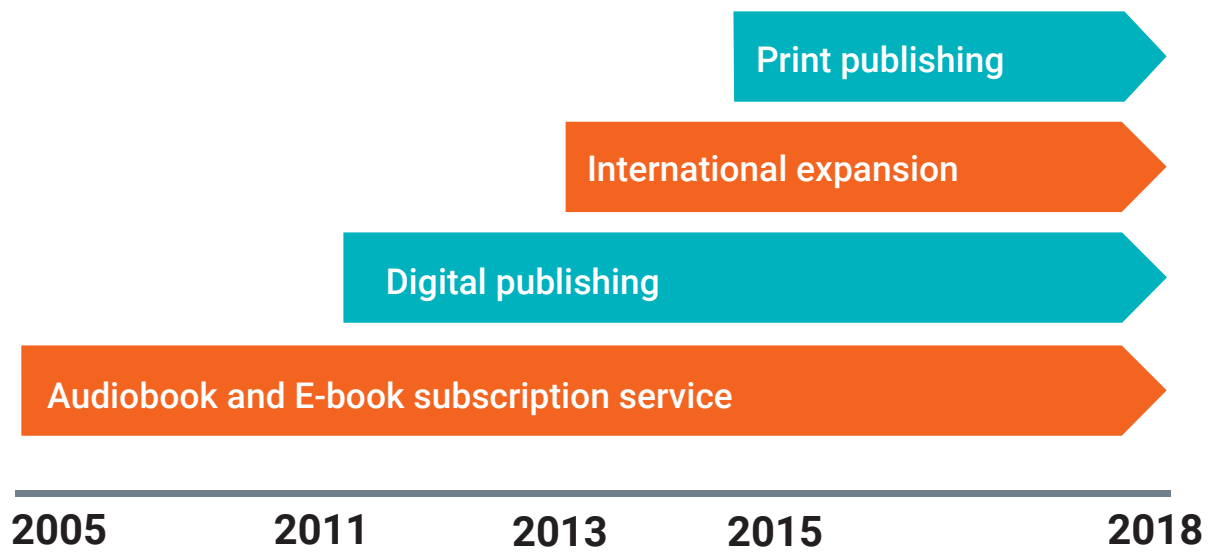
Make the world a more empathetic and creative place with great stories to be shared and enjoyed anywhere and anytime



## Mission

- Inspire people of all ages to discover the world of stories by building an accessible and personalised storytelling experience using technology, insights and data
- Help people unlock their creativity and share stories by connecting storytellers with a global audience
- Provide meaningful context to people's lives by establishing Storytel as a universal brand synonymous with storytelling
- Attract and develop exceptional people by nourishing a diverse workplace built on trust, innovation and collaboration





## History and important milestones

### 2005 - 2008: Startup phase

Jonas Tellander together with co-founder Jon Hauksson decided to create their own audiobook service from scratch. Collaboration agreements were signed with Storyside and Earbooks; the company (then known as BOKILUR) was registered and the first subscribers were recruited at a book fair in Gothenburg, Sweden. Storytel raised external capital and in 2007 the company changed name to Storytel. By the end of 2008, Storytel had 2,000 paying subscribers.

### 2009-2012: Smartphone penetration

In 2009 collaboration agreements with Bonnier and Norstedts were signed. Early 2011, Rustan Panday, current chairman of the board, joined the board of directors in Storytel Sweden AB. In 2012, a partnership deal with Telia Company AB ("Telia") was signed, which still exists today. By the end of 2012, Storytel had 35,000 paying subscribers.

### 2013: Started to produce own content

In 2013 Storyside and Earbooks were acquired and this marked the starting point for a new strategic direction where Storytel started to buy audio rights and produce its own content. In the same year, Storytel launched its service in Denmark and the Netherlands and later acquired the audiobook producer Rubinstein Audio (renamed to Storytel Publishing Netherlands NLBV). The first audiobook series "Sagan om Isfolket" was released. By the end of 2013, Storytel had 77,000 paying subscribers.

### 2014-2015: Beginning of the normalisation of subscription services

In 2014 Storytel entered into the Norwegian market and e-books were added to the Company's services, with the feature of switching between audio and text seamlessly. In 2015 Storytel became a listed company, with shares traded on AktieTorget (now Spotlight Stock Market) through the acquisition of the shares in Massolit Media AB. Storytel launched its service in Finland and Poland and by the end of 2015, Storytel had 356,000 paying subscribers.

### 2016 - today: Active M&A strategy and global roll-out

In 2016, Storytel acquired both Norstedts, the second largest publishing house in Sweden, and Mofibo, a Danish audiobook and E-book distributor. In 2017, the international expansion was accelerated by launching Storytel's service in Russia, Spain and India. Moreover, the Danish publishing house People'sPress was acquired. In 2018, Storytel launched its service in Iceland, UAE, Turkey, Italy and Mexico. Preparations to launch in Bulgaria, Singapore and Brazil were initiated. By the end of 2018, Storytel aims to reach almost 800,000 paying subscribers. In November 2018, Storytel applied for a listing on Nasdaq First North.

## Organization

### Global functions

Storytel's internal organisation is divided into global functions and local roles for each market. The global functions serve to support the local markets and most of them are located in Stockholm and Copenhagen. The expansion team analyses opportunities in new markets and at a later stage in the process works with the global functions to ensure that new markets get off to a strong start. The

commercial, content and publishing teams help the country teams succeed in their respective market. The tech team works to develop all parts of the service and also works to ensure that everyone has the right tools to succeed. The finance & legal team ensures that all activities comply with regulations in all jurisdictions and are a vital part of being able to implement and follow up on the Storytel game plan successfully. They also support in Storytel's day to day activities. The commercial team centres around how Storytel communicates, reaches out and supports its subscribers and includes: marketing and branding, CRM, customer support and partnerships to support all launched markets in their market activities. The operations team ensures that Storytel is an attractive place to work where the staff can grow, learn new things, have a good time and create value for the business. The intelligence team makes sure that Storytel makes decisions that create the most value to both subscribers and to the Company.

### Local markets

Storytel believes in having a strong local presence in the markets in which the Storytel Group operates. Therefore, in each local market, a country manager is recruited to help establish Storytel and develop the digital book market in that country. The country manager's profile is usually a strong local entrepreneur with relevant industry experience and the country manager then recruits for local roles in content and marketing among other fields.

### Print Publishing

The Print Publishing division consists of a number of publishing companies that are owned by Storytel. Norstedts Publishing house, the oldest and second largest publishing house in Sweden, was acquired in 2016. Norstedts has signed multiple well-known authors and has had a recent widespread success with the Millennium series. Norstedts Publishing house also publishes children's books through Rabén & Sjögren, for example titles by Astrid Lindgren. Since 2018 all print publishing activities in Sweden is collected in Norstedts, hence Massolit and B.Wahlströms have been merged with Norstedts and Rabén & Sjögren. In 2017, Storytel acquired People'sPress, the fourth largest publisher in Denmark, which publishes books by authors like Sara Blædel and Camilla Läckberg. In 2018 Norstedts acquired the smaller publisher Printz Publishing.

### Culture

Storytel is a value-driven company and embraces a lot of different cultures as the Company is present in many parts of the world. The employees at Storytel unite under a set of values that drive the every-day work and how everyone relates to colleagues, business partners and subscribers, which is also outlined in the Storytel Code of Conduct. The culture at Storytel is characterised by dedication, innovative thinking, collaboration, a customer-first mindset and non-hierarchical atmosphere. At Storytel all employees are given a lot of responsibility and trust to drive the business forward and help the individual to grow.

### Business model and strategy

The global media & entertainment and publishing industries are changing and Storytel, operating in both of the mentioned industries, is in a position to leverage key industry trends and forces. Storytel aspires to create the best digital service for storytelling while cultivating and expanding the publishing industry. The Company makes use of modern technology but at the heart of the service is the telling of great stories. Through Storytel's business model, authors can earn money from old texts and push their backlist in a more effective way. Also, actors can work as narrators of audiobooks, creating a new revenue stream for cultural workers.

### Business model streaming and digital publishing

Storytel charges its customers on a monthly basis in advance. Prices vary between different markets from EUR 6 in markets such as Turkey and Russia and up to around EUR 20 in some of the Nordic markets for a single subscription. After payment is made subscribers can listen to and read an unlimited number of books in the service. All consumption is tracked and at the end of a reporting period, Storytel calculates total number of books or hours consumed. Revenues from customers after VAT and deduction of payment charges such as Visa, Mastercard, Apple, Google etc. (Net Revenue) are shared with publishers, normally Storytel keeps between 40-50%, and 50-60% are paid to publishers of Net Revenue, whereas some publishers are owned by Storytel and some are third-party publishers. Publishers pay royalties to the authors based on the revenues received from Storytel. Storytel owns both digital publishers and print publishers. Print Publishing is described in section "Business Model Print" below. For Digital publishers the largest and

sometimes only distribution channel is Storytel. Except for advances on royalties paid to authors, production cost for audiobooks are expensed as they occur as well as royalties, hence affects the gross margin.

### Business model print

The traditional publishing house starts with the author in the top of the cycle. The author presents an idea or a manuscript that is then managed and processed by the publisher which acquires the rights to the work from the author. The publisher takes the financial risk of production, editing, printing, distribution, stockholding, sales and marketing. The publisher also has contacts with the physical and digital resellers who present the work for the final consumers. The final products/editions of the authors are here referred to as “works”, as they include several different types of formats, such as hardback editions, paperback editions and digital editions as e-book and digital audiobook (mainly consumed as streaming through digital subscription services in Sweden). The price on the different editions is determined by the publishing house based on the costs, such as editing, illustrations, printing estimated sales, etc. The prices on digital audio however differ, with a fixed consumer price, regardless how many books you listen to and determined by the subscription services. Except for royalties paid to authors, production cost for audiobooks are (as for streaming) expensed as they occur, hence affects the gross margin. Costs for the physical books are included in the balance sheet, written down (advance royalties and production costs) and expense when the products are sold.

### Acquisition strategy

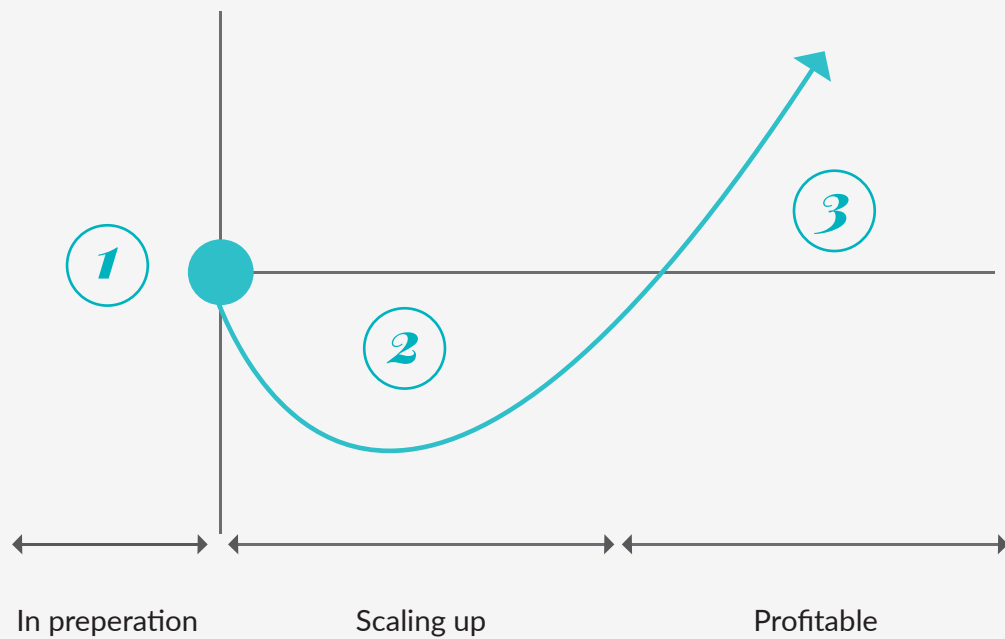
Storytel's acquisitions so far can be grouped into two different acquisition categories, publishers and tech companies. Storytel has historically been most active in the first category and has acquired the publishers B. Wahlströms, Massolit, People'sPress, Norstedts and Rabén & Sjögren amongst other smaller publishers focused on digital content. The strategic motive for Storytel to integrate backwards in the value chain is to be active in developing new titles and to come closer to the authors. This has given value to Storytel, its subscribers and the rights holders. The previous acquisitions of pub-

lishers have shown that Storytel can increase the efficiency in the publishing process, produce more bestsellers and turn loss to profit. By being involved in creating new stories, Storytel can experiment with new ways of writing stories that are better adapted for digital formats. Storytel has also acquired audiobook publishers and/or audiobook distributors, as a step of entering new markets, such as in Iceland, Turkey, Russia and Bulgaria. The underlying strategy has been to connect Storytel with a strong local entrepreneur who is interested in the audiobook market and to acquire a catalogue of digital books in the local market. Storytel has also acquired tech companies, with the Danish company Mofibo being one of the most prominent ones, both in terms of acquisition price and operations.

### Expansion strategy

Storytel has adopted a “Glocal expansion model”. This means that the catalogue is tailored for each market and that Storytel has a strong local presence with a local team specialised in their respective market. Today, Storytel's international business make up more than half of the user base as well as streaming revenues. In 2017, streaming revenues from markets outside of Sweden grew by over 100 percent. There is a model for how Storytel decides what markets to enter and the Company focuses on entering markets where the Company can take a market leading position. Other key factors that are of importance when Storytel decides to enter a new market is to recruit a strong local country manager and team, gain access to content, see how other subscription services are performing and that Storytel can charge their customers on the recurring subscription model. The book industry is different from both the music and film industry in terms of locality. Around the globe, people prefer to read and listen to local stories in the native language. Therefore, when Storytel enters a new market, the top priorities are to have a strong catalogue in the local language and have a local team with a deep understanding of what stories are consumed. Oftentimes there is a limited catalogue in the new market which means that Storytel must set up its own audiobook production in that market. The quality and quantity of the content correlates with churn, and the start-up phase is focused on building up the catalogue.

## *Glocal expansion model*



**1**

Secure **quality content** and prepare for launch

**2**

**Build awareness** and grow content catalogue

**3**

**Develop subscriber base** and fine tune sevices



### Service strategy

When developing Storytel's service, the focus is equally much on content and the platform. The technical aspects of the service, including the user interface, key features and payment solutions are vital to both attract and retain subscribers. Storytel has pursued a subscription-based model since its inception, even though it was novel and rare back in 2005. At that time, the market was not ready for the subscription model but the introduction of the iPhone and the growing habit of downloading apps started to change this. Other media subscription services, combined with the smartphone penetration and trust in direct debit, have contributed to the success of Storytel's subscription-based model and are factors that are analysed on each market that Storytel enters. The success is not only demonstrated by a growing subscriber base but also by being profitable in multiple markets. Working with the customer in mind, Storytel leverages modern technology to distribute high quality content that enrich individuals' everyday lives. Storytel is on track to launch a family subscription in the Nordic markets before the end of 2018, which is a project aiming to improve the user experience and offer a better deal for families.

### Content strategy

Storytel's vision is to be the market leader in storytelling, and that means that the Company needs to provide the best stories. Storytel has a broad catalogue of content which is a mix of original content developed by Storytel and acquired content. Storytel's ambition is to produce high quality content internally thus have a significant market share of in-house content in the service. When Storytel acquires rights, the deal can either be a third-party content distribution agreement, or it can be a licensing agreement. Content agreements are generally based on a revenue share model. In general, the

publisher is under no obligation to grant exclusivity and the rights should be worldwide. When Storytel licenses rights and produces the content in-house, the standard terms are that Storytel is granted the exclusive right to record the content. Rights are normally negotiated for a period of five to ten years and the finished recordings can be distributed to other sales channels.

As the Storytel Group owns several publishing houses through its publishing arm, the Company owns a lot of rights in-house that can be produced into audiobooks or e-books and they can also be licensed to other actors on the market. Storytel has a strong and reputable publishing and content team. As mentioned, the Company is not only focused on a tech platform for audiobook and e-book distribution, but also a substantial portion of the Storytel workforce is dedicated strictly to content and production.

### Data-driven decision making

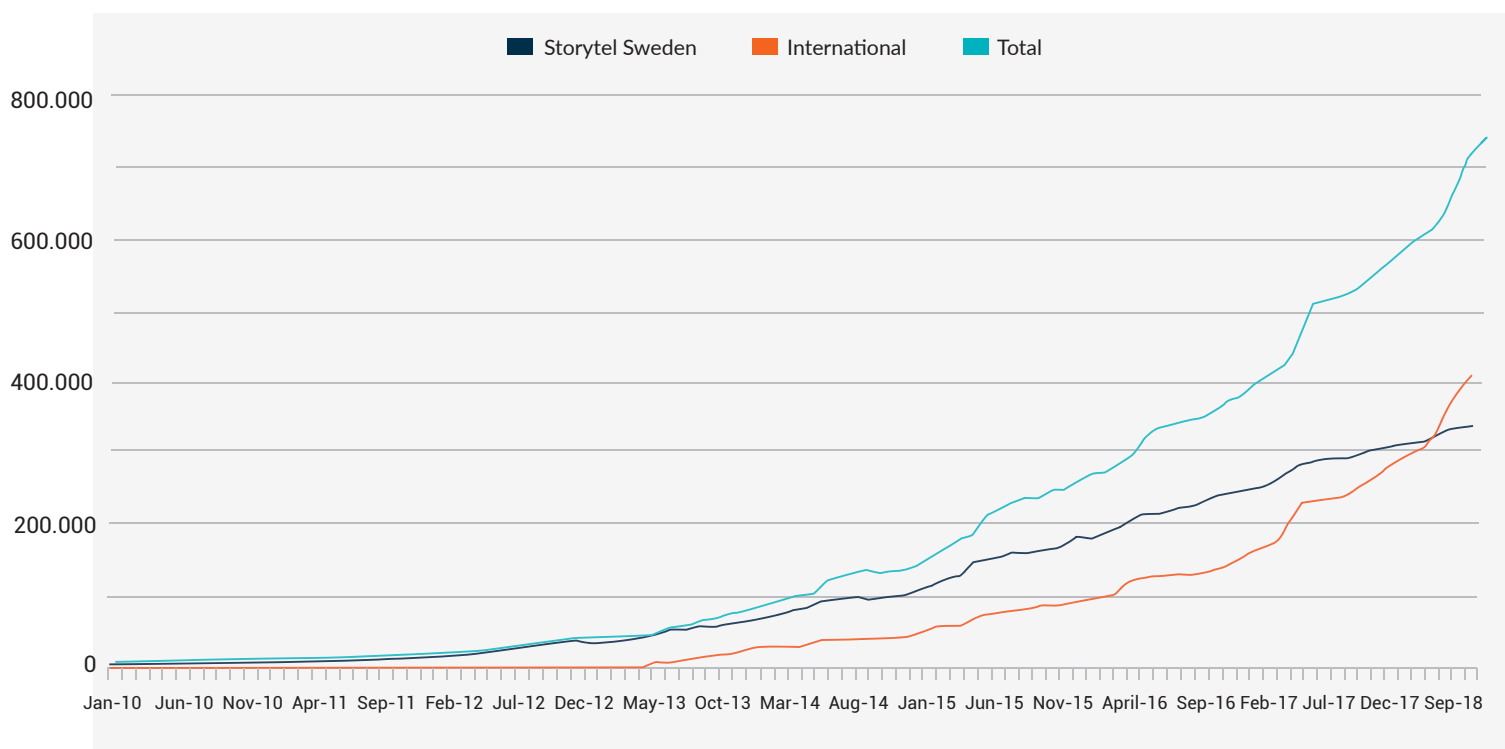
Storytel is working actively with improving the user experience through personalisation. For companies providing content, this mainly refers to giving its users a personal set of recommendations based on preferences and previous choices. This means that no content feed will look identical for any two users and this personalisation will require Storytel to continue investing in analytics, artificial intelligence and machine learning techniques. Storytel believes that, investing and adapting to the changes within these areas now and in the future, is a key step in improving the value of the service and make subscribers even more loyal. In a couple of years, this will be a basic expectation and the most successful service might not necessarily have the widest catalogue but rather the most optimal catalogue for a given subscriber.

## Financial goals / Key KPIs

### Subscriber base development

Storytel's subscriber base has grown rapidly, primarily in the last four years. The subscriber base reached 100,000 subscribers in May 2014 and 14 months later, the subscriber base had more than doubled and reached 212,000 in July 2015.

By August 2017, Storytel had over 500,000 subscribers and the target for 2018 is to end the year with around 800,000 subscribers. In 2018, the subscriber base as well as streaming revenues from outside Sweden surpassed the Swedish base.



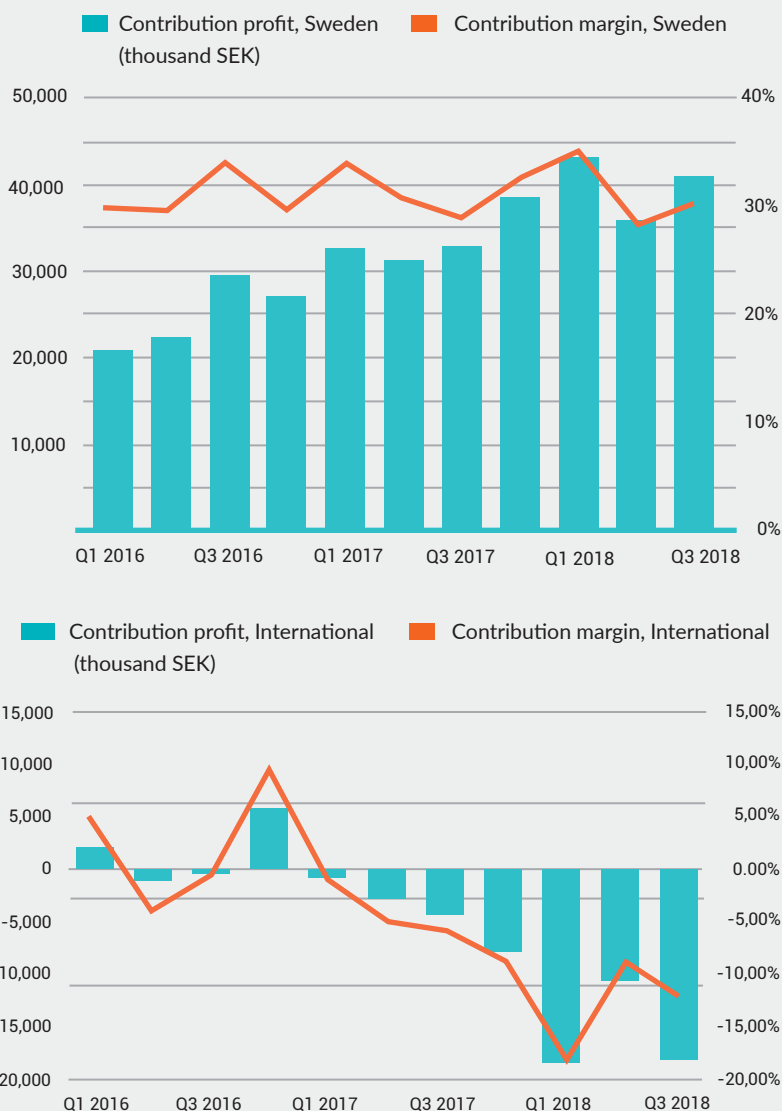
*From January 2014 to September 2018, the Swedish subscriber base has grown with a CAGR of 43 percent, while the international base has grown with a CAGR of 90 percent.*

## Contribution profit

Contribution Profit is defined as streaming revenue minus costs for content (licensed content and in-house productions) and marketing.

For Sweden, the contribution profit has increased proportionally with sales the last 11 quarters, and the contribution margin, defined as contribution profit divided by sales, has been steady and averaging 31.2 percent.

The international contribution profit has decreased over the last 11 quarters. This is due to Storytel's aggressive growth strategy. When a new market is launched, large investments are made in i) marketing to build the brand and ii) building a catalogue of audiobooks and e-books. Storytel expenses all production costs under the current accounting standard, hence these costs are included in the calculation of contribution profit when they occur. With many markets currently scaling up, the contribution profit for international markets has dropped to minus 10-20 percent the last three quarters. It is expected that the contribution margin for international markets will remain negative for the coming years. Current international markets will see improvements in contribution margin, but more new markets will be added, which may affect the contribution margin negatively.



Storytel Norway is included in figures at 100 percent in the international contribution profit and contribution margin above. Storytel Norway is a joint venture with the publisher Cappelen Damm. In the consolidated group accounts Norway is reported according to the principle of proportional consolidation.

### The trade-off between Growth and Profitability

Storytel has an aggressive growth strategy and aims to grow top line Streaming sales by 30-40 percent in the coming years. There is however a trade-off between rapid growth and short-term profitability for Storytel.

Storytel's business model has been proven successful and is profitable in Sweden, Denmark, Norway and Iceland. The ambition is to make all markets profitable, but not before investments in growth start to show declining return on investment. As Storytel sees big opportunities in many markets, the aggressive growth strategy will dominate, at the cost of profitability in the coming years. Storytel could turn to profitability at any time, but that would come at the expense of long-term value creation.

### Long-term profitability

Storytel has not reached maturity in any market, thus the long-term profitability is subject to estimations. The most mature market Sweden, including Streaming and Print Publishing, had an EBITDA margin of approximately 10 percent in 2017. Top line for Streaming was growing at an annual rate of 33 percent in 2017 compared to 2016.

The long-term Streaming profitability target for Storytel Streaming is a 15-25 percent EBITDA margin.

### Key KPIs

The most important Streaming KPIs for Storytel is Customer Lifetime Value (CLV) and Customer Acquisition Cost (CAC), and specifically the relationship in each market between CLV/CAC. As long as CLV is larger than CAC, marketing investments are adding value.

CLV is driven by i) the retention profile (how long customers on average stay in the service), ii) the price of the service and iii) gross margin. Increases in retention profile and gross margins are the two areas of CLV that Storytel put most focus on, in order to increase CLV on each market.

Storytel's profitable markets have a CLV/CAC ratio of 2.9x. In other words, for each EUR spent on marketing the value of Storytel increases by EUR 2.9.<sup>[29]</sup>

29 CLV was measured using a 48 month estimation period. The subscribers included in the estimation started their subscription during the first six months of 2017 to enable a sufficient amount of retention data for the CLV calculation.

Another KPI that is tracked, is the penetration level achieved in each market. In 2018, Storytel is expected to reach a penetration level of around 3.5 percent in Sweden, almost 3 percent in Denmark and almost 2 percent in Norway.<sup>[30]</sup> Storytel believes that this KPI is a good indicator of the growth prospects in every market. Storytel works actively to increase the penetration partly by marketing the service but also by developing new offers such as the Storytel Reader. The price point of the service affects the level of possible penetration.

Other important KPIs that are analysed and followed up regularly include, but are not limited to, product engagement (could be described as “daily active users”), average finishing degree of books, sign-up to trial conversion rates, trial to pay conversion rates and churn.

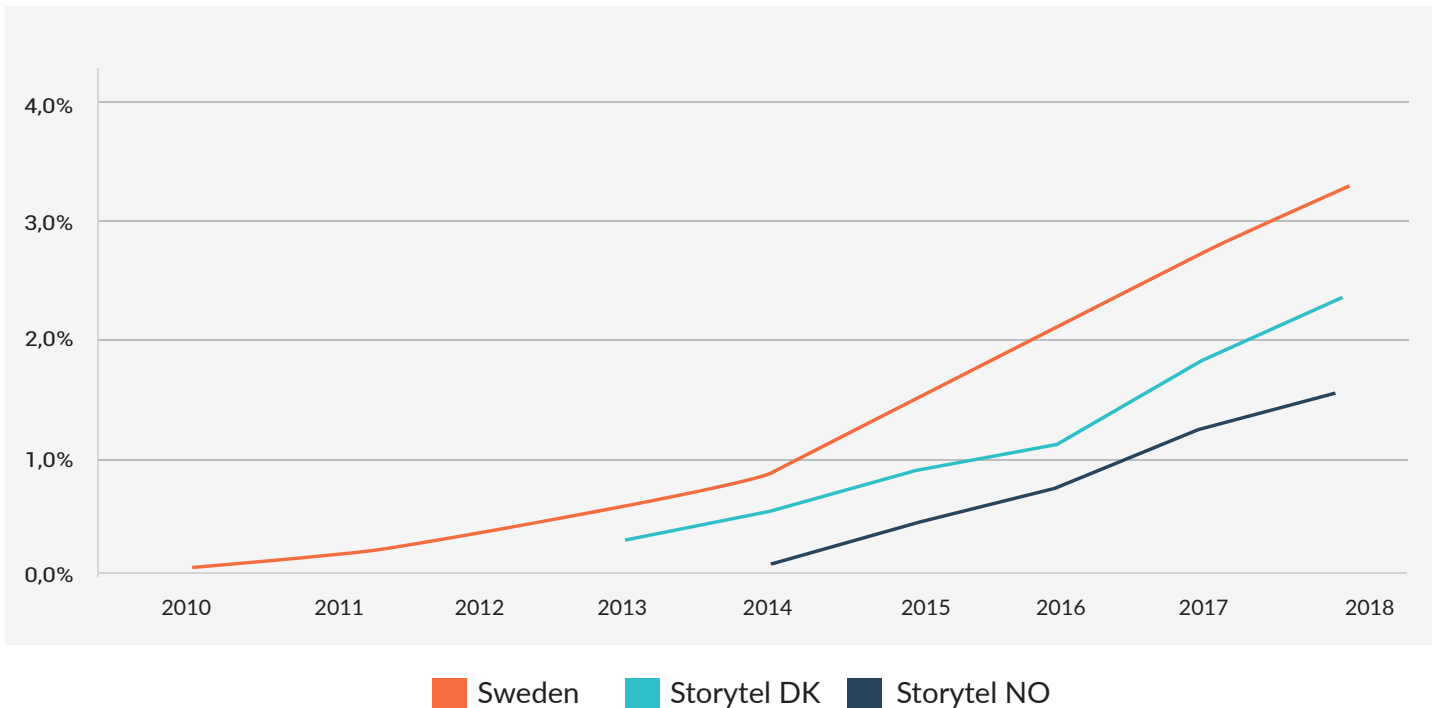
### Print Publishing

The Print Publishing division of Storytel is more mature. The financial goals for the Print Publishing division is to have stable revenues and an EBITDA margin of 5-10 percent for the near future.

### Marketing & brand

To succeed in new markets and continue to grow in profitable markets a strong brand is essential. Storytel invests heavily in marketing on every market, both online and offline channels. Since the audiobook and e-book are new phenomena on multiple markets that Storytel has entered, extensive marketing is needed to both educate the market about the digital book formats alongside the specific Storytel brand. When Storytel launches the service in a new market, the focus is usually first on online marketing. Multiple KPIs are closely monitored to see what works well and this varies from country to country.

## Penetration level



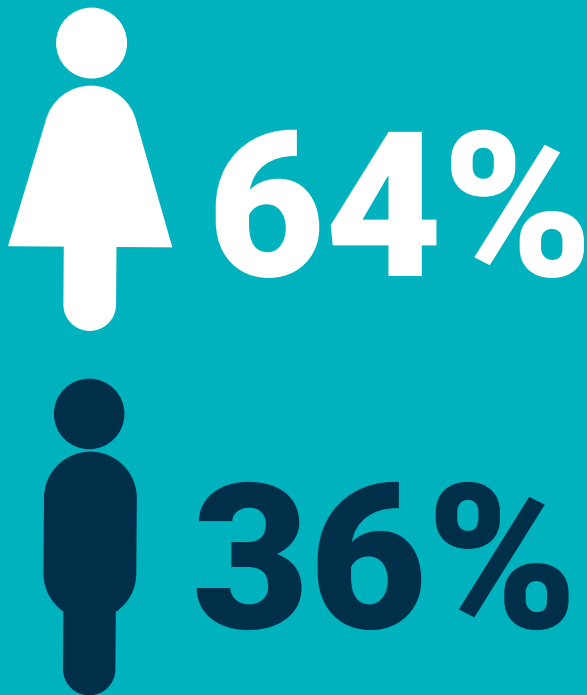
*Mofibo was acquired in June 2016 but are included from 2013 in the graph*

<sup>30</sup> Calculated as number of paying subscribers divided by total population.

# Who are the subscribers?

*A majority of Storytel's subscribers are female (64 percent) and they are typically older than 25 but younger than 55 years old. This varies by market and also by what content catalogue is available when the service is launched.*

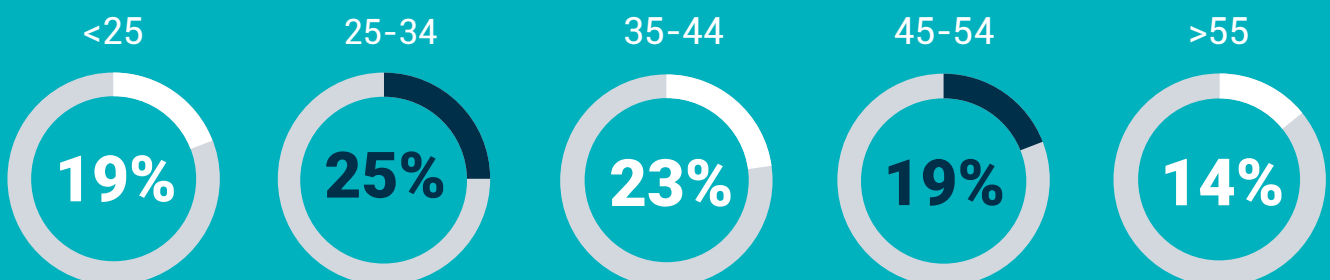
## Gender:



## Top 5 book genres:



## Age:



# *Storytel increases reading*

20%

of customers **didn't use** audiobooks prior to joining Storytel

55%

of customers **didn't pay** for audiobooks prior to joining Storytel

75%

of customers consume more books since joining Storytel

80%

of customers **also read books** occasionally or often

95%

of customers are satisfied with the service Storytel provides

## Content portfolio

The publishing arm of Storytel distributes literature with cultural relevance and commercial potential in both physical and digital formats. An extra focus is on offering best-sellers and well-known authors' titles within fiction, crime, thrillers, non-fiction and personal development. For kids and young adults, Storytel offers an extensive catalogue of best-selling titles in both local languages and in English. While bestselling books are important, Storytel is always innovating and investigating new intriguing formats. Since users appreciate different types of content and have different preferences regarding length, Storytel offers a broad portfolio of content. It is important to be able to quickly move to new areas and see how Storytel can consider local demands in the different markets. Although serialised storytelling has been around for ages, on-demand video and audio providers have leveraged this behaviour in recent years. Serialised content that allows for "binge-reading" is growing in popularity and Storytel Originals (as further described in section "Storytel Originals" below) is a way to ensure that this demand is met. With a proprietary catalogue in 20 languages, Storytel is well positioned to serve the global community with stories in their native language.

### General content

General content is the catalogue of audiobooks and e-books that are available in the Storytel app.

To distribute and produce general content, Storytel either has the rights in-house or the Company has to acquire them. General content are digital books corresponding directly to a printed version of the same title. The general content is the main content in the app and is available in all of the markets in which Storytel operates.

### Storytel Originals

Storytel Originals are digital books in a serial format produced exclusively for Storytel. Each season is usually ten episodes and each episode is around one-hour long in the audiobook format. For users who are new to the digital book format, this shorter format is a good way to get started. Storytel Originals are available in most of Storytel's markets and some originals are printed as softcover copies.

### Storytel Dox

Storytel Dox are recorded versions of longer articles from major magazines and journals. They can vary in length but are typically around 30 minutes long. Content-wise the longer-form journalism can be about topics ranging from history, travel, food and people biographies. The audiobooks and e-books produced under the imprint Storytel Dox are exclusively produced for the Storytel platform. Currently Storytel Dox are available in Sweden and in India.



#### General Content

- Acquired and in-house rights
- Non-exclusive
- Produced in 17 languages



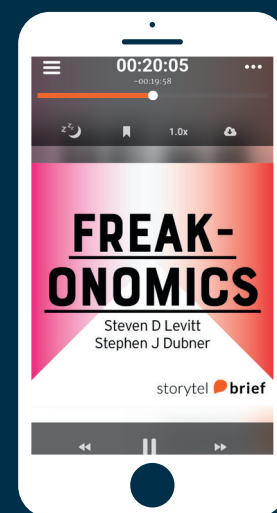
#### Storytel Originals

- Scalable in-house audio-first
- Exclusive to Storytel
- Produced in most markets



#### Storytel Dox

- Long-form journalism from major magazines
- Exclusive to Storytel
- Available in Sweden & India



#### Storytel Brief

- Summaries (e.g. management literature)
- Exclusive to Storytel
- Currently only in Sweden



## Storytel Briefs

Storytel Briefs are summaries of non-fiction books, primarily management literature. They are typically 45 - 60 minutes long and are designed to give a comprehensive summary of a given book and outline the key takeaways. Storytel Briefs are also exclusive to Storytel and are currently only available in Sweden.

## Content production

Storytel has invested heavily in its in-house production of audiobooks. Within Storytel works publishers, studio engineers, rights coordinators and production planners. External help from narrators, proof listeners and audio engineers is also needed. By the end of 2018, Storyside is expected to have produced more than 5,000 audiobooks in 17 different languages. To coordinate and speed up the production process, Storytel has developed its own proprietary tool for audiobook production.

## Storytel Reader

Storytel launched an e-book reader in 2018 in order to push its extensive library of e-books further. The global e-book market is large but has not reached the same level of penetration in Europe as it has in North America. Storytel predicts that this is largely due to low level of knowledge of the e-book and the

lack of a superior hardware that can be combined with Storytel's business model and that Storytel, as a company, must help create the demand and push the market. The Storytel Reader is currently only distributed on the website and is available in Sweden, Denmark and Finland. Storytel subscribers can seamlessly switch between using a mobile device or the Storytel Reader for reading books, meaning that they can keep reading where they last ended in an e-book even when switching to read on another device.

## Competitive landscape

Globally, some of the major streaming book services include Audible, Kobo and Scribd. Audible and Storytel have emerged as two services with global ambitions and with strong emphasis on international expansion. In Sweden, there are primarily two other providers of audiobooks that drive the Swedish market together with Storytel: BookBeat and Nextory. After the first half of 2018, Storytel had 80 percent of the Swedish market.<sup>[31]</sup> The requirement to be able to read stories by local authors and in local language makes it difficult for the large media companies to enter the market and gain market share globally, making the requirement to produce content in local languages a barrier to entry. Storytel has local competition on most markets.

31 Svenska If Förläggareföreningen – Bokförsäljningsstatistiken Första halvåret 2018.



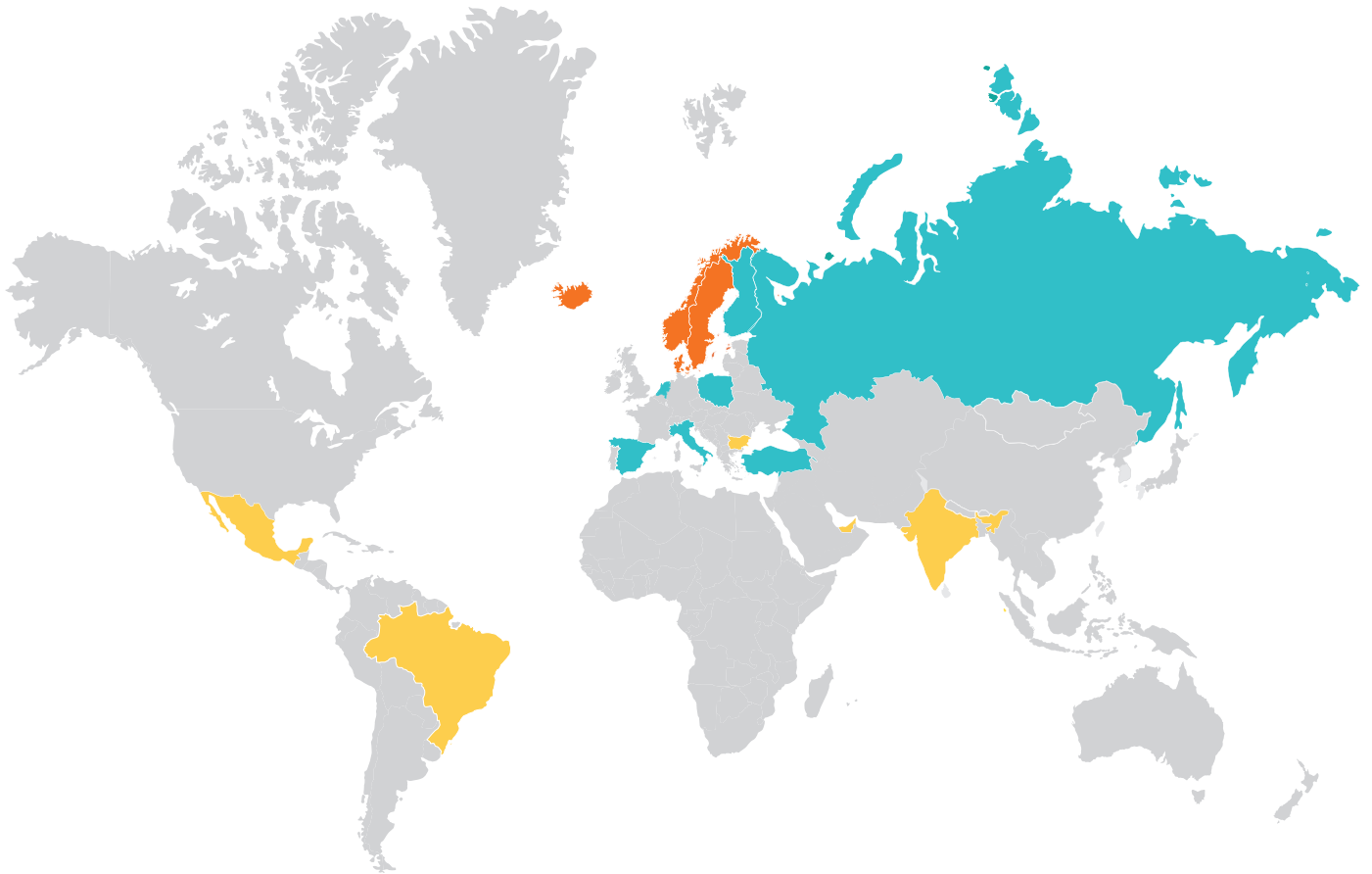
## Storytel's competitive advantages

- Efficient and high-quality publishing.**  
 Through acquisitions Storytel has become a European market leader in distributing audiobooks. Also, Storytel has developed proprietary technology for efficient recording and editing of audiobooks. That, combined with an excellent production team, allows Storytel to produce books faster and in a more cost-efficient way. Storytel has also developed strong author relationships and by combining the physical publishing houses with innovation in the value chain, creating an efficient yet high-quality publishing process.
- Focus on content.**  
 Content is king and the commitment to creating and providing the best stories has made it a priority to recruit a talented content and publishing team with a deep understanding of what customers want. That knowledge helps Storytel focus on the titles that will give the highest return and lowest churn in the different markets. In addition, Storytel has over time developed strong and fruitful relationships with book publishers in all of the active markets and can as a result secure highly appreciated content for its platform. Another value-adding effect that Storytel's presence has on publishers is that the service can prevent piracy and increases willingness to pay for premium digital content. Storytel has a strong content team and the curators have a deep understanding of both stories and Storytel's users.
- Technological platform.**  
 Storytel has developed a proprietary platform which enables the Company to scale in terms of both new territories and also new subscription types and products. By using customer behaviour data, Storytel is in a strong position to provide an excellent customer experience and create loyal and satisfied customers.
- Direct link to customers.**  
 By having a direct link to the consumers, Storytel gains key insights of what content provides the highest customer engagement and loyalty. Data-driven insights are applied to content creation to maximise customer satisfaction and retention.
- Investing in locality and languages.**  
 There is a clear correlation between a strong local content catalogue and attractive customer lifetime values. Storytel invests heavily in local content and the local teams in order to attract and retain loyal customers. Storytel has a proprietary catalogue of 20 languages, making the Company well positioned to serve the global community with stories in their mother tongue wherever they are in the world.
- Brand.**  
 Through widespread marketing Storytel is on track to become the number one audiobook company in the markets that the Company operates in. The Storytel brand is currently being broadened to include e-books to a further extent.

### Stakeholders and sustainability work

Storytel has a global Code of Conduct that applies to all employees in all markets as well as consultants and board members. The Storytel Code of Conduct guides the employees of Storytel to make decisions that are sustainable for the organisation and that will sustain the rapid growth of the firm over time, keeping ethical considerations in mind. Storytel is aware of its impact on the environment and carefully considers its various stakeholders in decision-making processes. Minimising the use of paper and other consumables is one initiative. Reducing business travel by encouraging virtual rather than physical meetings is another initiative.

# Overview of markets



## Profitable:

Sweden  
Denmark  
Norway  
Iceland

## Scaling up:

Netherlands  
Poland  
Finland  
Russia  
Spain  
Turkey  
Italy

## Preparation:

India  
UAE  
Bulgaria  
Mexico  
Singapore  
Brazil

## 6. *Message from the CEO*

It was a hot July in 2003, and I had made my way to the Apple store in Soho, New York, to buy my first iPod. A few hours later, I was in my hotel room fiddling with the manual, trying to connect my new device to iTunes. After a short struggle my iPod was live. There was only one problem, I didn't have any content to put on it as my music library was sitting on a hard drive back in my house across the Atlantic Ocean. There and then I decided to buy my first digital product. The product I bought was an English audiobook, *The King of Torts* by John Grisham. In the evening I headed to Newark airport to catch my plane back to Europe. On the plane I browsed through the in-flight entertainment system but couldn't find any movie I felt like watching on the 8-hour flight. I therefore decided to try start listening to my new audiobook on the iPod. In the morning I walked out the plane, having completed my book, and with one clear idea in my head. Quit my job, launch a business and become the king of audiobooks. In January 2005 my co-founder Jon Hauksson and I were up and running with our new audiobook venture.

Now 15 years later I still love audiobooks, and enjoy every moment of making the audiobook popular across the world. Our staff is amazing, we have so many talented people at Storytel who are contributing to the success. In my view every Storytel employee has a unique personality trait that makes them exceptional. We set high standards, in particular when it comes to integrity and long-term thinking. Storytel's approach is one of sustainability by nature. The entire activity of reading and listening to books is one of sustainability, it takes long to read a book, and it has long term benefits not only for you as an individual, it visibly lowers your heart rate and provides peace of mind, but also educates and makes people smarter and more empathetic. In a world of temptation abundance via instant gratification, be it from attention given from social media friends, or TV shows that promote celebrities, or food packed with sugar, all these promote a kick-based lifestyle.

Storytel is a business with many facets, we provide work opportunities for culture workers like authors and actors around the world, we are a part of the start-up landscape, and the Internet economy, but we are also a clear actor within the culture establishment, in particular in Sweden as the owner of Sweden's perhaps most prestigious book publishing house Norstedts. We provide a glimpse of the future and of high-tech to an otherwise traditional and conservative book industry. This is a fact that presents its challenges. As an incumbent book publisher, you still rely heavily on physical paper books, as a majority of your revenues still comes from these sales. The audiobook has presented the book industry with something novel, as it makes reading possible in situations that were previously not considered for reading, like when driving a car or working out. This is why the industry has finally embraced the audiobook as a "good" format that can help secure the future relevance of the book.

What is harder for the industry to digest is the new business model, which is subscription-based, that Storytel introduced 12 years ago. This was, well before both Spotify and Netflix offered streaming services through subscriptions, although they made this model generally popular. As a consequence, when people subscribe for unlimited access to a catalogue, we no longer sell copies of books but rather access to a catalogue. And since the monthly subscription is access during a set time, what we really do now is to compete for people's time, so the relevant parameter to track consumption is not in the form of sold copies but rather based on how much time subscribers spend reading on the Storytel service. This in combination introduced a revenue share model which is new to the industry and has taken us a long time to gain momentum for. In reality we still have a few book publishers across the world that resist this model and insists on getting paid a fixed price per book. But, this is slowly but surely changing.

Within the scope of what Storytel is working to accomplish sits a determination to connect authors with their readers. This is the long-term network effect that will come from our business, when a large number of readers connect with each other, making reading a more captivating activity where readers just like with tasty food long for more each and every day. When connecting authors with their readers the result becomes an author that understands better who their readers are and what purpose their stories play in their readers' lives. This calls for better stories that entertain people even more. With the audiobook we introduce a third contributor to storytelling in the form of the narrator of the story, often times a trained actor. The author, reader and the narrator form a trinity that we at Storytel refer to as the Golden Triangle. The right story with the right voice to the right reader. We help the stories find their readers via a combination of intelligence and data driven matching of stories and readers with an expert based curation made by both internal and external experts under the firm guidance of our content managers in our local offices around the world. At Storytel we believe that recommending stories also requires an X-factor in the form of a human touch from a story loving curator.

As we now move our public listing to Nasdaq First North we enable international investors, including our staff across the world, to more easily trade in the Storytel stock and participate financially on our journey. We also anticipate reaching a larger pool of shareholders and better mirror our business as it grows into more territories of the world. After more than 3 years in a public environment, with regular reporting and continuous investor interactions, we feel well prepared for the Nasdaq First North environment. Our recent SEK 500 million capital raise gives us a solid cash position and a long-term perspective with regard to our internationalisation of the Storytel service and brand.

Our journey has just begun, next year we aim to have 1 million subscribers in more than 15 markets paying for our service every month. This is still a small number in a world with billions of people in hundreds of countries with one thing in common, they all love a great story. This is a fundamental human need, to place a chain of events into a context that when described well becomes a captivating story. This makes us feel secure and makes us learn faster and become smarter and, again, more empathetic. I believe that the world needs more empathy, and Storytel is there to promote that trait, today and tomorrow. Together with my amazing Storytel team I am ready to make storytelling and consumption of those stories a universal activity, easily accessible for anyone, wherever they are in the world.

Thank you for listening :)

Jonas Tellander, CEO & Founder  
Stockholm 3 December 2018



# 7.

# *Financial overview*

The financial overview presented below regarding the financial year 1 January - 31 December 2017 and financial comparative figures for the period 1 January - 31 December 2016 have been derived from the Group's annual report for the financial year 2017. The financial information for the financial year 2017 has been audited by the Company's auditor. The financial overview also contains Storytel's financial information for the interim period 1 January - 30 September 2018, together with comparative financial information for the corresponding period of the previous financial year. The financial information for the interim 1 January - 30 September 2018 and 1 January - 30 September 2017 are derived from the Company's published interim report.

The interim report has not been reviewed or audited by the Company's auditor. No other information in the financial overview has been reviewed or audited by the Company's auditor unless otherwise is explicitly stated.

The Group's financial information for the financial year 1 January - 31 December 2017 and 1 January - 31 December 2016 as well as for the interim periods 1 January - 30 September 2018 and 1 January - 30 September 2017, presented below, has been prepared in accordance with the Swedish Annual Accounts Act (Sw. Årsredovisningslagen (1995:1554)) and BFNAR 2012:1 Annual Reports and Consolidated Financial Statements (K3).

## Consolidated income statement

SEK thousand	1 Jan - 30 Sep 2018	1 Jan - 30 Sep 2017	1 Jan -31 Dec 2017	1 Jan -31 Dec 2016
Net turnover	1,022,539	805,806	1,170,861	743,901
Change in inventories during production	-2,502	-2,453	-1,049	-5,510
Share of profit from associates	0	-272	0	-951
Other operating income	16,055	15,978	29,401	13,555
<b>Total turnover</b>	<b>1,036,092</b>	<b>819,059</b>	<b>1,199,213</b>	<b>750,995</b>
<b>Operating costs</b>				
Unit-sale costs	-604,234	-480,210	-692,576	-431,937
Other external costs	-351,421	-205,769	-308,022	-147,048
Personnel costs	-199,676	-144,489	-207,378	-115,426
Depreciation and impairment of tangible and intangible non-current assets	-49,115	-38,891	-55,659	-28,186
Revaluation of previously owned participation	0	0	0	-648
Other operating costs	-3,143	-1,364	-2,524	-2,250
<b>Total operating costs</b>	<b>-1,207,589</b>	<b>-870,724</b>	<b>-1,266,159</b>	<b>-725,495</b>
<b>Operating profit</b>	<b>-171,497</b>	<b>-51,665</b>	<b>-66,946</b>	<b>25,500</b>
<b>Profit from financial items</b>				
Profit from participations in associates	44	-318	-29	755
Profit from other securities and receivables held as non-current assets	0	-29	0	-269
Other interest income and similar profit/loss items	3,302	2,598	3,647	1,506
Interest expense and similar profit/loss items	-13,450	-13,504	-19,635	-6,943
<b>Net financial items</b>	<b>-10,104</b>	<b>-11,252</b>	<b>-16,017</b>	<b>-4,951</b>
<b>Profit after financial items</b>	<b>-181,601</b>	<b>-62,917</b>	<b>-82,963</b>	<b>20,549</b>
<b>Profit before tax</b>	<b>-181,601</b>	<b>-62,917</b>	<b>-82,963</b>	<b>20,549</b>
Tax on profit for the year	-688	-128	-1,271	-8,489
Deferred tax	4,421	2,845	12,104	11,425
Other tax	0	-1,329	-8	0
<b>Profit for the period</b>	<b>-177,868</b>	<b>-61,529</b>	<b>-72,138</b>	<b>23,484</b>
Parent company's share of profit for the year	-177,868	-61,529	-72,138	23,484

## Consolidated balance sheet statement

SEK thousand	30 September 2018	30 September 2017	31 December 2017	31 December 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
<i>Intangible non-current assets</i>				
Capitalised expenses and similar work	37,150	45,204	43,367	54,752
Concessions, rights, licenses and brands	89,914	109,511	109,351	86,275
Tenancy rights and other rights	888	12	1,091	80
Goodwill	141,099	138,574	149,522	93,872
Advances relating to intangible non-current assets	1,482	942	1,062	1,221
<b>Total intangible non-current assets</b>	<b>270,533</b>	<b>294,244</b>	<b>304,393</b>	<b>236,200</b>
<i>Tangible non-current assets</i>				
Inventories, tools and installations	4,734	2,581	3,588	2,717
Construction in progress and advances relating to tangible non-current assets	193	164	0	118
<b>Total tangible non-current assets</b>	<b>4,927</b>	<b>2,745</b>	<b>3,588</b>	<b>2,835</b>
<b>Financial non-current assets</b>				
Participations in associates	2,073	1,990	2,029	10,648
Other non-current securities holdings	436	187	254	348
Deferred tax asset	13,384	9,767	14,635	14,166
Other non-current receivables	7,350	7,233	7,228	7,237
<b>Total financial non-current assets</b>	<b>23,243</b>	<b>19,177</b>	<b>24,146</b>	<b>32,399</b>
<b>Total non-current assets</b>	<b>298,703</b>	<b>316,166</b>	<b>332,127</b>	<b>271,434</b>
<b>Current assets</b>				
<i>Inventories, etc.</i>				
Work in progress	13,737	391	347	1,396
Finished goods and goods for sale	56,378	60,111	52,418	54,040
Work in progress on behalf of others	8,048	10,972	11,109	10,035
Advances to suppliers	0	0	1,757	0
<b>Total inventories, etc.</b>	<b>78,162</b>	<b>71,474</b>	<b>65,631</b>	<b>65,471</b>
<i>Current receivables</i>				
Trade receivables	137,548	131,340	158,490	138,149
Receivables in associates	11,885	7,600	4,220	4,197
Current tax receivables	11,738	7,015	11,304	2,897
Other receivables	30,516	23,245	12,320	23,199
Prepaid expenses and accrued income	162,412	124,863	114,355	89,385
<b>Total current receivables</b>	<b>354,098</b>	<b>294,063</b>	<b>300,689</b>	<b>257,827</b>



<i>Current investments</i>				
Other current investments	0	0	1 842	0
<b>Cash and bank balances</b>	<b>652,445</b>	<b>281,594</b>	<b>249,132</b>	<b>129,561</b>
<b>Total current assets</b>	<b>1,084,705</b>	<b>647,131</b>	<b>617,294</b>	<b>452,859</b>
<b>TOTAL ASSETS</b>	<b>1,383,408</b>	<b>963,297</b>	<b>949,421</b>	<b>724,293</b>

SEK thousand	30 September 2018	30 September 2017	31 December 2017	31 December 2016
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<b>Equity attributable to shareholders in parent company</b>				
Share capital	27,933	25,755	25,759	23,924
Other contributed capital	856,544	370,185	370,699	136,881
Reserves	18,958	2,455	10,581	2,995
Retained earnings including profit for the year	-241,335	-52,764	-63,466	8,672
<b>Equity attributable to shareholders in parent company</b>	<b>662,100</b>	<b>345,631</b>	<b>343,573</b>	<b>172,472</b>
<b>Total equity</b>	<b>662,100</b>	<b>345,631</b>	<b>343,573</b>	<b>172,472</b>
<b>Provisions</b>				
Provisions for deferred tax	25,273	33,842	30,729	31,512
Other provisions	28,528	22,325	31,163	23,117
<b>Total provisions</b>	<b>53,802</b>	<b>56,167</b>	<b>61,892</b>	<b>54,629</b>
<b>Non-current liabilities</b>				
Liabilities to credit institutions	209,698	138,447	127,962	151,268
Other liabilities	1,304	3,573	0	3,893
<b>Total non-current liabilities</b>	<b>211,002</b>	<b>142,020</b>	<b>127,962</b>	<b>155,161</b>
<b>Current liabilities</b>				
Liabilities to credit institutions	30,069	46,247	45,887	41,225
Advances from customers	1,829	1,740	2,291	1,365
Trade payables	100,705	87,045	97,067	75,734
Accumulated uninvoiced income	1,559	0	0	1,315
Liabilities to associates	5,942	3,803	0	2,100
Current tax liabilities	732	1,148	588	1,603
Other liabilities	44,004	48,931	42,777	44,267
Accrued expenses and deferred income	271,665	230,566	227,384	174,422
<b>Total current liabilities</b>	<b>456,504</b>	<b>419,480</b>	<b>415,994</b>	<b>342,031</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,383,408</b>	<b>963,297</b>	<b>949,421</b>	<b>724,293</b>

## Consolidated cash flow statement

SEK thousand	1 Jan - 30 Sep 2018	1 Jan - 30 Sep 2017	1 Jan -31 Dec 2017	1 Jan -31 Dec 2016
<b>OPERATING ACTIVITIES</b>				
Profit after financial items	-181,601	-62,917	-82,963	20,549
Adjustments for non-cash items, etc.	47,600	38,022	61,479	31,601
Tax paid	-9,899	-3,672	-10,660	-1,481
<b>Cash flow from operations before changes in working capital</b>	<b>-143,899</b>	<b>-28,568</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	-17,861	12,023	20,088	15,333
Change in trade receivables	22,392	19,262	-6,826	-41,060
Change in current receivables	-58,475	-28,985	-4,970	17,435
Change in trade payables	2,881	3,690	12,903	-24,153
Change in current liabilities	50,162	49,015	22,983	34,978
<b>Cash flow from operating activities</b>	<b>-144,800</b>	<b>26,437</b>	<b>12,034</b>	<b>53,202</b>
<b>Investment activities</b>				
Investments in intangible non-current assets	-3,736	-10,089	-6,735	-6,274
Investments in tangible non-current assets	-2,284	-712	-1,060	-452
Acquisition of subsidiaries	0	-59,093	-64,100	-203,617
Investments in financial non-current assets	1,843	0	-1,876	-455
Sale of financial non-current assets	0	8,068	6,905	0
<b>Cash flow from investment activities</b>	<b>-4,177</b>	<b>-61,826</b>	<b>-66,867</b>	<b>-210,798</b>
<b>Financing activities</b>				
New share issue	488,020	196,855	196,852	118,896
Loans raised	101,304	22,230	22,230	170,727
Amortisation of loans	-36,730	-31,822	-43,054	-43,507
<b>Cash flow from financing activities</b>	<b>552,593</b>	<b>187,263</b>	<b>176,028</b>	<b>246,116</b>
<b>Cash flow for the year</b>	<b>403,616</b>	<b>151,875</b>	<b>121,196</b>	<b>88,519</b>
Cash and cash equivalents at beginning of year	249,132	129,561	129,561	41,495
Exchange rate difference in cash and cash equivalents	-303	159	-1 625	-453
<b>Cash and cash equivalents at year-end</b>	<b>652,445</b>	<b>281,594</b>	<b>249,132</b>	<b>129,561</b>

## The Group's key financial performance measures

Certain descriptions of the key financial performance measures below show development and status of financial and equity-related performance measures that are not defined in accordance with the Company's accounting standards. These financial performance measures provide valuable and complementary information to investors. Since all companies do not calculate financial performance

measures in the same way, these are not always comparable to those used by other companies. These measures should therefore not be regarded as a compensation for measures that are defined in accordance with the Company's accounting standard. Below are the Group's key financial performance measures covering the period for the financial overview.

Group	1 Jan - 30 Sep 2018	1 Jan - 30 Sep 2017	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Total turnover	1,036,092	819,059	1,170,861	743,900
Earnings before depreciation	-122,381	-12,774	-11,287	53,686
Earnings before financial items	-171,497	-51,665	-66,946	25,500
Operating margin	-16.55%	-6.31%	-5.72%	3.43%
Equity	662,100	345,631	343,573	172,472
Return on equity	-44.35%	-27.13%	-24.15%	11.91%
Equity-to-assets ratio	47.86%	35.88%	36.19%	23.81%
Balance sheet total	1,383,408	963,297	949,421	724,293
Number of employees	369	281	309	164

### Key financial performance measures for Streaming and Print Publishing

SEK thousand	1 Oct - 31 Dec 2018	1 Jul - 30 Sep 2018	1 Apr - 30 June 2018	1 Jan - 31 March 2018	1 Oct - 31 Dec 2017	1 Jul - 30 Sep 2017
<b>Streaming total</b>	<b>Forecast<sup>[32]</sup></b>					
Revenue	290,000	279,979	239,139	222,133	209,225	197,881
Contribution Profit		22,063	25,045	24,079	30,277	27,784
Contribution Margin		7.9%	10.5%	10.8%	14.5%	14.0%
Paying Subscribers	765,000	720,900	621,200	577,900	533,400	503,900
ARPU (SEK/Month)	126	129	128	128	131	131
<b>Streaming Sweden</b>						
Revenue	137,500	135,986	125,759	122,046	118,038	113,709
Contribution Profit		40,888	35,763	43,067	38,501	32,872
Contribution Margin		30.1%	28.4%	35.3%	32.6%	28.9%
Paying Subscribers	341,000	336,200	314,700	305,100	292,700	282,300
ARPU (SEK/Month)	134	135	133	133	134	134
<b>Streaming International<sup>[33]</sup></b>						
Revenue	152,500	143,993	113,380	100,087	91,187	84,172
Contribution Profit		-18,826	-10,718	-18,988	-8,224	-5,088
Contribution Margin		-13.1%	-9.5%	-19.0%	-9.0%	-6.0%
Paying Subscribers	424,000	384,700	306,500	272,800	240,700	221,600
ARPU (SEK/Month)	120	125	123	122	126	127
<b>Print Publishing<sup>[34]</sup></b>						
Revenue		116,252	115,898	106,312	173,832	132,619
Contribution Profit		40,140	41,889	39,223	66,854	47,905
Contribution Margin		34.5%	36.1%	36.9%	38.5%	36.1%

32 Forecast is an approximation based on information available at time of reporting.

33 Storytel Norway included in figures @ 100 percent. In the consolidated group accounts Norway is reported according to the principle of proportional consolidation.

34 Print Publishing refers to physical books. Internal transactions have been redacted. Barnens bokklubb not included in table.

## Definitions of key financial performance measures

### Operating margin (%)

Earnings before financial items divided by total turnover.

### Return on equity (%)

Net income divided by average equity for the measurement period.

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

Total equity divided by total assets.

### Contribution profit (Streaming)

Contribution Profit is defined as streaming revenue minus costs for content (licensed content and in-house productions) and marketing. Storytel Reader is not included in Streaming.

### Contribution profit (Print Publishing)

Contribution Profit is defined as revenue minus cost per sold unit, distribution costs, and sales and marketing costs.

### Contribution margin

Contribution profit (as defined above) divided by total turnover.

### Paying subscribers

Average number of paying subscribers in the quarter.

### ARPU (SEK/Month)

Average Revenue per User (Subscriber) per month.

## Period on period comparisons

Comparison between 1 January – 30 September 2018 and 1 January – 30 September 2017.

### Turnover

The total turnover for the nine-month period that ended 30 September 2018 amounted to SEK 1,036.1 million, compared with SEK 819.1 million in the corresponding period in 2017. The increased revenue was primarily driven by growth on current markets in the Streaming segment.

### Operating profit

The operating profit for the nine-month period that ended 30 September 2018 amounted to SEK -171.5 million compared with SEK -51.7 million in the corresponding period in 2017. The change was primarily driven by an increase in operating costs on new markets. While Storytel is profitable in Sweden, Denmark, Norway and Iceland, substantial investment in marketing and content in new markets are being made that will create value over time. During the first nine-month period in 2018 Storytel has launched in four new markets.

### Net financial items

The net financial items for the nine-month period that ended 30 September 2018 amounted to SEK -10.1 million, compared with SEK -11.3 million in the corresponding period in 2017. The change was primarily driven by higher interest income and a positive contribution from participations in associated companies.

### Profit/loss for the period

The loss for the nine-month period that ended 30 September 2018 amounted to SEK -177.9 million compared with SEK -61.5 million in the corresponding period in 2017.

### Assets

As of 30 September 2018, the total assets of the Company, amounted to SEK 1,383.4 million of which cash and bank balances and intangible assets amounted to SEK 652.4 million and SEK 270.5 million respectively. In comparison, as of 30 September 2017, the total assets of the Company amounted to SEK 963.3 million, of which cash and bank balances and intangible assets amounted to SEK 281.6 million and SEK 294.2 million respectively. The change in the Company's asset base is primarily driven by the share issue of SEK 500.0 million in 2018.

### Total equity

As of 30 September 2018, total equity amounted to SEK 662.1 million, compared to SEK 345.6 million for the corresponding date in 2017. The change was primarily driven by increase in other contributed capital due to the share issue, partly offset by retained losses.

### Liabilities

As of 30 September 2018, the Company's provisions amounted to SEK 53.8 million, non-current liabilities amounted to SEK 211.0 million, and current liabilities amounted to SEK 456.5 million, compared to SEK 56.2 million, SEK 142.0 million and SEK 419.5 million for the corresponding period in 2017. As for non-current liabilities, the main driver was increased liabilities to credit institutions and for current liabilities increase in accrued expenses and deferred income due to increased turnover.

### Cash flow

For the nine-month period ended 30 September 2018, the Company's cash flow from operating activities amounted to SEK -144.8 million compared to SEK 26.4 million in the corresponding period of 2017. The change was primarily driven by the increased loss for the period.

For the nine-month period ended 30 September 2018, the Company's cash flow from investing activities amounted to SEK -4.2 million compared to SEK -61.8 million in the corresponding period of 2017. The change was primarily driven by no major acquisitions in 2018. In 2017, the acquisition of Peoples Press A/S affected the cash flow from investing activities heavily.

For the nine-month period ended 30 September 2018, the Company's cash flow from financing activities amounted to SEK 552.6 million compared to SEK 187.3 million in the corresponding period of 2017. The change was primarily driven by the share issue and loan raised.

Comparison between 1 January – 31 December 2017 and 1 January – 31 December 2016.

#### Total turnover

The total turnover for the full year 2017 amounted to SEK 1,199.2 million, compared with SEK 751.0 million in the corresponding period in 2016. The increased revenue was primarily driven by growth on current markets in the Streaming segment.

#### Operating profit

The operating profit for the full year 2017 amounted to SEK -66.9 million compared with SEK 25.5 million in the corresponding period in 2016. The change was primarily driven by an increase in operating costs on new markets. While Storytel is profitable in Sweden, Denmark, Norway and Iceland, substantial investment in marketing and content in new markets are being made that will create value over time.

#### Net financial items

The net financial items for the full year 2017 amounted to SEK -16.0 million, compared with SEK -5.0 million in the corresponding period in 2016. The change was primarily driven by costs related to interest expense and unrealised fx effects.

#### Profit/loss for the year

The loss before tax for the full year 2017 amounted to SEK -72.1 million, compared with a profit of SEK 23.5 million in the corresponding period in 2016.

#### Assets

As of 31 December 2017, the total assets of the Company amounted to SEK 949.4 million, of which cash and bank balances and intangible assets amounted to SEK 249.1 million and SEK 304.4 million respectively. In comparison, as of 31 December 2016, the total assets of the Company amounted to SEK 724.3 million, of which cash and bank balances and intangible assets amounted to SEK 129.6 million and SEK 236.2 million respectively. The change in the Company's asset base is primarily driven by share issues in 2017 and acquisitions in 2017.

#### Total equity

The total equity 31 December 2017 amounted to SEK 343.6 million, compared to SEK 172.5 million for the corresponding date in 2016. The change was primarily driven by increase in other contributed capital due to share issues, partly offset by retained loss.

#### Liabilities

As of 31 December 2017, the Company's provisions amounted to SEK 61.9 million, non-current liabilities amounted to SEK 128.0 million, and current liabilities amounted to SEK 416.0 million, compared to SEK 54.6 million, SEK 155.2 million and SEK 342.0 million for the corresponding date in 2016. As for non-current liabilities the main driver was decreased liabilities to credit institutions and for current liabilities increase in accrued expenses and deferred income due to increased turnover.

#### Cash flow

For the full year 2017, the Company's cash flow from operating activities amounted to SEK 12.0 million compared to SEK 53.2 million in the corresponding period of 2016. The change was primarily driven by increased loss after financial items for the period.

For the full year 2017, the Company's cash flow from investing activities amounted to SEK -66.9 million, compared to SEK -210.8 million in the corresponding period of 2016. The change was primarily driven by less acquisitions, where two larger acquisitions, Mofibo and Norstedts were both carried out in 2016.

For the full year 2017, the Company's cash flow from financing activities amounted to SEK 176.0 million, compared to SEK 246.1 million in the corresponding period of 2016. The change was primarily driven less loans raised during 2017.

#### Significant events after 30 September 2018

After the most recent quarterly report for the period 1 January – 30 September 2018 was published, the following significant events have occurred:

- The Company has launched its service in Mexico;
- The Company announced that they are preparing for launch in Brazil and Singapore;
- Norstedts completed the acquisition of Printz Publishing; and
- ECOFIN made a decision that will allow Sweden and other EU member states to reduce the VAT-rates of digital books to the VAT-rate applied for physical books. In Sweden, this means that the VAT rate might go down from 25 percent to 6 percent on digital books.

## Net indebtedness

The Company's net indebtedness as of 30 September 2018 is presented in the table below.

SEK million	As of 30 September 2018
(A) Cash	652.4
(B) Cash equivalents	
(C) Trading securities	–
<b>(D) Liquidity (A)+(B)+(C)</b>	<b>652.4</b>
(E) Current financial receivables	
(F) Current bank debt	
(G) Current portion of non-current debt	30.1
(H) Other current financial debt	
<b>(I) Other current financial debt (F)+(G)+(H)</b>	<b>30.1</b>
<b>(J) Net current financial indebtedness (I)-(E)-(D)</b>	<b>-622.3</b>
(K) Non-current bank loans	211.0
(L) Bonds issued	
(M) Other non-current financial debt	
<b>(N) Non-current financial indebtedness (K)+(L)+(M)</b>	<b>211.0</b>
<b>(O) Net financial indebtedness (J)+(N)</b>	<b>-411.3</b>

## Working capital statement

The Company believes that the existing working capital is sufficient to meet Storytel's working capital and capital expenditure needs for at least the next 12 months as of the date of the Company Description.



**8.**

***Board  
of directors,  
executive  
management  
and auditor***

## Board of directors

Storytel's board of directors consists of seven board members, including the chair of the board, elected for a period until the date of the annual general meeting 2019. In accordance with Storytel's articles of association, the board shall consist of at least three and no more than eight board members and no more than eight deputy board members. The board members, their position, when they were elected and if they are independent in relation to the Company and the executive management and in relation to major shareholders are described in the table below.

Name	Position	Board member since	Independent in relation to: The Company and executive management	Major shareholders
Rustan Panday	Chair of the board	2015	No	Yes
Jonas Tellander	Board member and CEO	2015	No	Yes
Karin Alexandersson	Board member and employee representative	2015	No	Yes
Nils Janse	Board member	2015	Yes	Yes
Jonas Sjögren	Board member	2015	Yes	No
Morten Qvist Strunge	Board member	2018	No <sup>[35]</sup>	Yes
Eva Swartz Grimaldi	Board member	2018	No <sup>[36]</sup>	Yes

35 Morten Qvist Strunge is currently not a part of the executive management in the Company. However Morten Qvist Strunge was part of the executive management until March 2018.

36 Eva Swartz Grimaldi is not part of the executive management in the Company. However, Eva Swartz Grimaldi is chair of the board of Norstedts Förlagsgrupp AB, a subsidiary to Storytel AB (publ).





### Rustan Panday (born 1969)

Chair of the board since 2015 and was elected board member in Storytel Sweden AB in 2011

#### Education/background:

Rustan Panday has a broad experience and has worked within the media sector for more than 20 years. He is an entrepreneur and founder of Mediaplanet AB, a media company with operations in 18 countries.

#### Current assignments:

Chair of the board in Four potentials AB, GOTOPOTENTIALS AB, Storytel Sweden AB and Mofibo Sweden AB. Board member in Norstedts Förlagsgrupp AB, Norstedts Kartor AB, Böckernas Klubb med Journalen BKJ Aktiefbolag, Gammafon Barnmedia Aktiefbolag, Kartcentrum i Stockholm Aktiefbolag, Kontentan Förlags Aktiefbolag, Barnbolaget i Örebro AB, Jehangir AB, Bed of Nails International AB, Rustan Panday AB, Earbooks AB, Never Eat Alone Invest I AB and deputy board member in Omega Film AB. Ambassador for Hand in Hand.

#### Previous assignment (last five years):

Chair of the board in Tellander Holding AB. Board member in Mediaplanet International AB, Storyside AB, Whyshore AB, Storytel Publishing AB and Nangekri i Stockholm AB.

#### Holdings in the Company:

Rustan Panday holds 2,227,908 class B shares in the Company and no other financial instruments in the Company.



### Jonas Tellander (born 1970)

Founder of Storytel, board member and CEO since 2015 and has been a board member since 2006 and CEO since 2005 in Storytel Sweden AB.

#### Education/background:

Jonas Tellander is the founder of Storytel. He holds a MSc in Chemical Engineering from Lund University and a MBA from INSEAD. He has also worked as Head of global licensing at Roche.

#### Current assignments:

Chair of the board in Barnbolaget i Örebro AB, Storytel Publishing AB, Telegram Bokförlag AB and Earbooks AB. Board member in Norstedts Förlagsgrupp AB, Kontentan Förlags Aktiefbolag, Insplanet AB (publ), Mofibo Sweden AB, Storyside AB and Massolit Förlag AB. CEO and board member in Tellander Holding AB and Storytel Sweden AB.

#### Previous assignment (last five years):

Jonas Tellander has no previous assignments.

#### Holdings in the Company:

Jonas Tellander holds 5,000,000 class B shares in the Company and no other financial instruments in the Company.



### Karin Alexandersson (born 1973)

Administrator in the expansion team since 2018, board member and employee representative since 2015

#### Education/background:

Karin Alexandersson holds a Bachelor's Degree in Literature from the University of Stockholm. She also holds a diploma in Worker's Representative Board Work from PTK. Karin has experience from the publishing industry from working as an editor. Before joining the expansion team, Karin Alexandersson was editorial and rights coordinator at Storytel's subsidiary Massolit Förlagsgrupp AB.

#### Current assignments:

Board member and employee representative in Storytel Publishing AB.

#### Previous assignment (last five years):

Karin Alexandersson has no previous assignments.

#### Holdings in the Company:

Karin Alexandersson holds no shares or other financial instruments in the Company.



### Jonas Sjögren (born 1966)

Board member since 2015 and was elected board member in Storytel Sweden AB in 2008

#### Education/background:

Jonas Sjögren holds a MSc in Electrical Engineering from Chalmers University of Technology and a MBA from INSEAD. He is also a Licensed Physician educated at the Sahlgrenska Academy. He has also worked in various positions, as a System engineer and later as a manager for a product management department within mobile internet in Ericsson AB from 1991 to 2003 and as head of investments in Exceca since 2004.

#### Current assignments:

Board member in Alligator Bioscience AB, Oblique Therapeutics AB and CMC SPV of 3 April 2017 AB. Deputy board member in Exceca Allocation AB and Delibr AB.

#### Previous assignment (last five years):

Board member in Orbit Esport AB, Storytel Sweden AB, Tellander Holding AB, Omentum AB and Roxette Photo NV. Deputy board member in Battleriff Gaming AB and Red Reserve AB.

#### Holdings in the Company:

Jonas Sjögren holds 11,692,423 class B shares through his associated company Roxette Photo NV, and 12,893 class B shares that are owned privately, partly through a capital insurance and partly through a pension plan. Jonas has no other financial instruments in the Company.



### Eva Swartz Grimaldi (born 1956)

Board member since 2018

#### Education/background:

Eva Swartz Grimaldi has a vast experience within the media sector. She has, among other things, been the CEO in Meter Film Television AB, director of programs in the TV4 group and CEO in the book publishing company Natur & Kultur. During 2007, she was appointed by the Swedish government to be in charge of the commission on culture, which was finalised in a report in the spring of 2009. Since 2012, Eva Swartz Grimaldi has been conducting consulting services in her own company Eva Swartz Grimaldi Consulting AB, which amongst other things includes acting as mentor for younger female leaders.

#### Current assignments:

Chair of the board in Norstedts Förlagsgrupp AB, Michael Berglund AB, Doberman AB, Apotea AB, Eva Swartz Grimaldi Consulting AB, Doberman Group AB and Efevevmimanisa AB. Board member in Richard Swartz AB and Samhällsbyggnadsbolaget i Norden AB.

#### Previous assignment (last five years):

Board member in Natur & Kultur Media i Stockholm AB, Sveriges Television Aktiefbolag, Axiell Media AB, NOBEL MEDIA AB, Bianchi Café & Cycles Västerås AB, Bianchi Café & Cycles Stockholm AB and external CEO in Bianchi Café & Cycles Sverige AB.

#### Holdings in the Company:

Eva Swartz Grimaldi holds no shares or other financial instruments in the Company.



### Nils Janse (born 1981)

Board member since 2015 and was elected board member in Storytel Sweden AB in 2013

#### Education/background:

Nils Janse holds a MSc in Industrial Engineering and Management from KTH Royal Institute of Technology in Stockholm. Nils has experience from working as an Engagement Manager at the consulting firm McKinsey. He is the CEO and founder of Delibr.

#### Current assignments:

CEO and chair of the board in Delibr AB.

#### Previous assignment (last five years):

Board member in Tellander Holding AB and Storytel Sweden AB. Deputy board member in Trade Invent AB.

#### Holdings in the Company:

Nils Janse holds 71,374 class B shares in the Company and no other financial instruments in the Company.



### Morten Qvist Strunge (born 1986)

Board member since 2018

#### Education/background:

Morten Qvist Strunge has an education from HHX Hillerød business school. Morten is an experienced entrepreneur, investor and manager primarily within digital born subscription services, founding among others the Danish telco company Onfone and the subscription service for e-books and audiobooks Mofibo, which Storytel acquired in 2016. Morten has experience from management positions in various companies, such as, CEO in Onfone, VP in TDC A/S and CEO in Mofibo. He has also been the CCO of Storytel before becoming board member in 2018.

#### Current assignments:

Board member in Investru ApS, Winefamily ApS, Goodiebox ApS, Tailor Shaped ApS, ApS, Ejendomsrådgiver Adam Schnack A/S, Blendle, Next advertising ApS, Rubberduck Car Care ApS, Mofibo books ApS and Peoples Press A/S. CEO and board member in Mofibo Sweden AB, Acc Holding ApS, New chapter ApS, Design by Strunge and Selskabet nr. 1 af 21 juni 2012.

#### Previous assignment (last five years):

Founder and board member in Plenti ApS. Board member in Stronzo Brewing Co ApS, Agnes Cupcakes ApS and People's Press A/S and CEO in Mofibo Books ApS.

#### Holdings in the Company:

Morten Qvist Strunge holds 710,000 class B shares in the Company, through his wholly owned holding company New Chapter ApS, and no other financial instruments in the Company.

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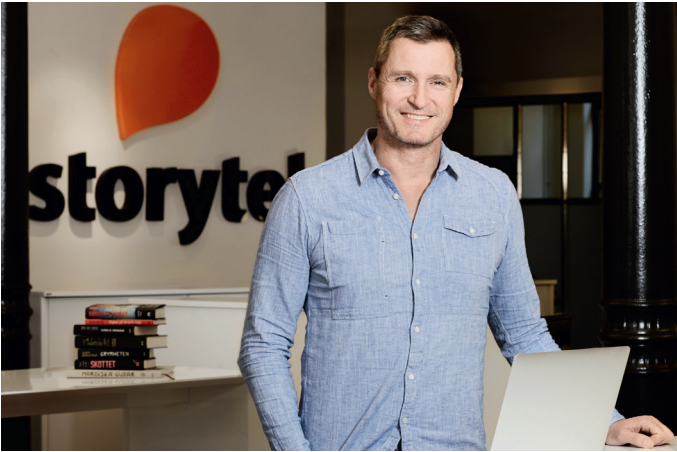
*Management*

The names of the people in executive management, their positions and year of appointment are described in the table below.

Name	Position	Year of appointment
Jonas Tellander	CEO	2015
Sofie Zettergren	CFO	2015
Märta Langéen	COO ( parental leave )	2017
Anna Lundström-Gars	Interim COO	2018
Ingrid Bojner	CCO	2018
Lotten Skeppstedt	Head of Content	2018
Daniel Bodner	CTO	2016
Martin Jonassen	Head of Intelligence	2017
Rickard Henley	Head of Publishing	2017
Stefan Tegenfalk	Head of Expansion	2017







### Jonas Tellander (born 1970)

Founder of Storytel, board member and CEO since 2015 and has been board member since 2006 and CEO since 2005 in Storytel Sweden AB.

For further information and a description of Jonas Tellander, see section "Board of directors" above.



### Sofie Zettergren (born 1986)

CFO since 2015 and became the CFO in Storytel Sweden AB in 2013

#### Education/background:

Sofie Zettergren holds a MSc in Economics from Uppsala University and has also studied at Singapore Management University. Before joining Storytel, she worked with auditing at Ernst & Young.

#### Current assignments:

Board member in Storytel Publishing AB, Norstedts Förlagsgrupp AB, Kontentan Förlags Aktiebolag, Storytel Sweden AB, Telegram Bokförlag AB and Mofibo Sweden AB.

Deputy board member in Massolit Förlag AB.

#### Previous assignment (last five years):

External signatory of the company Tellander Holding AB.

#### Holdings in the Company:

Sofie Zettergren holds 33,520 class B shares in the Company and no other financial instruments in the Company.



### Märta Langéen (born 1983)

COO since 2017 (parental leave)

#### Education/background:

Märta Langéen holds a Master in Publishing from the University of Stockholm. Märta has a background in the publishing industry. She has been working at Storytel since 2011 in different roles, including Content Manager, Operations Manager and Head of Operations in Sweden before becoming COO in 2017.

#### Current assignments:

Märta Langéen has no current assignments.

#### Previous assignment (last five years):

Märta Langéen has no previous assignments.

#### Holdings in the Company:

Märta Langéen holds 25,561 class B shares and no other financial instruments in the Company.



### Anna Lundström-Gars (born 1972)

Interim COO since 2018

#### Education/background:

Anna Lundström-Gars holds a LLM - Master of Law from the University of Stockholm. Anna has 15 years of experience from working with digital content. Anna excels in the areas of negotiations, business development, law, new media, telecommunications, people and project management. Before joining Storytel, Anna was Head of Global Apps & VAS at Telia.

Before joining Storytel, Anna was Head of Global Apps & VAS at Telia.

#### Current assignments:

Deputy board member in PerCima AB.

#### Previous assignment (last five years):

External signatory for the company utd. by content Nordics AB.

#### Holdings in the Company:

Anna Lundström-Gars holds 850 class B shares in the Company and no other financial instruments in the Company.



### Ingrid Bojner (born 1973)

CCO since 2018

#### Education/background:

Ingrid Bojner holds a Master of Science in Business Administration from the Stockholm School of Economics (SSE) and has studied at the MBA program at UCLA, US. Ingrid has also undergone a chair of the board education at Michaël Berglund and an executive leadership program at SSE ExEd. Ingrid has 12 years of experience from working at McKinsey & Company and left in 2010 as a Local Partner. She has also been Vice President and Head of Sales at TeliaSonera, Deputy CEO and CMO at the SSE ExEd and run her own company Dirgni Development.

#### Current assignments:

Chair of the board in New Republic PR AB. Board member in SWEMA AB, Swema Instrument Aktiebolag, Carnegie Investment Bank AB, Carnegie Holding AB, DHS Venture Partners AB, Zipreneur AB, Movestic Livförsäkring AB. Board member and CEO in Dirgni Development AB.

#### Previous assignment (last five years):

Chair of the board in Sense Talents AB and Sense Talents Holding AB and Chair of the Board of Bambuser AB (publ). Board member in Celemiab International Aktiebolag, Storytel AB (publ), OSM Holding AB and Bee Urban Sweden AB. External vice CEO in Handelshögskolan i Stockholm Executive Education AB.

#### Holdings in the Company:

Ingrid Bojner holds 11,000 class B shares and no other financial instruments in the Company.



### Lotten Skeppstedt (born 1984)

Head of Content since 2018

#### Education/background:

Lotten Skeppstedt hold a Master in Publishing and a Bachelor's Degree in Literature from the University of Stockholm. Lotten previously worked in the management (Product Owner and Country Manager Sweden) for Bonnier Books AB.

#### Current assignments:

Board member in IT Project Skeppstedt AB. Deputy board member in Lisen Skeppstedt Aktiebolag.

#### Previous assignment (last five years):

Lotten has no previous assignments.

#### Holdings in the Company:

Lotten Skeppstedt holds 2,000 class B shares and no other financial instruments in the Company.



### Daniel Bodner (born 1984)

CTO since 2016

#### Education/background:

Daniel Bodner holds a MSc in Computer Science from the University of Innsbruck. Before joining Storytel he was working as a Software developer at Tezmo AB and 3 Banken EDV. Daniel Bodner started working as a Software developer at Storytel in 2012 and in 2015 he was appointed Lead architect before becoming the CTO at Storytel in 2016.

#### Current assignments:

CEO in Storytel GmbH.

#### Previous assignment (last five years):

Daniel Bodner has no previous assignments.

#### Holdings in the Company:

Daniel Bodner holds 18,258 class B shares in the Company and no other financial instruments in the Company.



### Martin Jonassen (born 1977)

Head of Intelligence since 2017

#### Education/background:

Martin Jonassen holds a BSc from Copenhagen Business School. He has twelve years of experience from working with Data management, Modelling and Business Intelligence in various companies and sectors, such as the companies YouSee, Berlingske Media and IUM Nordic. Before joining Storytel Sweden AB, Martin Jonassen worked with Business Intelligence and Analytics at Mofibo.

Before joining Storytel Sweden AB, Martin Jonassen worked with Business Intelligence and Analytics at Mofibo.

#### Current assignments:

Martin Jonassen has no current assignments.

#### Previous assignment (last five years):

Owner of MJSH Aps.

#### Holdings in the Company:

Martin Jonassen holds no shares or other financial instruments in the Company.



### Rickard Henley (born 1974)

Head of Publishing since 2017

#### Education/background:

Rickard Henley has studied literature at Stockholm University and studied in a master class at Hyper Island. Rickard has an extensive background in communication and storytelling, with an online focus since the dawn of Internet. He is experienced in leading digital transformation in the communication/media area, both with business and content development. Areas of expertise include online communication, digital publishing, format and product development, service design, leading and facilitating creative teams and change management. Rickard has formerly been Head of Interactive Media within the TV4 media group.

#### Current assignments:

CEO and board member in Storytel Publishing AB and Storyside AB. External CEO in Kontentan Förlags Aktiebolag and board member in Djurgårdsstaden media ekonomisk förening.

#### Previous assignment (last five years):

Head of Digital in the Swedish Educational Broadcasting company (Sw. UR) and Norstedts Förlagsgrupp AB.

#### Holdings in the Company:

Rickard Henley holds no shares or other financial instruments in the Company.



### Stefan Tegenfalk (born 1965)

Head of Expansion since 2017

#### Education/background:

Stefan Tegenfalk holds a school diploma in Tele and Technology. Stefan is an entrepreneur and was part of starting up Bredbandsbolaget after Bredbandsbolaget acquired his company Tececyber. He also founded the publishing group Massolit Förlag. He has experience from working with product development within the IT sector and currently has board engagements in different IT and media companies. Moreover, Stefan had his first novel published in 2009 and has since then written a number of books. Stefan has previously been CEO of Massolit Förlag AB and board member in Storytel.

#### Current assignments:

Chair of the board in Massolit Förlag AB and Fiber Access NP Management Intressenter AB. Board member in Omega Film AB, Waystream AB, Waystream Holding AB (publ), Steteg AB and Stefan Tegenfalk Invest AB.

#### Previous assignment (last five years):

Chair of the board in Storytel Publishing AB. Board member in Storytel AB (publ) and Brafö AB.

#### Holdings in the Company:

Stefan Tegenfalk holds 2 class A shares and 344,494 class B shares in the Company and no other financial instruments in the Company.

## Other information about the Board of directors and executive management

There are no family ties between any member of the board of directors or the executive management. There are no conflicts of interest or potential conflicts of interest between the undertakings of the board of directors and the executive management in relation to the Company's and the respective private interests of the board members and members of the executive management and/or other undertakings (however, several of the members of the board of directors and the executive management have certain financial interests in Storytel due to their direct or indirect shareholding in the Company). Anna Lundström-Gars was an external signatory for the company utd. by content Nordics AB during its liquidation and the following bankruptcy.

Morten Qvist Strunge was a board member in the Danish companies Stronzo Brewing Co ApS and Agnes Cupcakes ApS that entered into bankruptcy proceedings in May 2014 and July 2013, respectively.

Except for what is previously stated, during the past five years, no member of the board of directors or the executive management have (i) been having any other assignments other than those described for

each board member and executive management representative, (ii) been convicted in fraud-related court cases, (iii) represented a company that has been declared bankrupt or has entered into liquidation, (iv) apart from what is stated above, been the subject of sanctions or accused by a public authority or organisation that represents a certain professional grouping and is governed via public sector law, or (v) banned from taking part in business activities.

All board members and the executive management can be contacted via the Company's main office (the address of which is specified on the last page in the Company Description).

### Auditor

The Company's auditor is Ernst & Young AB, with the authorised public accountant Alexander Hagberg as auditor in charge. Alexander Hagberg is an authorised public accountant and member of FAR (the Swedish trade organisation for accounting consultants, auditors and advisors). Ernst & Young AB and Alexander Hagberg can be contacted at Ernst & Young AB, Jakobsbergsgatan 24, Box 7850, 111 44 Stockholm.

# 9. *Corpo- rate gover- nance*

Storytel is a Swedish public limited liability company. The Company has previously been listed at Spotlight Stock Market (previously known as AktieTorget) and prior to the listing on Nasdaq First North the Company's corporate governance was based on Swedish law, internal rules and instruction and Spotlight Stock Market's rules for issuers. Once Storytel is listed on Nasdaq First North, the Company will also comply with Nasdaq First North Rule Book for Issuers.

The general shareholders' meetings are, in accordance with the Swedish Companies Act, the highest decision-making body of the Company, and at the general meetings the shareholders exercise their voting rights on key issues, including inter alia decisions regarding adoption of income statements and balance sheets, allocation of the Company's results, discharge from liability for the board of directors and the CEO, election of directors of the board and auditor and remuneration to the board of directors and auditor. In addition to the annual general meeting ("AGM"), extraordinary general shareholders' meetings ("EGM") may be convened. In accordance with Storytel's articles of association, notice of the AGM and EGMs shall be made by announcement in the Official Swedish Gazette and by posting the notice on Storytel's website. An announcement that the notice has been issued is published in Dagens Nyheter

### Right to attend general shareholders' meetings

All shareholders who are directly registered in the share register, maintained by Euroclear Sweden AB ("Euroclear Sweden") five week-days before the general shareholders' meeting, and have notified the Company of their intention to participate (including any assistants) at the general meeting, no later than on the date stated in the notice of the general meeting, have the right to attend the general meeting and vote for the number of shares they hold. Shareholders may attend the general shareholders' meeting in person or by proxy and may also be accompanied by a maximum of two assistants. Shareholders can normally register for the general shareholders' meetings in several different ways, as stated in the notice of the general meeting.

### Shareholder initiatives

Shareholders who wish to have a matter addressed at the general shareholders' meeting must submit a written request to the board of directors. The board of directors must normally have received the request no later than seven weeks before the general shareholders' meeting.

### Board of directors

The board of directors is the highest decision-making body following the general shareholders' meeting and the Company's highest executive body. In accordance with the Swedish Companies Act, the board is responsible for the management and organisation of the Company, which means that the board is responsible for, among other tasks, establishing goals and strategies, ensuring that proce-

dures and systems are in place for the evaluation of decided goals, continuously evaluating Storytel's financial position and result, and evaluating the executive management. The board is also responsible for ensuring that the annual report, consolidated financial statements of the Group and interim reports are prepared on time. The board also appoints the CEO. The directors of the board are elected every year at the AGM for the period until the end of the next AGM. According to the Company's articles of association, the board of directors, insofar as it is elected by the AGM, shall consist of at least three and no more than eight board members and no more than eight deputy board members.

The chair of the board is elected by the AGM and has a specific responsibility to lead the board of directors' work and shall ensure that the work is well organised and carried out efficiently. The board of directors follows written rules of procedure, which are revised annually and adopted by the inaugural meeting with the board of directors every year. Among other matters, the rules of procedure stipulate practices of the board of directors, functions and the division of work between the directors of the board and the CEOs and the established committees. In connection with the inaugural meeting with the board of directors, the board of directors also establishes instructions for the financial reporting and the CEO.

The board of directors hold meetings according to an annual schedule established in advance. In addition to these meetings, additional meetings can be convened to address issues which cannot be postponed until the next scheduled meeting. In addition to the board meetings, the chairman of the board and the CEO continuously discuss the management of the Company. The board of directors of the Company currently consists of seven directors elected at the shareholders' meeting, who are presented in greater detail in the section "Board of directors, executive management and auditor".

### Internal control

The board and the CEO's responsibility for internal control is governed by the Swedish Companies Act, the Swedish Annual Accounts Act, which requires that information about the main features of the Company's system for internal control and risk management related to financial reporting each year must be included in the corporate governance report, the rules of procedure for the board and instructions to the CEO as well as the instructions for the financial reporting. The board of directors is, amongst other things, responsible to ensure that



the Company has sufficient internal control and formalised routines to secure that established principles for financial reporting and internal control are followed and that there are effective systems in place to monitor and control the Company's operations and the risks associated with the Company's business and operations.

The overall purpose of the internal control is to, at a reasonable degree, ensure that the Company's operating strategies and targets are monitored and that the shareholders' investments are protected. Furthermore, the internal control is to ensure that the external financial reporting, with reasonable certainty, is reliable and prepared in accordance with GAAP, that applicable laws and regulations are followed and that the requirements imposed on listed companies are complied with.

The Company has not established a separate internal audit function, this task is instead performed by the board of directors.

### Chief Executive Officer

The CEO is appointed by the board and has the primary responsibility for the day to day management of the Company and the daily operations. The division of work between the board and the CEO is set forth in the rules of procedure for the board and the instructions for the CEO. The CEO is also responsible for preparing reports and compiling information from the executive management for the meetings with the board of directors and for presenting such materials at the meetings. According to the instructions for financial reporting, the CEO is responsible for the financial reporting of the Company and shall, accordingly, ensure that the board of directors receives adequate information to enable the board of directors to continuously evaluate Storytel's financial position.

The CEO must continuously keep the board of directors informed of the development of Storytel's operations, the amount of sales, the Company's financial position and result, the liquidity and credit situation, important business events and other circumstances that cannot be presumed to have an insignificant importance to the Company's shareholders for the board of directors to be aware of (such as material disputes, cancellation of agreements that are important to Storytel and significant circumstances concerning Storytel's facilities). The CEO and other senior executives are presented in greater detail in the section "Board of directors, executive management and auditor".

### Remuneration to the board of directors, CEO and other senior executives

Fees and other remuneration to board members, including the chair of the board, are decided at the annual general meeting. The annual general meeting on 15 May 2018 resolved that a total fee of SEK 1,000,000 shall be paid to the board of directors, out of which a fee of SEK 300,000 shall be paid to the chair of the board and a fee of SEK 175,000 shall be paid to other members of the board, excluding Storytel employees, for the period until the next annual general meeting.

### Current employment contract for the CEO and agreements with other senior executives

The CEO's current employment contract stipulates a reciprocal period of notice of three months. For other Senior Executives, the reciprocal period of notice is either three or six months. No senior executive has the right to severance pay in addition to salary and benefits during the period of notice.

### Auditing

The auditor is to review the Company's annual report and accounting as well as the management of the board and the CEO. Following each financial year, the auditor is to submit an audit report and a consolidated audit report to the annual general meeting.

In accordance with the Company's articles of association, the Company shall have one auditor or registered audit firm. The Company's auditor is Ernst & Young AB, with authorised public accountant Alexander Hagberg as auditor in charge. Alexander Hagberg is an authorised public accountant and member of FAR (the Swedish trade organisation for accounting consultants, auditors and advisors). The Company's auditor is presented in greater detail in the section "Board of directors, executive management and auditor".

In 2017, remuneration of the Company's auditor totalled SEK 2.8 million, of which SEK 1.9 million pertained to audit services related to the appointment of auditor in Storytel and SEK 913,000 pertained to other consulting services.

## Remunerations in 2017

The table below presents an overview of the remuneration to the board members and the CEO in the financial year 2017.

Name	Remuneration/ salary	Pension costs	Variable remuneration	Other benefits	Total
<b>Board of directors</b>					
Jonas Tellander <sup>[37]</sup>	-	-	-	-	-
Ingrid Bojner <sup>[38]</sup>	87,500	-	-	-	87,500
Stefan Tegenfalk <sup>[39]</sup>	-	-	-	-	-
Rustan Panday <sup>[40]</sup>	705,745	144,876	-	-	850,621
Nils Janse	87,500	-	-	-	87,500
Jonas Sjögren	87,500	-	-	-	87,500
Karin Alexandersson <sup>[41]</sup>	471,118	34,846	-	-	505,964
<b>Total remuneration to the board of directors</b>	<b>1,439,363</b>	<b>179,722</b>	<b>-</b>	<b>-</b>	<b>1,619,085</b>
<b>Total remuneration to the CEO</b>	<b>1,861,280</b>	<b>239,952</b>	<b>-</b>	<b>102,287</b>	<b>2,203,519</b>
<b>Total remuneration to the management (excl. CEO)<sup>[42]</sup></b>	<b>5,908,223</b>	<b>1,768,032</b>	<b>-</b>	<b>3,801,308</b>	<b>11,477,563</b>
<b>Total remuneration to the board of directors and management</b>	<b>10,648,229</b>	<b>2,367,428</b>	<b>-</b>	<b>3,903,595</b>	<b>16,919,252</b>

37 Eva Swartz Grimaldi is not part of the executive management in the Company. However, Eva Swartz Grimaldi is chair of the board of Norstedts Förlagsgrupp AB, a subsidiary to Storytel AB (publ).

38 Ingrid Bojner received remuneration in the capacity as board member in the Company during the financial year 2017. Ingrid Bojner is as of the date of the Company Description part of the executive management in the Company, for further information, see section "Board of directors, executive management and auditor – Executive management".

39 Remuneration to Stefan Tegenfalk consists of salary that he received from his employment as Head of Expansion in the executive management, which is included in Total remuneration to the executive management. He has not received any remuneration as board member.

40 Remuneration to Rustan Panday consists of salary that he received as an employee of the Company. He has not received any remuneration as board member.

41 Remuneration to Karin Alexandersson consists of salary that she received as an employee of the Company. She has not received any remuneration as board member.

42 Stefan Tegenfalk, Sofie Zettergren, Daniel Bodner, Märta Langén, Rickard Henley, Martin Jonassen and Morten Qvist Strunge was part of the executive management during the financial year 2017.

# 10. Share capital and ownership structure

## General information

According to the Company's articles of association at the date of the Company Description, the share capital may not be less than SEK 15,000,000 and not exceed SEK 60,000,000, and the number of shares may not be less than 30,000,000 and not exceed 120,000,000. As of the date of the Company Description, the Company's registered share capital amounts to SEK 27,932,653.5 and there is a total of 55,865,307 shares outstanding in the Company, where 635 are class A shares and 55,864,672 are class B shares. The number of outstanding class A shares is limited to 10,000 and 120,000,000 for class B shares. The shares are denominated in SEK and each share has a quotient value of SEK 0.5.

The shares in the Company have been issued in accordance with Swedish law. All issued shares are fully paid and freely transferable.

## Certain rights associated with the shares

The rights associated with shares issued by the Company, including those pursuant to the articles of association, may only be amended in accordance with the procedures stated in the Swedish Companies Act (2005:551).

## Voting rights

Each share of class A in the Company entitles the holder to ten votes and each share of class B entitles the holder to one vote at general meetings of shareholders.

## Preferential rights to new shares

If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue.

## Dividends and dividend policy

As of the date of the Company Description, Storytel have not paid any dividends since the Company was listed on Spotlight Stock Market and the Company's board of directors has not adopted a dividend policy. Decisions regarding dividends are made by the general meeting of shareholders and dividends are paid through Euroclear Sweden. All shareholders who are registered in the share register maintained by Euroclear Sweden on the record date determined by the general meeting of shareholders are entitled to receive dividends. Dividends are normally paid as a cash amount per share, although they may also be paid in a form other than cash (cash-in-kind dividend). Dividends may only be paid in an amount that ensures there is full coverage for the Company's restricted equity after the dividend is paid and provided that the dividend appears to be justifiable taking into account (i) the demands placed on the size of the Company's equity due to the type of business conducted, its scope and risks, and (ii) the Company and the Group's consolidation needs, liquidity and position in general. As a general rule, the shareholders are not permitted to decide on dividends in an amount larger than that proposed or approved by the board of directors.

The right to dividends applies to shareholders who are registered as shareholders in the share register maintained by Euroclear Sweden on the record date for dividends decided by the general meeting of shareholders. Should a shareholder not be reached through Euroclear Sweden, the shareholder will continue to have a claim against the Company concerning the dividend amount and this is only limited by rules concerning a ten-year statute of limitation. After the period of limitation, the dividend amount accrues to the Company. Neither the Swedish Companies Act nor the Company's articles of association contain any restrictions regarding the right to dividends for shareholders outside Sweden. Apart from the restrictions pursuant to banking and clearing systems, payments to such shareholders are made in the same manner as those made to shareholders domiciled in Sweden. Shareholders who are not subject to taxation in Sweden are normally subject to Swedish withholding tax. Refer to the section "Tax considerations in Sweden".

### Central securities depository

The Company's shares are issued in dematerialised form through the services of Euroclear Sweden

(P.O. Box 191, SE-101 23 Stockholm, Sweden). In accordance with the Swedish Financial Instruments Accounts Act (Sw. lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument), Euroclear is the central securities depository and clearing organisation for the shares. Accordingly, no share certificates have been issued and any share transfers are made electronically. All shares are fully paid and denominated in the currency SEK. The ISIN code for the Company's class B shares is SE0007439443.

### Convertibles, warrants, authorisation to issues securities, etc.

As of the date of this Company Description, the Company has no outstanding warrants, convertibles or other financial instruments.

### Share capital trend

The following table shows the share capital trend for the Company's share capital during the years covered by the financial overview.

Date	Event	Change in number of class B shares	Change in share capital (SEK)	Total number of shares	Total share capital (SEK)
5 October 2018	Share issue	4,348,000	2,174,000	55,864,672 class B shares 635 class A shares	27,932,653
18 October 2017	Set-off issue	7,267	3,633	51,516,672 class B shares 635 class A shares	25,758,653
15 September 2017	Share issue	3,000,000	1,500,000	51,509,405 class B shares 635 class A shares	25,755,020
7 April 2017	Set-off issue	662,857	331 428	48,509,405 class B shares 635 class A shares	24,255,020
18 October 2016	Share issue	2,500,000	1 250 000	47,846,548 class B shares 635 class A shares	23,923,591
16 June 2016	Share issue	650,000	325,000	45,346,548 class B shares 635 class A shares	22,673,591
31 May 2016	Set-off issue	879,121	439,560	44,696,548 class B shares 635 class A shares	22,348,591

## Ownership structure

The Company's largest shareholders with shareholdings over five percent of the total shares in the Company as of 31 October 2018 and known changes thereafter, are listed below.

Shareholder	Number of A shares	Number of B shares	Percent of share capital
Roxette Photo NV	–	11,692,423	20.93
Jonas Tellander	–	5,000,000	8.95
Handelsbanken Fonder	–	5,254,796	9.41
Swedbank Robur Fonder	–	4,045,932	7.25
Annamaria Tellander	–	3,192,264	5.71
<b>Total largest sharefolders</b>	<b>0</b>	<b>29,185,415</b>	<b>52.24</b>
Other sharefolders	635	26,679,892	47.76
<b>Total</b>	<b>635</b>	<b>55,865,307</b>	<b>100.0</b>

# 11. Articles of association

## BOLAGSORDNING

ORG. NR. 556575-2960

This is an unofficial in-house translation. In case of any discrepancy, the Swedish text shall prevail.

### § 1 Company name

The name of the company is Storytel AB (publ)

### § 2 Registered office

The registered office of the company shall be in Stockholm.

### § 3 Object of the company

The company's object is to carry out (i) publishing activities, (ii) writing and other cultural activities, (iii) acquisition and licensing of rights, and (iv) consulting activities within publishing, film and other cultural activities, (v) publishing activities through production and sale of audiobooks and to conduct activities related to the aforementioned. In addition, the company shall own and manage shares and to conduct activities related to the aforementioned.

### § 4 Fiscal years

The company's fiscal year shall be 1 January - 31 December.

### § 5 Share capital and number of shares

The share capital shall be at least SEK 15,000,000 and no more than SEK 60,000,000.

The number of shares shall be at least 30,000,000 and no more than 120,000,000.

The company may issue shares of two classes, class A and class B. Class A shares shall entitle to ten votes and class B shares shall entitle to one vote. No more than 10,000 class A shares and no more than 120,000,000 class B shares can be issued.

### § 6 Shareholders' rights in connection with increases of the share capital

If the company decides to issue new class A and B shares through a cash issue or a set-off issue, the owners of class A and B shares shall have preferential right to subscribe for new shares of the same classes in proportion to the number of shares they already hold (primary preferential right). Shares not subscribed with the primary preferential right shall be offered to all shareholders (subsidiary preferential right). If the shares offered are insufficient for subscription based on subsidiary preferential rights, the shares shall be distributed in proportion to the number of shares the shareholders already own, to the extent that this is not possible, by drawing of lots.

If the company decides to offer new shares of only one class of shares through a cash issue or a set-off issue, all shareholders, regardless of whether their shares are of class A or class B, shall have preferential right to subscribe for new shares in proportion to the number of shares that they already hold.

If the company decides to issue warrants or convertibles against cash or set-off of claim, the shareholders have a preferential right to subscribe for warrants as though the issue concerned those shares which might be subscribed for on account of the warrant and a preferential right to subscribe for convertibles as though the issue concerned those shares which the convertibles may be exchanged to, respectively.

The above shall not imply any restriction in the possibility to decide on a new share issue against cash or set-off of claim, with derogation from the shareholders' preferential right.

If the share capital is raised through a bonus issue, new shares of each class shall be issued in relation to the number of pre-existing shares of the same class. In that connection, old shares of a certain class of shares shall entail a right to new shares of the same class of shares. The above shall not imply any restriction in the possibility to carry out a bonus issue and, after necessary change in the articles of association, issue new shares of a new class.

### § 7 Conversion of a share class

Owners of class A shares may demand to have its shares converted into class B shares. Such request of conversion shall be made in writing to the board of directors and state the number of shares to be converted. The company shall immediately submit a notification to register the conversion. The conversion is executed at the time of registration.

### § 8 Board members and and deputy board members

The board of directors shall consist of at least three and no more than eight board members with no more than eight deputy board members. An appointment as a board member or deputy board member is valid until the first annual general meeting held after the year that the board member or deputy member was elected.

### § 9 Auditor

For review of the company's annual report and bookkeeping as well as the management pursued by the board of directors and the managing director, one or two auditors with no more than two deputy auditors are to be appointed.

### § 10 Convening of a general meetinga

Notice of general meetings shall be made by announcement in the Swedish Official Gazette and by posting the notice on the company's website. At the time of the notice, an announcement with information that the notice has been issued shall be published in Dagens Nyheter.

### § 11 Right to attendance at general meetingsta

A shareholder that wishes to participate in a general meeting must be recorded in a printout or other transcript of the share register as of five weekdays before the meeting, and notify the company no later than 12 am on the date stated in the notice of the meeting. Such a date may not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and may not occur earlier than the fifth weekday prior to the general meeting.

A person who is not a shareholder of the company shall, on the terms decided by the board of directors, have the right to attend or in any other way be able to monitor the decisions taken on general meetings.

### § 12 Matters of the annual general meeting

At the annual general meeting, the following matters shall be considered:

1. Opening of the meeting
2. Election of chair of the meeting
3. Election of one or more persons to certify the minutes
4. Preparation and approval of the voting list
5. Approval of the proposed agenda
6. Examination of whether the meeting has been properly convened
7. Presentation of the annual report and auditor's report and, if any, the consolidated annual report and the auditor's statement regarding the consolidated annual report
8. Resolutions regarding;
  - a) adoption of the income statement and the balance sheet and, if any, the group income statement and the group balance sheet.
  - b) the profit or loss of the company in accordance with the adopted balance sheet.
  - c) discharge from liability for the members of the board and the managing director,
9. Determination of the fees for the members of the board of directors and the auditor(s)
10. Determination of the number of board members and deputy board members, election of members of the board of directors and deputy board members, and at the end of each auditor's mandate period, election of the auditor(s) and possible deputy auditor(s)

### § 13 Central securities depository registration

The company's shares shall be registered in a central securities depository register in accordance with the Central Securities Depositories and Financial Instruments Accounts Act (SFS 1998:1479).

These articles of association were adopted at the extraordinary general meeting on 24 July 2015.

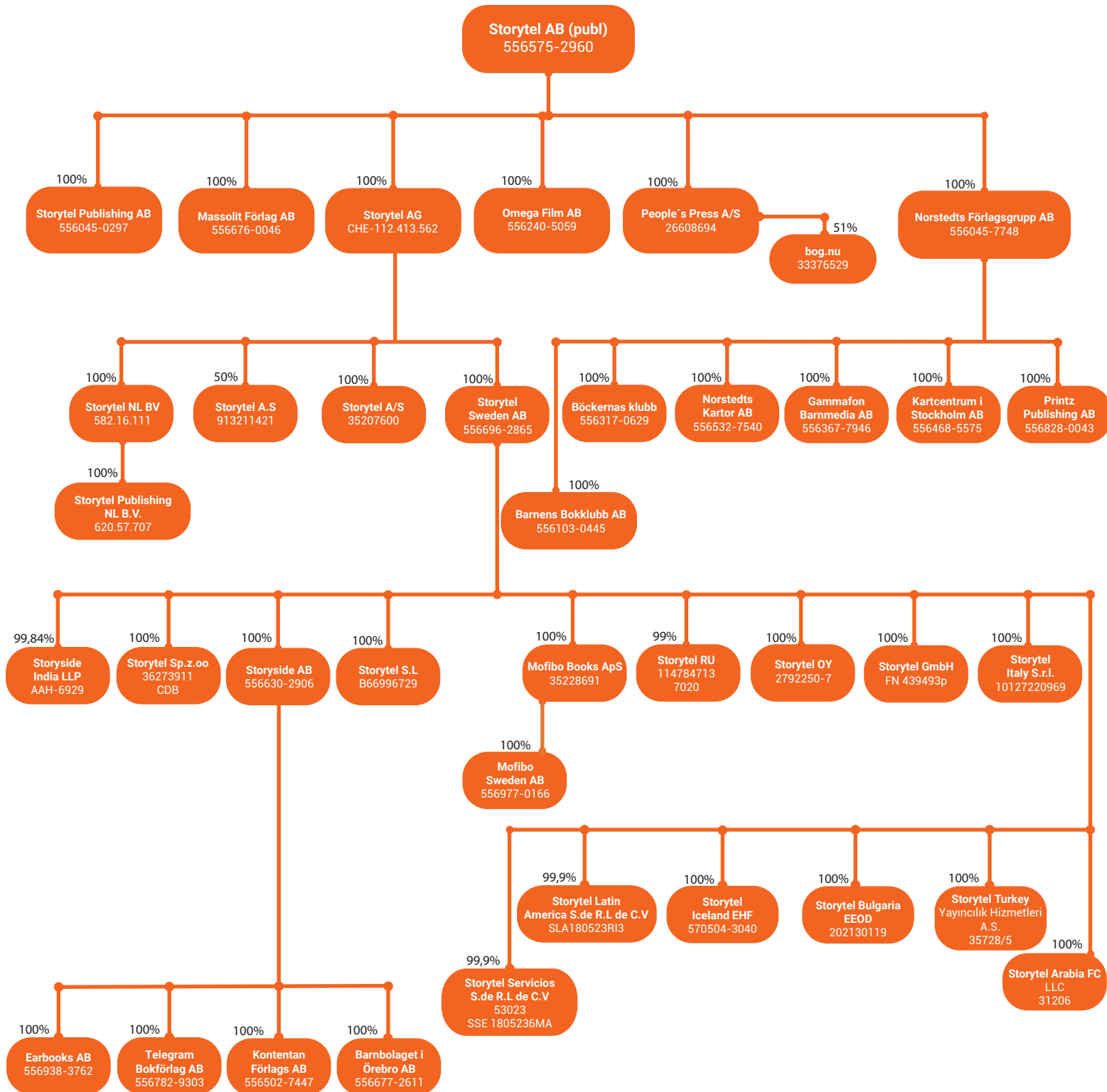
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***Legal  
considerations  
and supplementary  
information***



# Storytel Group structure

Storytel Group Structure October 2018



## Material agreements

### Agreements - Streaming

#### Subscription agreements with customers

The subscription agreements entered into with Storytel's customers are fundamental to enable profitability for the streaming division and to the Group as a whole. Storytel's current subscriptions give the subscribers right to stream an unlimited number of digital books through the Storytel service, which can be accessed via mobile phones, tablets or other devices compatible with the service such as the Storytel Reader. The customer pays a fixed subscription fee to Storytel each month in advance. The subscription is valid until further notice and the customer has right to terminate the agreement at any time with effect as of the next thirty-day payment cycle.

#### Telia

Storytel has entered into a cooperation agreement with Telia regarding providing Storytel's technical platform for digital distribution of audiobooks to Telia for the purpose of providing value added services to Telia's customers. Telia receives a right, in certain territories to distribute, market, bundle and sell Storytel subscriptions. Telia shall pay Storytel the monthly fees for bundled months and receives in return a remuneration per subscriber. The agreement is automatically renewed for two years at a time and can be terminated by either party with three months' prior written notice.

#### Content and distribution agreements with non-UK and non-US publishers of e-books and audiobooks

Storytel has entered into several agreements with non-UK and non-US publishers of which some are market leaders. This enables Storytel to make the publishers' content available to be streamed through the service provided by Storytel, which is important to provide a variety and premium content to subscribing customers. Storytel shall pay the publishers royalties for each listening of content made available through a Storytel subscription plan. The agreements are valid for one to two years from the date of signing unless earlier terminated. After that period, the agreements will continue to be in force without further notice and with six to 12 months' prior written notice of termination.

#### Content and distribution agreements with UK and US publishers of e-books and audiobooks

Storytel has entered into agreements with a number of UK and US publishing companies, which holds the rights to e-books and audiobook titles for the international market. The agreements enable Storytel to provide these publishing companies' content in the Company's service in certain geographical markets and to provide a variety and premium content to Storytel's subscription customers. Storytel receives a non-exclusive right to distribute, market and promote the content provided by these publishing companies. Storytel has to pay royalties for each listening of content made available through a Storytel subscription plan. The agreements are valid for one to two years and can be terminated by either party with 30 days' prior written notice.

#### Agreement with Adyen

In 2015, Storytel entered into an agreement with Adyen. Adyen provides a payment platform which can handle various payment solutions (e.g. payments from different credit card providers and bank transfer solution providers) to Storytel. The agreement contains the terms and conditions for the services that Adyen shall provide to Storytel which, inter alia, includes handling of transactions between Storytel and its customers for monthly subscription payments and handling of settlements of the transactions with the credit card companies/banks and the customers' banks. Once the payments have been settled, Adyen transfers the amounts to Storytel. Storytel's customer service personnel also uses Adyen services to track and perform repayments to Storytel's customers. Adyen charges a processing fee for each payment transaction. The fee for each transaction is set in accordance with a fee table with different fee levels depending on the number of transactions that are processed by Adyen each month. The agreement is valid until further notice and can be terminated with two months' prior written notice.

#### Joint Venture Norway

The Company's wholly owned subsidiary Storytel AG has entered into a joint venture with the Norwegian publisher Cappelen Damm where each of the said shareholders own 50 percent of the outstanding shares in Storytel AS. Storytel AS has been set up to combine Storytel's tech platform with Cappelen Damm's content, for the purpose of providing the Storytel product to customers in Norway. The joint venture consists of i) a shareholders' agree-

ment between Storytel AG and Cappelen Damm, governing certain matters concerning their joint ownership of Storytel AS, which is valid until Storytel AS is sold, merged into another entity, wound up or listed on a stock market; ii) a license agreement pursuant to which Storytel Sweden AB grants Storytel AS a right to use Storytel's platform, which is valid until 31 December 2018 and after that the agreement is automatically renewed for one-year periods until terminated by either party with 6 months' prior written notice to 31 December of any calendar year; and iii) a distribution agreement between Storytel AS and Cappelen Damm pursuant to which Storytel AS is granted access to Cappelen Damm's content, which is valid until further notice with six months' notice of termination.

### Agreements - Print Publishing

#### Agreements with authors

Norstedts is a major print publishing company in Sweden and has as such entered into a vast number of agreements with authors regarding the exclusive right for Norstedts to publish a title or volume of a book which has been written or is about to be written. The agreements for coming publications entitles the author an upfront payment, a percentage of sales from the book together with royalties.

#### Distribution agreement and services agreements with Speed Logistics i Stockholm AB

Norstedts has entered into a distribution agreement and a services agreement with Speed Logistics i Stockholm AB (formerly Samdistribution Logistik Sverige AB) ("Speed Logistics") in which Speed Logistics shall handle the logistics, including storage management and distribution of physical items and products and customer service and the sales ledger for Norstedts. The agreements are necessary to handle the logistics and distribution of Norstedts' books to retail partners and thereby enable sale of books to end-customers.

The distribution agreement gives Speed Logistics an exclusive right to handle the services for five years from the date of distribution of the articles to the storage facility and from 1 July 2016 at the latest. The agreement is valid until 30 June 2021. After that period, the agreement is automatically renewed for one year at a time if it is not terminated by either party with nine months' notice of termination before the period(s) for agreement expiration.

The services agreement is valid until 28 February 2019, and after that period, the agreement is automatically renewed for one year at a time if it is not terminated by either party with six months' notice of termination before the period(s) for agreement expiration.

#### Agreements with retail partners for sale of books to end-customers

Norstedts has entered into a number of material agreements with retail partners ("Retail Partners") for sale of books to end-customers in Sweden. The agreements regulate the terms and conditions for sale of Norstedts' books to end-customers, including terms and conditions regulating ordering volume discounts and sale target bonuses for the Retail Partners and marketing support from Norstedts. The agreements are automatically renewed until further notice with three to six months' notice of termination.

#### Marketing agreements

Storytel has entered into a number of agreements with companies for marketing in their channels and/or on their platforms, e.g. in TV, radio, digital and print. A big part of Storytel's operations is dependent on being able to market its products and service to retain and attract customers. As examples of digital marketing, Storytel uses Google Ads and Facebook Ads to advertise. Google Ads reaches out to users of Google Search and Google's search partners, who visit Google Play Store or browse YouTube or any of the apps and websites included in the Google network. Facebooks Ads gives Storytel the right to advertise on Facebook, Instagram, as well as users of any of the apps and websites in Facebook's network. Storytel may also advertise to users of other products that are included in, or added to Google's and/or Facebook's advertising ecosystems. The advertisements are targeted based on e.g. keywords, interests, demographics and behaviour. The agreements are standardised for each marketing channel with updated terms for each year.

#### Acquisitions agreements

##### Streaming - Acquisition of companies in Bulgaria, Turkey and Iceland

In 2017, Storytel acquired 100 percent of the shares in the Bulgarian company D&D Factory EOOD ("D&D Factory"), the Turkish company Seslenenkitap Yayıncılık Hizmetleri A.Ş. ("Seslenenkitap") and the Icelandic company Skynjun EHF ("Skynjun") to es-

establish Storytel's operations and service in respective country. Storytel paid an initial purchase price in cash for the acquisitions of D&D Factory and Seslenenkitap. The initial purchase price for Skynjun was paid with shares in Storytel by a directed share issue. The aggregated initial purchase price for the three acquisitions amounted to approximately EUR 0.47 million. An additional purchase price might become payable after 24 months, 36 months and by the end of 2019, respectively, if certain objectives have been reached in accordance with a performance based earn-out model. These objectives are mainly related to financial performances, based on sales and production targets. Storytel can choose to pay each additional purchase price in cash or by an optional issuance of shares in Storytel. The maximum aggregated amount payable as additional purchase price for these acquisitions amounts to approximately EUR 2.6 million.

### Print Publishing - Acquisition of Norstedts

In 2016, Storytel acquired the Norstedts group, the second largest publishing house in Sweden. The acquisition was financed through a SEK 110 million bank loan, a SEK 40 million bridge loan and SEK 2 million in own funds. The purchase included Norstedts' wholly owned subsidiaries Böckernas Klubb, Norstedts Kartor AB, Kartcentrum i Stockholm AB and Gammafon Barnmedia AB, as well as, ownership in the companies Barnens Bokklubb AB, Pocketförlaget Sverige AB, Elib AB, Månadens Bok HB and Bokinfo Norden KB.

### Lease agreement

#### AFA Fastigheter

Storytel leases office premises located on the property Gråmunkeholmen 4 with address Norra Riddarholmshamnen 1 in Stockholm. The lease is entered between Norstedts as the tenant and AFA Sjukförsäkringsaktiefbolag ("AFA") as the landlord. The parties have entered into a new lease agreement regarding the premises with effect as per 1 January 2019, which will replace the current lease agreement. The lease period expires on 30 September 2026 and unless terminated nine months prior to the end of each term, the lease is automatically extended by three years at a time. Norstedts subleases, as a landlord, a part of the office to Storytel Sweden AB as the subtenant. The lease period for this sublease expires on 31 May 2020 and unless terminated nine months prior to the end of each

term, the lease is automatically extended by one year at a time.

### Disputes

Storytel's subsidiary People'sPress has filed a notification with the Danish Data Protection Agency in connection with a data breach in the Spanish company Typeform S.L ("Typeform"). In 2017, Typeform provided quiz game services to People'sPress. These quiz games required the user to register its email address, which were processed and stored on Typeform's servers. On 3 May 2018 (before the GDPR regulation entered into force, i.e. before 25 May 2018), Typeform's servers were hacked and approximately 330 email addresses were compromised. People'sPress received information of the data breach from Typeform on 29 June 2018 and People'sPress reported the data breach on 3 July 2018 to the Danish Data Protection Agency. At the time of the data breach, People'sPress had no commercial relationship with Typeform, had not processed or handled the compromised data and were of the understanding that the personal data had been deleted, as the agreement with Typeform expired on 7 December 2017. As of the date of the Company Description, the matter is still pending the review of the Danish Data Protection Agency.

Apart from what has been described above, Storytel has not been party to any legal proceedings or arbitration proceedings (including any unsettled cases or any cases that the Company knows may arise) during the past 12 months that have had, or could have, a material impact on the Company's financial position or profitability.

### Intellectual property rights

#### Trademarks

Storytel and its subsidiaries, together holds of approximately 100 trademark registrations and applications around the world providing a trademark protection for amongst other the STORYTEL word and logo. The majority of the trademark registrations and applications are held by Storytel Sweden AB, while the ownership of the other trademark registrations and applications are split between Storytel Publishing AB, StorySide and Norstedts.

#### Domain names

Storytel and its subsidiaries has approximately 180 registered domain names. About half of the do-

mains are held by Storytel Sweden AB and relate to the word "Storytel", with or without additional words, registered on the most common top-level domains, such as .com and .net, and on several national top-level domains for different countries, such as .se, .no, .us, .es, .pl, etc.

The other half of the domains are held by Norstedts and relate to the word "Norstedts", with or without additional words, and Norstedts other trademarks, registered on the most common top level domains, such as .com and .net, and on .se.

### Insurance

The Company has a property damage and business interruption insurance including loss of property damages and business interruption in the Company's facilities. Furthermore, Storytel has insurance against media liability including a protection against negligence in the Company's own media content, general liability and product liability insurance that includes protection against claims from third parties, legal aid insurance covering legal fees in civil trials, crime insurance that covers the Company against losses arising from criminal acts up to an amount of SEK 10 million and a director and officer insurance. In addition, the Company has insurance policies for liability relating to personnel, accidents and accidental death of personnel, crime against property, fire, water damage and business travels. Storytel assesses that its insurance coverage is satisfactory in respect to the nature and extent of the business. However, there is no guarantee that Storytel will not suffer losses not covered by insurances.

### Transactions with related parties

Related parties refer to all subsidiaries in the Group and senior executives in the Group, meaning the board of directors and executive management, and members of their families. The following transactions have been made with related parties. All transactions with related parties have been carried out at arm's length.

The following board members are also employed by the Company and receive salary:

- Jonas Tellander is employed as CEO in the Company with an, employment level of 100 percent.

- Rustan Panday's employment level is 25 percent. Rustan shall also receive SEK 300,000 as remuneration for his work as Chair of the Board during the fiscal year 2018 in accordance with a decision taken at the Company's annual general meeting on 15 May 2018.
- Karin Alexandersson is employed as administrator in the expansion team with an employment level of 100 percent.

Eva Swartz Grimaldi is the Chair of the Board in Norstedts Förlagsgrupp AB and receives a yearly remuneration of SEK 50,000. Furthermore, Eva Swartz Grimaldi has a consultancy agreement with Norstedts according to which she is allowed to invoice up to SEK 275,000 per year to cover the operational improvements and management work that she performs, which is not covered within her role as Chair of the Board.\*

Karin Alexandersson's husband is hired by the Company for translation services on a consulting basis. He has invoiced the Company an amount of SEK 36,520 in 2017.

Apart from what has been described above, no other transactions between board members or other related parties and subsidiaries occurred during the period from 1 January 2018 up to the publication date of the Company Description.

### Certificate of publication

In order to publish a periodical in Sweden, a certificate of publication is needed in accordance with the Freedom of the Press Act (Sw. Tryckfrihetsförordningen). The requirement of a certificate of publication also means the periodical is covered by the rules regarding freedom of the press. Storytel, through its subsidiaries, holds a number certificates of publication that covers their operations.

### Certified Adviser

Storytel's Certified Adviser is FNCA Sweden AB. FNCA Sweden AB does not own any shares in the Company.

# 13. Tax considerations in Sweden

Below is a summary of certain Swedish tax issues related to the Offering and the admission for trading of the shares in the Company on Nasdaq First North for private individuals and limited liability companies that are residents of Sweden for tax purposes, unless otherwise stated. The summary is based on current legislation and is intended to provide general information only regarding the shares in the Company as from the admission for trading on Nasdaq First North.

The summary does not cover:

- situations where shares are held as current assets in business operations;
- situations where shares are held by a limited partnership or a partnership;
- the special rules regarding tax-free capital gains (including non-deductible capital losses) and dividends that may be applicable when the investor holds shares in the Company that are deemed to be held for business purposes (for tax purposes);
- the special rules which in certain cases may be applicable to shares in companies which are or have been so-called close companies or to shares acquired by means of such shares;
- the special rules that may be applicable to private individuals who make or reverse a so-called investor deduction (Sw. investeraravdrag);
- foreign companies conducting business through a permanent establishment in Sweden; or
- foreign companies that have been Swedish companies.

Further, special tax rules apply to certain categories of companies. The tax consequences for each individual shareholder depend to some extent on the holder's particular circumstances. Each shareholder is advised to consult an independent tax advisor as to the tax consequences that could arise from the Offering and the admission for trading of the shares in the Company on Nasdaq First North, including the applicability and effect of foreign tax legislation (including regulations) and provisions in tax treaties for the avoidance of double taxation.

## Private individuals

For private individuals resident in Sweden for tax purposes, capital income such as interest income, dividends and capital gains is taxed in the capital income category. The tax rate in the capital income category is 30 percent. Capital gains or losses equal the difference between the proceeds, after reduction for sales costs, and the purchase price. The aggregate purchase price for all shares of the same kind and class is divided on the number of shares. As an alternative rule, applicable on listed shares, the purchase price may be calculated to 20 percent of the proceeds, after reduction for sales costs. Capital losses on listed shares may be fully offset against taxable capital gains the same year on shares, as well as on listed securities taxed as shares (however not mutual funds, (Sw. värdepappersfonder), or hedge funds, (Sw. specialfonder)

or containing Swedish receivables only, (Sw. räntefonder)). Capital losses not absorbed by these set-off rules are deductible at 70 percent in the capital income category. Should a net loss arise in the capital income category, a reduction is granted of the tax on income from employment and business operations, as well as national and municipal property tax. This tax reduction is 30 percent of the net loss that does not exceed SEK 100 thousand and 21 percent of any remaining net loss. A net loss cannot be carried forward to future tax years. For private individuals resident in Sweden for tax purposes, a preliminary tax of 30 percent is withheld on dividends.

The preliminary tax is normally withheld by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee. Private individuals who own shares through investment savings account (Sw. investeringssparkonto) are not taxed on capital gain on sale or dividend on such shares. Consequently, losses are not deductible. Tax is levied on a standard income, based on an assessed capital value of the investment savings account multiplied with the government loan interest, regardless of whether the investment savings account bears profit or loss. As of 1 January 2018, the imposed standard tax is based on a capital base multiplied by the government borrowing rate increased by 1 percentage points, however, at least 1.25 percent of the capital base.

### Limited liability companies

For limited liability companies (Sw. aktiebolag) all income, including taxable capital gains and taxable dividends, is taxed as income from business operations at a rate of 22 percent. Deductible capital losses on shares may only offset taxable capital gains on shares and other securities taxed as shares.

A net capital loss on shares that cannot be utilised during the year of the loss, may be carried forward (by the limited liability company that has suffered the loss) and offset taxable capital gains on shares and other securities taxed as shares in future years, without any limitation in time. If a capital loss cannot be deducted by the company that has suffered the loss, it may be deducted from group taxable capital gains on shares and other securities taxed as shares from another legal entity within the same company group, provided that the companies are entitled to tax consolidation (through so-called group contributions) and both companies request this for a tax year having the same income tax return filing date for each company (or, if one of the companies' accounting liability ceases, would have had the same income tax return filing date). Special tax rules may apply to certain categories of companies or certain legal persons, e.g. investment companies.

### Shareholders with limited tax liability in Sweden

For shareholders not resident in Sweden for tax purposes that receive dividends on shares in a Swedish limited liability company, Swedish withholding tax is normally withheld. The same withholding tax applies to certain other payments made by a Swedish limited liability company, such as payments as a result of redemption of shares and repurchase of shares through an offer directed to all shareholders or all holders of shares of a certain class. The tax rate is 30 percent. The tax rate is, however, generally reduced through tax treaties for the avoidance of double taxation. In Sweden, withholding tax deductions are normally carried out by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee.

Shareholders not resident in Sweden for tax purposes – which are not conducting business through a permanent establishment in Sweden – are normally not liable for capital gains taxation in Sweden upon disposals of shares. Shareholders may, however, be subject to taxation in their state of residence. According to a special rule, private individuals not resident in Sweden for tax purposes are, however, subject to Swedish capital gains taxation upon disposals of shares in the Company, if they have been residents of Sweden or have had a habitual abode in Sweden at any time during the calendar year of disposal or the ten calendar years preceding the year of disposal. In a number of cases though, the applicability of this rule is limited by tax treaties for the avoidance of double taxation.

# *14. Addresses*

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## **Certified Adviser**

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