

Annual Report 2018

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**Let me
tell you**

a story

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About Storytel

Storytel aspires to be a global market leader in storytelling. By leveraging technology, Storytel is democratising stories through a platform for content creators and users. Today, Storytel is both a print publishing group and a digital platform provider of stories, allowing the company to bring together the best of publishing and technology. 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. The Storytel Group consists of two main divisions, Streaming and Print Publishing, which operate within the media & entertainment and print publishing industries, respectively. The different branches of Storytel are synergetic and help Storytel to deliver both premium content and a premium distribution platform. The Group has grown both organically and through a focused M&A strategy. Storytel's journey as a public company began in June 2015 on Spotlight with a market capitalization of MSEK 600. In December 2018 Storytel moved its listing to Nasdaq First North with a market capitalization of approximately BSEK 6.

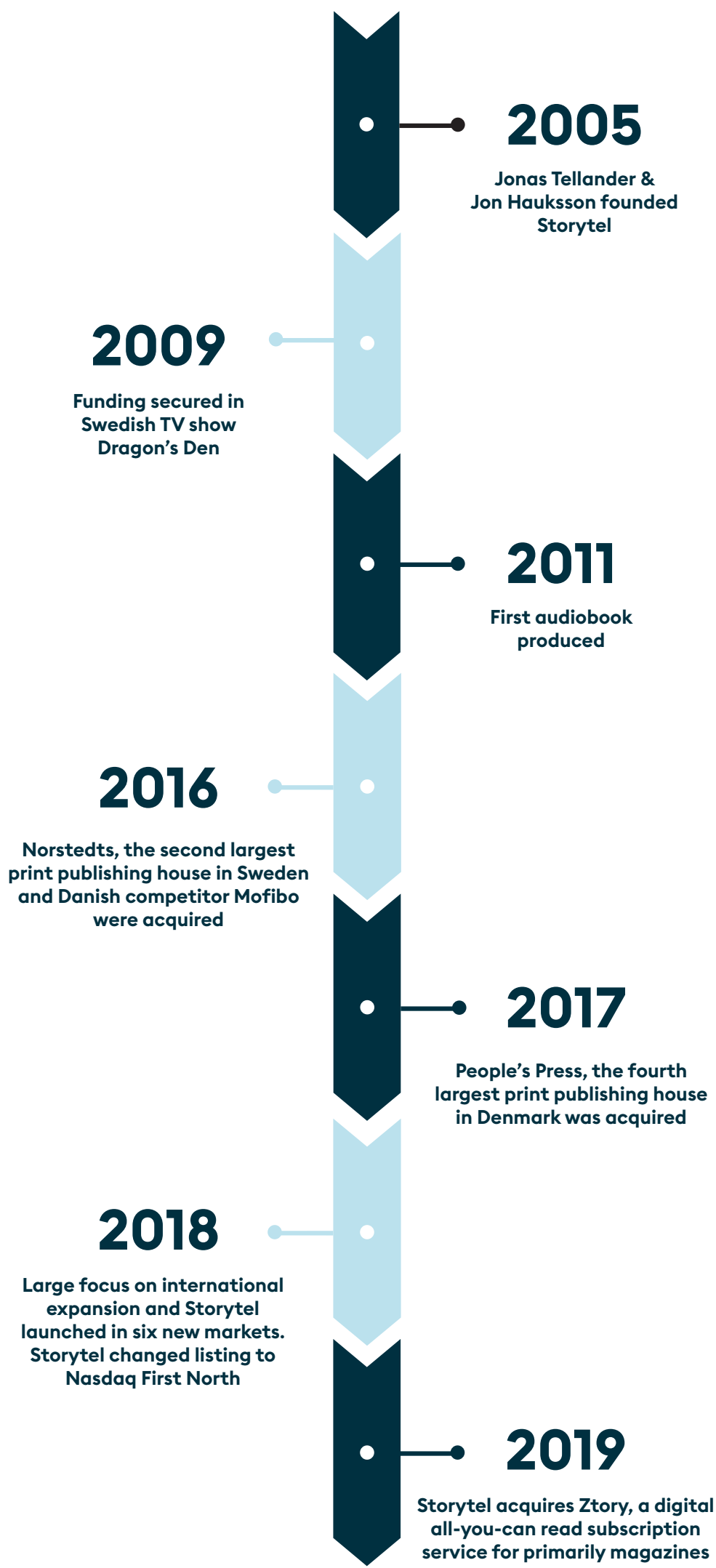
Streaming

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, Mexico, Bulgaria and Singapore, as well as under the Mofibo brand in Denmark. Storytel is also preparing for launch in Brazil and Germany. In 2018 Storytel produced more than 5,000 audiobooks in 17 different languages. An e-book reading device, the "Storytel Reader", was launched the same year to further promote Storytel's large library of digital books. In 2019 Storytel acquired Ztory, a digital all-you-can read newspaper and magazine subscription service.

Print Publishing

The Print Publishing division comprises physical book imprints such as Norstedts, Massolit, Printz Publishing, the Danish publisher People's Press, Rabén & Sjögren and B. Wahlströms, as well as Norstedts Kartor and book clubs. Through its publishing imprints, the Storytel Group is a well-known physical publisher and literary agency in Europe, especially in the Nordic countries.



Vision

&

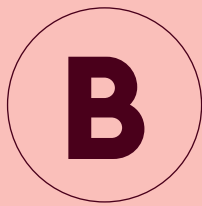
Mission

Storytel's ambition has always been one that is much bigger than a market opportunity, or a technological possibility. We are a brand that aims to be a major player - we want to provide something good and give something back every day. We want to make a difference in people's everyday lives through our commitment to giving our users access to the best stories.



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 sustainable brand synonymous with storytelling

Attract and develop exceptional people by nourishing a diverse workplace built on trust, innovation and collaboration

Message from the CEO

Highlights from 2018

We set two clear financial targets for 2018; to reach 800,000 paid subscribers by New Year's Eve 2018/2019 and to reach more than SEK 1 billion in Streaming revenues. We reached our subscriber base target just two weeks after the end of the year and exceeded our sales target, increasing our global streaming revenues by 41% to MSEK 1,030. The proportion of streaming revenues overseas rose from 41% to 49% during the year. The Swedish market continues to grow and in 2018 Storytel retained a strong market share of 78% according to statistics from the Swedish Publishers' Association. However, most of the growth will come from other markets in the years to come, which is why we focused heavily on international expansion in 2018. Six new countries were launched during the year (Iceland, Turkey, United Arab Emirates, Bulgaria, Italy and Mexico) which means that Storytel was in a total of 15 markets by the end of the year. In 2018 four of our markets were profitable and their positive cash flows helped to finance new markets. We also raised approximately MSEK 500 in October, recording a solid equity-to-assets ratio of 46% and cash of MSEK 580 at year end. The share (STORY B) has been traded on Nasdaq First North since December 2018 and Storytel has a market value of just over MSEK 6,000.

Good profitability and growth in Sweden and Denmark

A number of competing book streaming services have been launched on the Swedish market in recent years. Despite this, Sweden is growing steadily with approximately 50,000-60,000 new subscribers every year and the same rate of absolute growth is projected in Sweden in 2019. This equates to a growth rate of 15-17% on a relatively mature market, which underlines the potential of digital books.

The Swedish book market (which includes physical books) has thrived in recent years thanks to Storytel and other streaming services and expanded by a total of 4.8% in 2018 (4.2% in 2017). The book streaming segment in Sweden rose by 33% to MSEK 679 in 2018, with Storytel accounting for MSEK 527 (equivalent to a 78% market share).

For our Swedish and Danish operations (including Print Publishing), sales rose organically by 16% in 2018 to around MSEK 1,240 with an operating margin before depreciation of approximately 8%. The target for Sweden and Denmark is to achieve sustained two-figure growth, while increasing the operating margin towards 15%. Under current accounting framework (K3) all costs associated with the production of audiobooks are expensed as they occur. If these costs were to be capitalised, our current operating margin would be higher.

Audiobooks becoming more popular around the world

These are busy times for our expansion team who are almost constantly travelling to different parts of the world to prepare Storytel for launches on new markets. In recent years audiobooks have emerged as the format that book industries around the world are most confident about regarding future growth. Sweden and the USA account for by far the highest sales per capita and are identified at trade fairs and conferences as examples to be followed in the audiobook sector. Storytel and the Amazon-owned Audible have now emerged as the two leading audiobook providers with global ambitions.

We can now sense an opportunity for Storytel to take the lead across a range of markets, which is why we are working systematically and proactively to expand to new markets and add more languages to the catalogue. When entering a new market, we always begin by developing and building up our local content catalogue, ensuring that we can convert those signing up to campaigns into loyal paying customers. At that point we start investing in the development of the brand. This is a process that we have developed and fine-tuned for every market we enter. It takes anything from 6 to 18 months to launch in a country, depending on the specific circumstances of that particular market. We always carry out extensive analyses and feasibility studies before deciding to enter a market.

One year ago Storytel was active in nine markets (Sweden, Denmark, Norway, Finland, the Netherlands, Poland, Russia, Spain and India), but since then we have launched the service in six new markets (Turkey, Iceland, United Arab Emirates, Italy, Bulgaria and Mexico). In 2019 we are planning to add another three to six markets.

Milestone (# of markets)	2016	2017	2018	2019 Est
Markets launched	6	9	15	18-21
>10,000 subscribers	4	5	10	13-15
>25,000 subscribers	3	4	7	9-11
>50,000 subscribers	2	3	4	6-8
Market leading positions	4	4	7	8-11
Profitable markets	2	3	4	5-6

Print Publishing

Norstedts Förlagsgrupp AB enjoyed another strong year in 2018, which included the *Handbook for Superheroes* which has sold more than 350,000 copies since the first title in the series was launched in 2017. This series is published by Rabén och Sjögren, which also enjoyed other successes with high sales figures for *Gropen* by Emma Adbåge, which won the August Prize, and new best sellers from JK Rowling. Norstedts Förlagsgrupp also strengthened its publishing output through two acquisitions during the year: B. Wahlströms (internal acquisition) and Printz Publishing, which includes authors such as JoJo Moyes and Sophie Kinsella. Tine Smedegaard Andersen will take over as the new CEO of People'sPress in Denmark in the spring of 2019 to further develop our Danish publishing operations.

Outlook for 2019

At Storytel we are constantly working to develop our products and increase engagement among both our employees and our customers. In 2018 we launched our first hardware, Storytel Reader, which we hope will increase the sales and consumption of digital books. In January 2019, Storytel acquired the Ztory app, which is a digital all-you-can-read subscription service for newspapers and magazines. This will enrich and broaden Storytel's offering in 2019.

Our aim is to continue to rapidly expand our subscriber base. In 2019 our target is to reach 1,100,000 paying subscribers (40% growth), while increasing our Streaming revenues to MSEK 1,400-1,450 (36-41% growth). We are also aiming to launch this service in at least three markets (Brazil, Germany and we already launched the service in Singapore in March 2019), while focusing heavily on making our markets profitable. In 2019 we believe that we will add at least one market within this category. In 2019 the VAT for digital books will be reduced in a number of Storytel's markets, including Sweden where the rate will go down from 25% to 6%, effective from 1 July 2019. This will enable us to provide a better customer offering and make higher payments to publishers and authors. This will also benefit Storytel as a company.

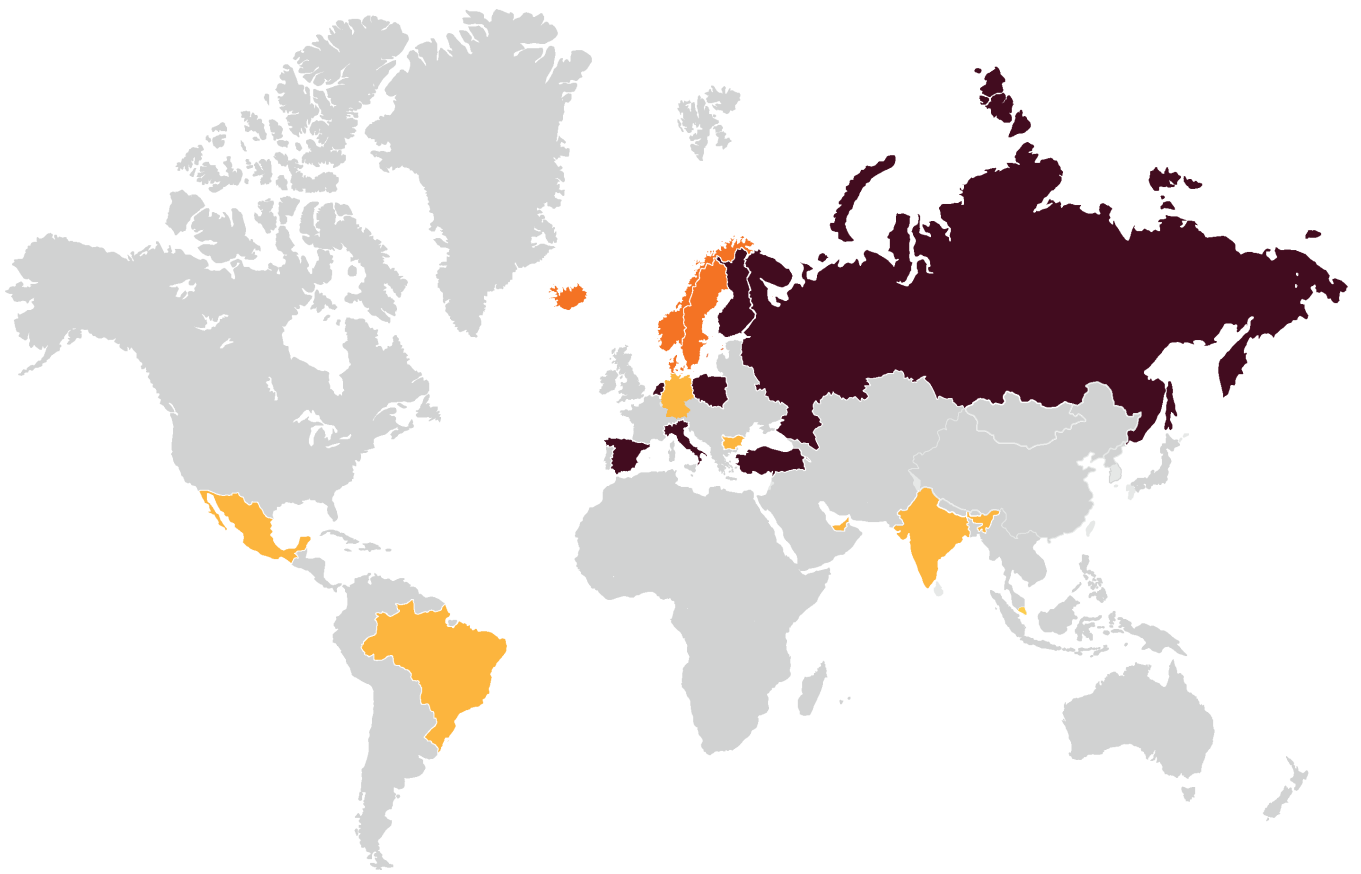
I have been running Storytel for almost 15 years now and it requires patience to build up an audiobook market from scratch. The organisation that we have built up makes us well-equipped to move forward with the international expansion that we embarked upon in recent years. I'm looking forward to another eventful year with new innovations. Thank you for joining us on this journey as customers and/or shareholders.

Stockholm 15 April 2019

Jonas Tellander, CEO and founder



Global presence



Profitable:

Sweden
Norway
Denmark
Iceland

Scaling up:

Netherlands
Poland
Finland
Russia
Spain
Turkey
Italy

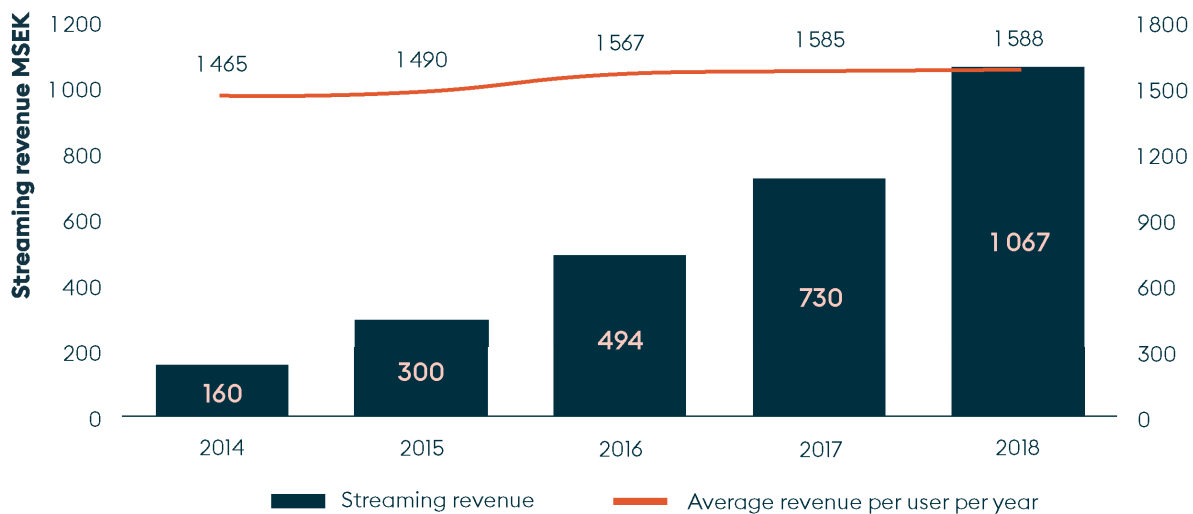
In preparation:

India
UAE
Bulgaria
Mexico
Singapore
Brazil
Germany

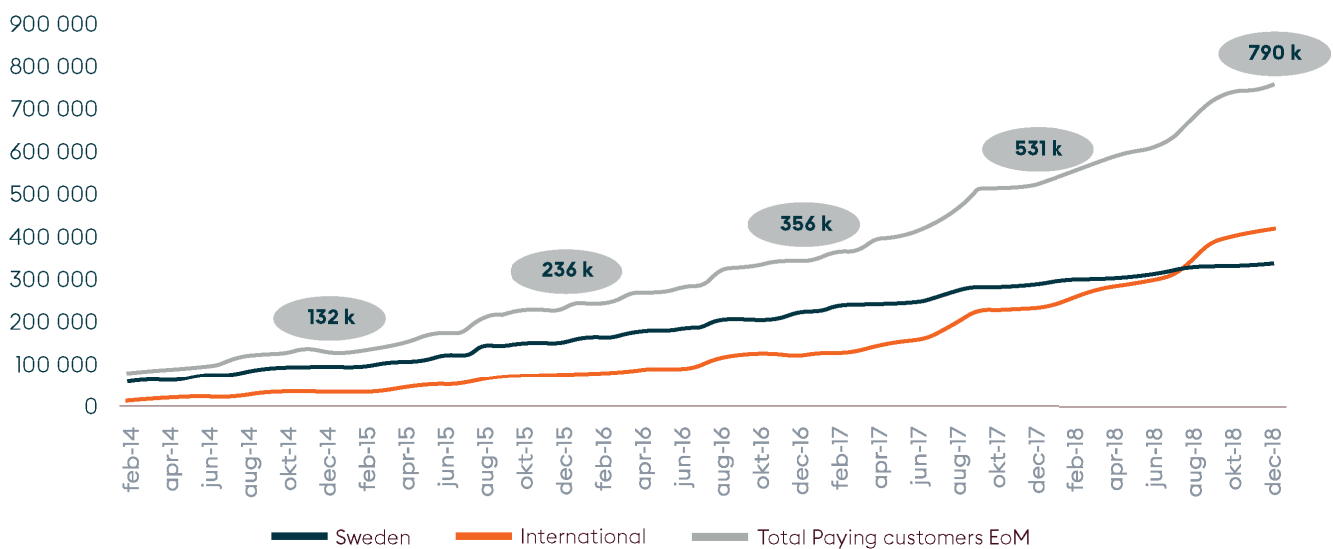
Storytel in figures

Streaming revenue (inc. 100% Norway)

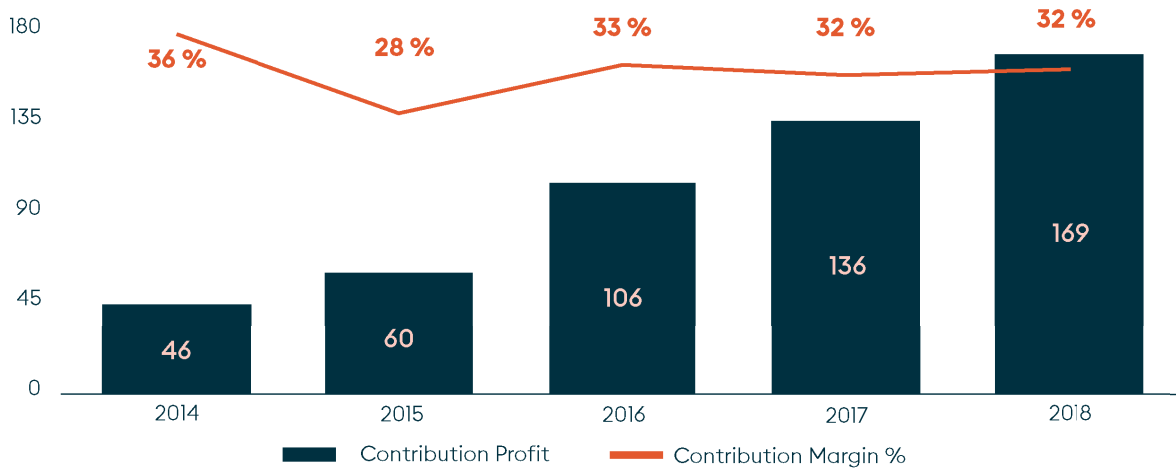
Average revenue per user per year, SEK



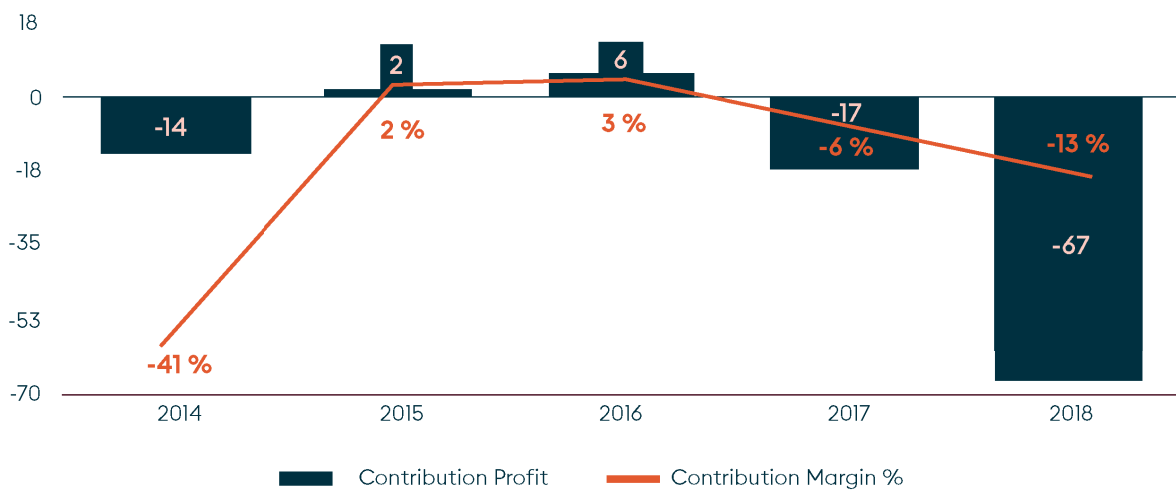
Subscriber base development



Contribution profit, Streaming Sweden



Contribution profit, Streaming International



Ownership structure

Largest shareholders as of 31 December 2018	Proportion %
Roxette Photo NV	20.93
Handelsbanken Fonder	9.46
Jonas Tellander	8.95
Swedbank Robur Fonder	7.24
Annamaria Tellander	5.71
Rustan Panday	3.99
Swedbank Försäkring	4.07
Paul Sverdrup	3.24
Jon Hauksson	2.71
C WorldWide Asset Management	2.58
Others	31.12

Analysis monitoring:

ABG Sundal Collier, Derek Laliberté

Pareto Securities, Stefan Wård

Board of directors, and management team

Board of Directors

Name	Position	Board member since	Independent in relation to: The Company and executive management	Independent in relation to: 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	Yes
Eva Swartz Grimaldi	Board member	2018	No	Yes





Rustan Panday

Chair of the board since 2015; elected as a board member of Storytel Sweden AB in 2011.

Year of birth:

1969

Education/background:

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

Other assignments:

Chair of the board in Four potentials AB and GOTOPOTENTIALS AB. Board member of Norstedts Förlagsgrupp AB.

Holdings in the Company:

2,227,908 class B shares.



Jonas Tellander

Founder of Storytel, board member and CEO since 2015; board member since 2006 and CEO since 2005 of Storytel Sweden AB.

Year of birth:

1970

Education/background:

Jonas is the founder and CEO of Storytel. He holds an MSc in Chemical Engineering from Lund University and an MBA from INSEAD. He previously worked as the head of global licensing at Roche.

Other assignments:

Several board assignments within the Storytel Group. CEO and board member of Tellander Holding AB.

Holdings in the Company:

5,000,000 class B shares.



Karin Alexandersson

Board member and employee representative since 2015, administrator in the expansion team.

Year of birth:

1973

Education/background:

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

Other assignments:

–

Holdings in the Company:

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Jonas Sjögren

Board member since 2015; elected as a board member of Storytel Sweden AB in 2008.

Year of birth:

1966

Education/background:

MSc in Electrical Engineering from Chalmers University of Technology, Medical degree from Sahlgrenska Academy and Jonas also has an MBA from INSEAD. He has worked in various positions, such as manager for a product management department at Ericsson AB from 1991 to 2003, and as head of investments at Exceca since 2004.

Other assignments:

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

Holdings in the Company:

Jonas Sjögren holds 12,893 class B shares privately and he is also one of the controlling shareholders in Roxette Photo NV that holds 11,692,423 class B shares.



Eva Swartz Grimaldi

Board member since 2018

Year of birth:

1956

Education/background:

Eva has been the CEO of Meter Film Television AB, director of programmes for the TV4 Group and CEO of the book publishing company Natur & Kultur. In 2007, she was appointed by the Swedish government to be in charge of the commission on culture, which was finalized in a report in the spring of 2009

Other assignments:

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

Holdings in the Company:

-



Nils Janse

Board member since 2015;
elected board member of Storytel Sweden AB in 2013.

Year of birth:

1981

Education/background:

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 & Company. He is the CEO and founder of Delibr.

Other assignments:

CEO, founder and chair of the board of Delibr AB.

Holdings in the Company:

71,374 class B shares.



Morten Qvist Strunge

Board member since 2018.

Year of birth:

1986

Education/background:

Education from HHX Hillerød Business School. Morten is an experienced entrepreneur who has founded, among others, Onfone, a Danish telco company, and Mofibo, a subscription service for e-books and audiobooks which Storytel acquired in 2016. Morten has been the CEO of Onfone, VP of TDC A/S and CEO of Mofibo. He was also the CCO of Storytel before becoming a board member in 2018.

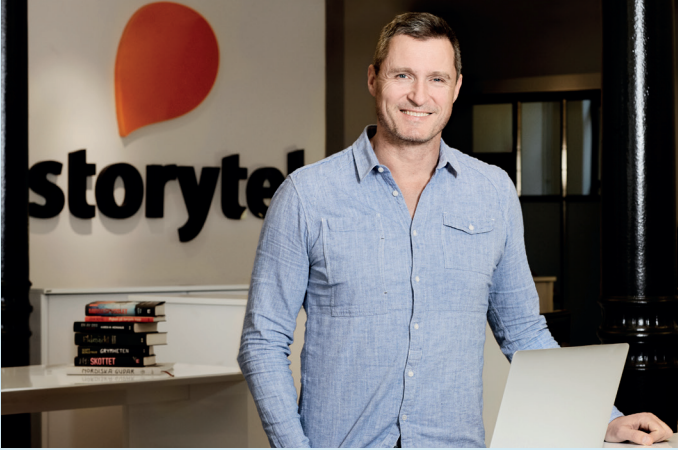
Other assignments:

Board member in Investru ApS, Winefamily ApS, Goodiebox ApS, Tailor Shaped ApS, Ejendomsmægler Adam Schnack A/S, Blendle, Next advertising ApS, Rubberduck Car Care ApS, Mofibo books ApS and Peoples Press A/S.

Holdings in the Company:

710,000 class B shares.

**Man
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Jonas Tellander

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

For further information and a description of Jonas Tellander, see the “Board of Directors” section above.



Sofie Zettergren

CFO since 2015, CFO for Storytel Sweden AB since 2013

Year of birth:

1986

Education/background:

MSc in Economics from Uppsala University and studies at Singapore Management University. Before joining Storytel, she worked with auditing at Ernst & Young.

Other assignments:

Member of several boards within the Storytel Group.

Holdings in the Company:

23,520 class B shares.



Märta Langéen

COO since 2017

Year of birth:

1983

Education/background:

Master's Degree in Publishing from the University of Stockholm. Märta has worked at Storytel since 2011 in different roles such as content manager, operations manager and head of operations in Sweden, before becoming COO in 2017.

Other assignments:

–

Holdings in the Company:

25,561 class B shares.



Anna Lundström-Gars

Head of Innovation since 2019

Year of birth:

1972

Education/background:

Master of Law from the University of Stockholm. Anna has +15 years experience of working with digital content, business and operational development, partnerships and negotiations. Before joining Storytel Anna was Head of Global Apps and VAS at Telia.

Other assignments:

Deputy board member of PerCima AB.

Holdings in the Company:

850 class B shares.



Ingrid Bojner

CCO since 2018

Year of birth:
1973

Education/background:

Master of Science in Business Administration from the Stockholm School of Economics and MBA studies at UCLA. Ingrid has 12 years of experience from working at McKinsey & Company, and she left in 2010 as a local partner. She has also served as vice president and head of sales at TeliaSonera, deputy CEO and CMO of SSE ExEd, and she has run her own company, Dirgni Development.

Other assignments:

Among others: Chair of board of New Republic PR AB, Board member of Carnegie Investment Bank AB and Movestic Livförsäkring AB. Previous board member of Storytel from 2016 to 2018.

Holdings in the Company:

11,000 class B shares.



Lotten Skeppstedt

Head of Content since 2018

Year of birth:
1984

Education/background:

Master's Degree in Publishing and a Bachelor's Degree in Literature from the University of Stockholm as well as studies in literature and publishing at York University in Toronto, Canada. Lotten previously worked in management at Bonnier Books AB and she was the product owner and country manager for Bonnier Book's self-publishing platform Type & Tell.

Other assignments:

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

Holdings in the Company:

2,000 class B shares.



Daniel Bodner

CTO since 2016

Year of birth:

1984

Education/background:

MSc in Computer Science from the University of Innsbruck. Daniel Bodner started working as a software developer at Storytel in 2012, and in 2015 he was appointed lead architect before becoming the CTO of Storytel in 2016.

Other assignments:

–

Holdings in the Company:

18,258 class B shares.



Mikael Holmquist

Interim CTO since 2019

Year of birth:

1988

Education/background:

MSc in Engineering Mathematics from Lund University and studies in computer science at the University College Cork in Ireland. Mikael has worked as a developer at Storytel since 2012, and prior to becoming the interim CTO he was the team leader of the “Users Tech Team”.

Other assignments:

Chairman of the board of Mickepedia AB.

Holdings in the Company:

2,292 shares.



Martin Jonassen

Head of Intelligence since 2017

Year of birth:
1977

Education/background:
BSc from Copenhagen Business School. Martin has twelve years of experience from working with data management, and business intelligence at various companies and in different sectors. Before joining Storytel, Martin worked with business intelligence and analytics at Mofibo.

Other assignments:

-

Holdings in the Company:

-



Rickard Henley

Head of Publishing since 2017

Year of birth:
1974

Education/background:
Studies in literature at Stockholm University and at Hyper Island. Rickard was formerly head of Interactive Media within the TV4 media group and head of Digital at Norstedts Förlagsgrupp.

Other assignments:

CEO and board member of Storytel Publishing AB and Storyside AB. External CEO of Kontentan Förlags Aktiebolag.

Holdings in the Company:

-



Stefan Tegenfalk

Head of Expansion since 2018

Year of birth:

1965

Education/background:

School diploma in tele and technology. Stefan is an entrepreneur and the founder of Telecyber, which was acquired by Bredbandsbolaget, and Massolit Förlag, which was acquired by Storytel. Moreover, Stefan had his first novel published in 2009.

Other assignments:

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

Holdings in the Company:

2 class A shares and 344,494 class B shares.



Dan Panas

Head of Communications since 2019

Year of birth:

1968

Education/background:

Dan attended the school of journalism at Gothenburg University. He was previously the director of communications at Discovery as well as a reporter and news director at Aftonbladet and Expressen.

Other assignments:

-

Holdings in the Company:

-



**Sus
taina
bility
Report**

Storytel's vision is to make the world a more empathetic and creative place with great stories to be shared and enjoyed anytime, anywhere and by anyone. We create stories every day and spread them across the world in a way that is easily accessible for our customers. We are a brand that aims to be more than just a major player. We aim to provide something good and give something back to our users. By leveraging technology, Storytel democratizes stories through a platform for both content creators and content consumers. In contrast to a purchase brand that encourages people to purchase more, Storytel is a usage brand that inspires people to use the service more. Storytel creates content, distributes it on a platform and thereby reaches a large audience with that content. The content is shared among all users and can be consumed over and over again for an unlimited amount of time, which is a more sustainable way to consume books.

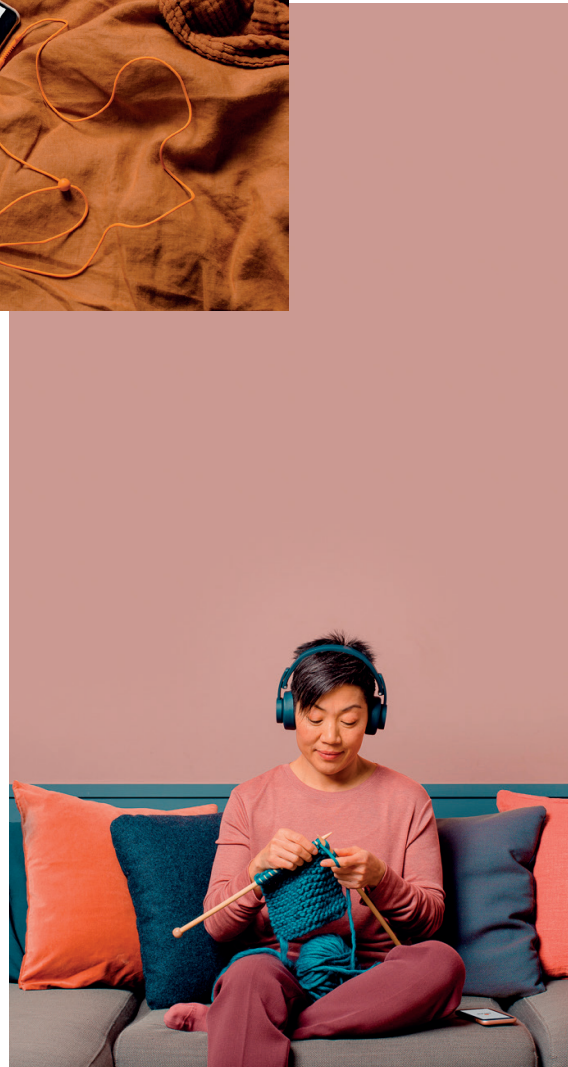
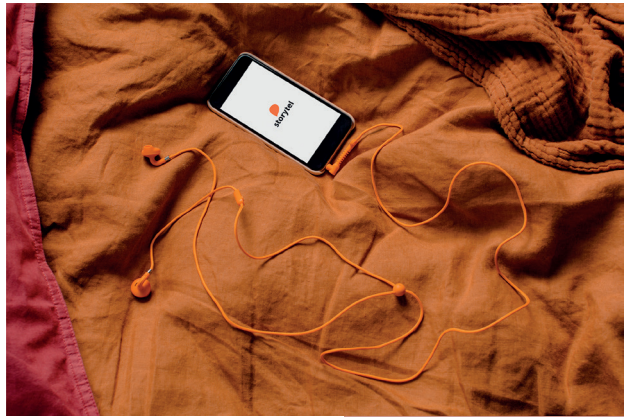
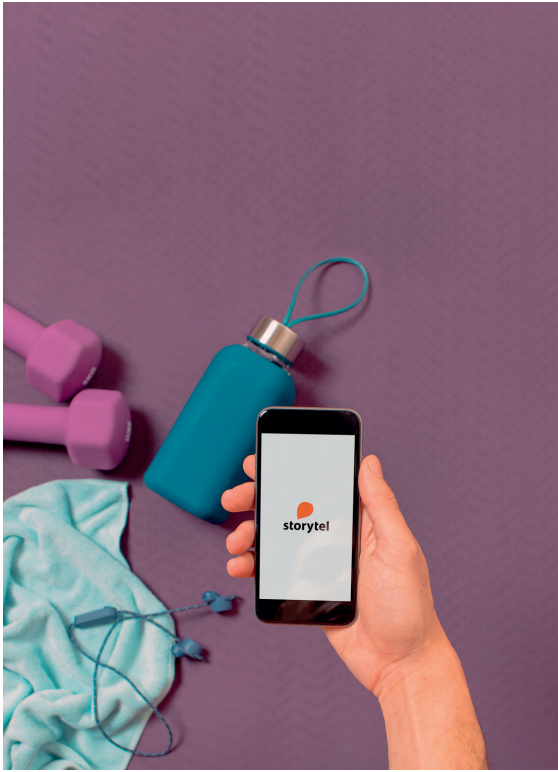
Sustainable Business Model

Organizational Profile & Business Model

Storytel is both a publishing group and a digital platform provider of stories, which allows it to bring together the best parts of publishing and technology. The Storytel Group consists of two main divisions, Streaming and Print Publishing, which operate within the media & entertainment and print publishing industries respectively. Streaming can be split into two subdivisions, the technological platform and digital publishing. In 2019, Storytel acquired Ztory, which is a digital all-you-can-read newspaper and magazine subscription service. The Print Publishing division comprises physical book imprints such as Norstedts, Massolit, Printz Publishing, the Danish publisher People's Press and the children's books publishers B. Wahlströms and Rabén & Sjögren.

Storytel charges its customers in advance on a monthly basis, and after payment is made subscribers have unlimited access to the books in the service. All consumption is tracked, and at the end of a reporting period, Storytel calculates the total number of hours consumed per book. Revenues from customers are shared with publishers in a revenue share model where Storytel normally keeps 40%-50% and the publisher receives 50%-60%. Publishers pay royalties to the authors based on the revenues received from Storytel.

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Storytel Group in numbers

Number
of employees:



500+

Number of languages
in the catalogue:

20+



Number of
titles in the service:



260 000+

Number of
Nationalities:

38



Number of
launched markets:

16



Materiality assessment

This is the first year that Storytel has produced a sustainability report, and even though there have been several sustainability initiatives within the company before, this marks the beginning of a comprehensive approach to sustainability work at Storytel. The report highlights how Storytel deals with sustainability challenges and what we believe can be improved given the risks that we have identified. A big focus area for 2019 is to set an explicit sustainability strategy that pushes us towards becoming a more sustainable company. The management team has been in charge of selecting sustainability focus areas and drafting a sustainability strategy. At the moment, responsibility for executing the sustainability initiatives is on management team level, but in 2019 sustainability work will be integrated further within the organization.

A materiality assessment of sustainability topics has been carried out and employees, owners, the Board of Directors, customers, publishing houses and the management team have all partaken. Based on the results, eight topics have emerged as the key sustainability areas for Storytel. These topics have each been linked to one of Storytel's mission statements.

Storytel's mission	<p>Inspire people of all ages to discover the world of stories by building an accessible and personalised storytelling experience using technology, insights and data</p>	<p>Attract and develop exceptional people by nourishing a diverse workplace built on trust, innovation and collaboration</p>	<p>Help people unlock their creativity and share stories by connecting storytellers with a global audience</p>	<p>Provide meaningful context to people's lives by establishing Storytel as a sustainable brand synonymous with storytelling</p>
Focus areas	<p>Customer Value Customer Integrity</p>	<p>Employee Working Conditions Equality & Diversity</p>	<p>Intellectual Property Responsible Content</p>	<p>Energy Use & GHG Emissions Ethical Business</p>

In line with the Swedish Annual Accounts Act, Storytel is presenting its first sustainability report. We have been inspired by the GRI Standards.

Storytel's Sustainability Strategy

Companies leave traces on our planet and Storytel is no exception – but we are motivated to make positive marks. Besides the eight topics mentioned above, the impact that Storytel has on society as a whole can be divided into: our Footprint, our Brainprint and our Fingerprint. We want to offer a service and products that are sustainable by design, and our inner determination is for Storytel to improve society. Furthermore, using the Storytel service should not result in negative externalities on the planet or its people.





Our Foot- print

Long-term ambition:
Be a climate neutral publisher and provider of
a streaming service

The Storytel Group's operations are not climate neutral today. Storytel Streaming uses data centres to provide the platform, which makes use of energy. Storytel Print Publishing prints books, which is also a source of carbon emissions. A lot of initiatives have been launched, and are about to be launched, in this area. In the Streaming division we are committed to using green energy exclusively in the future and to fly less. In the Print Publishing division, we are committed to using certified paper and to reducing excessive printing of books.

Reduction of GHG emissions & energy use: Storytel's service and production

- Provide a climate neutral technical platform
- Look into how Storytel's physical products can become more environmentally friendly with regards to production, distribution and recycling

Providing a climate neutral technical platform is one of the most important sustainability initiatives in the near future, and more specifically we have committed to providing a climate neutral technical platform by the end of 2021.

Reduce Storytel's GHG emissions: Business travel

- Start tracking our air travel
- Make sure Storytel's travel policy is known and respected
- Invest in better conference systems for all our offices

Reduce Storytel's GHG emissions & energy use: Operations

- Start measuring our climate impact on Group level
- Create a global environmental policy
- Raise awareness in the organisation on sustainability and climate change



A stylized graphic of a brain in shades of purple and blue, with thick, dark purple lines representing neural connections. The brain is positioned on the left side of the page, partially overlapping the main title text.

Our Brain- print

Long-term ambition:

Be a provider of a service and a distributor of content
which improve people's lives

Organisations that create and distribute content hold a powerful position in society through the impact and influence of that content. Digital media means we have information and entertainment constantly available at our fingertips: from earbuds on the bus to relaxing before bed. There is an avalanche of content competing for our time, and in this flood, we search for what is truly meaningful. The content provided by Storytel is meant to offer users new ways to learn, relax and be entertained. Since we want the Storytel service to be an integrated part of everyday life, we work hard to make sure that Storytel truly adds value to people's lives.

Inspire people to read more

- Initiate partnerships that encourage more reading in society

Set stories free around the world

- Make more languages available to Storytel's users
- Influence more people to write their (first) stories





Our Finger- print

Long-term ambition:

Be best-in-class at simultaneously providing value to employees,
business partners, investors and society at large

Our fingerprint is our DNA and who we are as an organisation. Storytel is a values-driven company that embraces differences which are present in many different cultures, and then draws from those differences. The culture at Storytel is characterised by dedication, innovative thinking, collaboration, a customer-first mindset and a non-hierarchical atmosphere. We believe in fair play and ultimately, we want to be a company that everyone wants to work with and for. Integrity is valued deeply, and respect towards business partners is imperative. Simply put, we want our interactions with people – employees, business partners, investors and customers alike – to be constructive and to contribute to improvements.

Employee Net Promoter Score: Sustain score above 50

- Ensure that everyone at Storytel knows our Code of Conduct and adheres to it
- Initiate leadership training on several levels of the organisation
- Create development plans for employees at Storytel

Have a mutually beneficial and fruitful relationship with publishers

- Improve how we share data and insights with publishers
- Roll out our new time-based financial model to ensure a more fair compensation for publishers





**Sustain-
ability**

**focus
areas**



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

Storytel is for anyone who enjoys the new media landscape and uses a device to discover content. Our priority is always to connect stories and people, and we do so by using modern technology. The first mission statement is linked to our touchpoint with customers, and two sustainability focus areas have been identified: *Customer Value and Customer Privacy*.

Customer Value

As mentioned under “Brainprint” we want the Storytel service to enrich people’s everyday life with great stories. Storytel is dependent on satisfied customers who continue using the service over time, so to be able to operate we must always innovate and find new ways to improve the customer experience. Customer satisfaction surveys are evaluated closely to pick up feedback.

At Storytel we talk about “positive screen time” when we refer to using a phone, tablet or e-book reader in a way that is good use of technology. We live in a world of information overflow, and Storytel is designed to be a way to slow down and to be a source of both entertainment and education. Research shows that reading makes people smarter, more relaxed and even more empathetic.^[1] By focusing on making stories available on a digital platform, we help Storytel’s subscribers reap the benefits of reading in a way that fits into a modern lifestyle and makes reading feel simple and enjoyable.

Another focus area is product safety that has grown in importance since Storytel released the Storytel Reader, which is a physical e-book reader. In late 2018 Storytel introduced Kids Mode, which allows users to put the Storytel app in a safe mode that only shows age-appropriate content.

Customer Privacy

Our stakeholders entrust us with processing their personal data, and we do our uttermost to protect and store this data as prescribed by law and in the best possible way. Most employees at Storytel encounter personal data in different situations. This data might pertain to the personal data of employees, customers or business partners. Storytel’s approach to managing data privacy is to have processes and procedures in place which ensure privacy matters are considered,

prioritised and a natural part of our business operations. More specifically, we have a “Privacy by Design” process in place which means that we take a proactive approach to promote privacy and data protection throughout the entire data, IT and process lifecycle.

At Storytel, we have two main privacy policies – one concerning customer data and one concerning employees and data. The Storytel Internal Data Privacy Policy applies to all subsidiaries and employees of the Storytel group and extends to all processing of personal data anywhere in the group. No affiliate in the group may adopt any practices that go against this policy, unless required by national law.

Besides the above policies, every team within Storytel has its own set of data privacy guidelines to mitigate the risks related to handling personal data within the specific function. There has been extensive awareness training within the group in 2018, for example tailored sessions for the country managers and for marketing, CRM and customer support. In addition, we have implemented an incident management process, i.e. a data breach response plan that is available on Storytel’s intranet so that everyone is aware of the process and can report potential incidents.

The biggest challenge for Storytel with regard to data privacy is our rapid growth and expansion, which can result in limited time to entrench the established processes, procedures and policies. To meet this challenge, training within the organisation is essential. During 2019, privacy training activities for new employees, regardless of location and position, will be prioritised. Furthermore, it is critical to identify areas or type of positions in the organisation where tailored training or other awareness raising activities are needed to ensure compliance with the privacy policies and, if applicable, also national privacy law.

We will also invest in our IT infrastructure and in securing data, thus strengthening operations from a privacy point of view. In 2019 a data privacy committee led by the Data Protection Officer will be established to address upcoming privacy issues, especially those related to ongoing expansion to new markets.

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.



Mission

Attract and develop exceptional people by nourishing a diverse workplace built on trust, innovation and collaboration

At Storytel everything starts with our employees. Without them we would not be able to reach our goals, which means it is especially important that we create the best possible conditions for our employees to thrive at work. We want everyone to have a long and healthy life, and we believe that being part of the Storytel journey should be a marathon rather than a sprint. To succeed, strategic planning is required in terms of how we allocate energy and resources in the right way.

At Storytel we are proud of our culture and we want it to be reflected in everything we do and in all aspects of our business and operations. For this we have identified two specific areas that are especially important for us: *Employee Working Conditions and Equality & Diversity*.

Employee Working Conditions

Storytel wants to be a workplace that represents sound values and where everyone feels secure in being who they are and where differences are cherished. Naturally we do not accept any form of bullying, discrimination, harassment or racist statements. To uphold a good working environment, we work closely with our safety committee where both employees and management are represented. Together we take a structured approach to improve Storytel as a workplace and to follow the rules and guidelines set up by the Swedish Work Environment Authority.

Our Code of Conduct sets the guidelines for how we expect our employees to behave towards each other, our customers and partners. This is an important document for us and we use it when onboarding new employees, and expect everyone to act according to it.

Most of our work is done in an office environment, and the risk of physical injuries is quite low. The challenge that we see is instead related to workload and stress. We know that stress-related illnesses in society as a whole is on the rise, and we need to work very hard to make Storytel an exception. As a growth company where employees are characterised by dedication and going that extra mile, there is always

a risk of positive stress turning into negative stress. By using employee pulse surveys, we measure and keep track of the general level of stress within the company and teams. This triggers a continuous dialogue between employees, HR and managers. Parental leave is encouraged, and Storytel is a flexible employer in general. Storytel also has regular running and yoga sessions during work hours. We do our best to create a work environment that allows employees to have a good balance between work and personal life.

Another key aspect of thriving employees is good leadership. The Storytel Group has grown quickly from being a small startup to having over 500 employees spread out all over the world, which increases the need for good leadership. We have Leadership Forums for managers within Storytel to encourage the sharing of best practises and to learn from each other. In 2019 Storytel will launch several additional activities to develop leaders within the organisation.

Equality & Diversity

At Storytel we believe that every individual is unique and special in their own way and that everyone is entitled to equal opportunity and treatment. We have employees all over the world and welcome people regardless of gender, transgender identity, disability, sexual orientation, ethnicity, age, religion or other belief. We always strive to be inclusive and never to exclude anyone. We are strong believers in that individuals who feel safe and can be themselves are happier and more productive at work. Storytel's goal is to be a diverse workplace where we can evolve and learn from everyone's differences.

A challenge within Storytel that we see is the skewed gender distribution in different teams, where for example our tech team is predominantly male, and our content and publishing teams are primarily female. This is something that we will focus on in 2019 in order to improve how we reach out to a broader pool of applicants. Every year our HR team and safety committee conduct a salary mapping to detect salary inequalities due to gender.

Gender and Age Distribution

The Board of Directors, Storytel

Under 30 years old	30-50 years old	Over 50 years old
-	71%	29%
Female	Male	Other
29%	71%	-

The Management Team, Storytel

Under 30 years old	30-50 years old	Over 50 years old
-	90%	10%
Female	Male	Other
50%	50%	-

Employees, Storytel Group

Under 30 years old	30-50 years old	Over 50 years old
20%	66%	14%
Female	Male	Other
60%	40%	-

Mission

A large, stylized number '5' in a dark red color is positioned on the right side of the page, partially overlapping the word 'Mission'.

**Help people unlock their
creativity and share stories by
connecting storytellers with
a global audience**

The global media & entertainment and publishing industries are changing and Storytel, operating in these 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. By being both a digital publisher and providing a distribution platform, Storytel has managed to benefit from more than one part of the value chain – which provides value not only to Storytel but also to its subscribers and rights holders. Another value-added effect that Storytel's presence has on publishers is that our service increases the willingness of customers to pay for premium digital content, which can help prevent or reduce piracy. Through Storytel's business model, authors and publishers can earn money from backlist titles in a new and effective way. Furthermore, stage performers and actors are given the opportunity to engage in work as narrators of audiobooks, creating a new revenue stream for many cultural workers. In the materiality assessment, two topics were identified: *Protecting Intellectual Property and Responsible Content*.

Protecting Intellectual Property (IP)

Given Storytel's expansion into new markets and, in part, the new legislative landscape for intellectual property, Storytel is planning to carry out an oversight of its trademark and domain strategy during 2019. In this area, Storytel's aim is to make a practical contribution to the streaming society through the creation and utilisation of IP assets based on the services and products we create and manage.

Storytel takes a strict and consistent approach to activities that infringe on our IP rights. Storytel collaborates with industry organisations and belongs to several business-related associations in order to monitor any changes and developments in the industry as a whole. Such surveillance is conducted not only through our network of organisations and business partners but also through our collaboration with specialised advisors. Since respect for, and protection of, intellectual property is a core business aspect for Storytel, the issue is top priority worldwide.

For Storytel's business activities to be conducted in line with our intellectual property strategy, intellectual property rights management, including management of the trademark portfolio, is managed by the Storytel Legal Team. Other rights at Storytel, such as copyright and neighbouring rights, are mainly handled by the relevant teams, for example the Publishing Team (including the Rights Team) and the Content Team. The set processes and cross-functional collaboration ensure that Storytel maintains a high and adequate level of protection for intellectual property rights and has secure processes in place to handle both internal and external rights. All of our employees' different qualifications and experiences in intellectual property-related areas allow Storytel to maintain a high level of knowledge and respect for intellectual property throughout the group. To

ensure consistency in the level of quality, Storytel conducts awareness training related specifically to trademark and copyright.

Responsible Content

Storytel aspires to be a global market leader in storytelling, and aims to provide our customers with a diverse and abundant world of stories to inspire them. Storytel has a broad catalogue of content, which is a mixture of original content produced by Storytel in all of our local markets and content that is acquired from third parties globally.

As a content producer, Storytel embraces its responsibility pertaining to human rights topics such as education and freedom of expression. Studies have shown that through different types of stories, people can learn about themselves and each other, and by embracing diversity and pluralism in our content, Storytel aims to facilitate understanding and empathy in our readers.^[2]

The Storytel-owned print publisher Norstedts Förlagsgrupp also has freedom of expression as a cornerstone of its sustainability work. Norstedts Förlagsgrupp supports several organisations that focus on this topic, including the Swedish PEN and PEN International Publishers Circle, which protect freedom of expression and are important voices in terms of protecting the free word and harassed authors.

In relation to third party content, which forms the majority of content available in the service, Storytel similarly values the freedom of expression of authors and rights holders and respects readers' choices in determining which books they would like to consume. In order to discuss issues related to content, Storytel has established a Content Committee. The committee is a collaborative initiative between departments in the organisation. It aims to give a cumulative view of the content reported by customers as explicit or in other ways unsuitable for the service.

The Storytel app inspires people of all ages to discover the world of stories by offering an accessible and personalised storytelling experience on their smartphone. Every day Storytel enables more than 800,000 people to travel the world through great stories. At Storytel we strongly believe that reading and listening to stories opens our minds to the world around us. Making the world a more empathetic place is at the heart of Storytel's vision.

We also see that there are ways to use technology to offer responsible content. Storytel introduced Kids Mode in 2018, which allows a user to put the Storytel app in a safe mode that shows age-appropriate content. The feature highlights children's titles to improve discovery and engagement in a safer environment, and demonstrates our commitment to readers of all ages.

2 Gabriel S. & Young A.F. – Becoming a vampire without being bitten: the narrative collective-assimilation hypothesis. Robert S. Wilson, Patricia A. Boyle, Lei Yu,

Mission



Provide meaningful context to people's lives by establishing Storytel as a sustainable brand synonymous with storytelling

Storytel has great plans for the future, but we have identified two areas that could pose a risk to these plans if we do not take them seriously. The first one is *Energy Use & GHG Emissions* and the other is *Ethical Business*. If we do not incorporate clear and ambitious sustainable processes and policies within the company, we will not achieve our business objectives. We are working to make sure that our business model continues to deliver value in a way that is consistent with environmental limitations.

Energy Use & GHG Emissions

Reducing the negative impact on the planet which arises due to Storytel's use of energy is a major priority for 2019 and the following years. This effort requires an integrated approach, and we are still working on getting a complete picture of the Storytel Group's carbon footprint. Obtaining a clear picture is one of the key focus areas for 2019. Once that has been established, we will be able to present a goal-specific and action-based plan for how we can reduce our carbon footprint.

Storytel Group initiatives

The Storytel Code of Conduct outlines a couple of green initiatives that are applicable to all employees. For example, we minimise business travel and only travel by air when necessary, and we invest in good conferencing systems so that virtual meetings can replace many physical meetings. At Storytel's head office in Stockholm, we also avoid travelling by car to meetings by having both bicycles and public transportation cards available for employees to borrow.

At the Stockholm office we also recycle materials. This includes waste such as plastics and biowaste and office waste such as paper. Unfortunately, this is not the case in all markets, so in 2019 we want to spread this practice to more Storytel markets. In 2018 the offering of vegetarian and vegan alternatives in the Stockholm lunch canteen was increased, and a focus area for 2019 is to reduce the use of single-use plastic at the office with the aim of eliminating it within the near future. Storytel's head office, the Norstedts building, is also certified as a "Green Building" by Sweden's Green Building Council.

Storytel Streaming

Storytel is committed to having a sustainable technology infrastructure. This will be a big focus area in the next few years as we have set a goal to provide a climate neutral technical platform by the end of 2021. For Storytel this will require using renewable energy, being more efficient and offsetting any remaining carbon emissions.

Storytel Publishing

The Print Publishing arm of Storytel has several initiatives in place to reduce its impact on the planet. For example, the

majority (97%) of all the books published by Norstedts in 2018 were printed on FSC (Forest Stewardship Council) certified paper and all non-books products are CE certified. Another important area is to constantly work to optimise the number of copies of a book that are printed to reduce the wastefulness that arises due to excess books being destroyed each year.

Ethical Business

Storytel believes in fair play and wants to be a constructive and good player in the market that helps the industry as a whole prosper. We support efforts that help create more stories and introduce more people to the world of books. We believe that all initiatives that foster a positive attitude to any type of reading will benefit not only Storytel, but also the sector and the world at large. Storytel cooperates with several different market players, ranging from publishing houses to telecom operators. We choose business partners based on trust, not only in their business, but also in their corporate values and ability to conduct themselves fairly in the market. From a Storytel sustainability standpoint, ethical business can be split into efforts linked to anti-corruption and anti-competitive measures.

Anti-corruption

Storytel adheres to local legislation concerning bribery and corruption in all markets. However, irrespective of the provisions of local legislation, we never seek to exert undue influence on anyone, directly or indirectly, by offering or accepting bribes or tolerating corrupt behaviour. Storytel has a global Code of Conduct that outlines zero tolerance for bribes and corruption.

Sweden and other Nordic markets traditionally have a history of low occurrence of corruption, but as the company grows so does its presence in markets where undue influence is more prevalent. This changed landscape has, of course, amplified the level of risk for the group of companies both in terms of an increased risk of incidents in these markets and in terms of the risk that different cultures have different perceptions of what corruption is and what is regarded as normal business practice. To mitigate these risks Storytel has made several efforts, the most prominent being the launch of the new Code of Conduct in 2018 and raising awareness through training and awareness sessions. The Code of Conduct is presented to all new employees before entering a contract of employment with Storytel. For Storytel the Code of Conduct is a value statement, a binding code and a guide that is used by everyone working at Storytel. It applies to all employees, consultants and board members alike. Additionally, Storytel holds a conference during the on-boarding process for new employees and new markets. As part of the conference, everyone attends a workshop in Stockholm held by the Finance and Legal Teams

to reinforce the Code of Conduct and go through anti-corruption in more detail. In 2018, to further strengthen the compliance efforts within the group of companies, Storytel also hired its first compliance and regulatory officer who joined the legal team in February 2019. With this Storytel hopes to be even more proactive in the area and in many other compliance-related fields.

In 2019, as a means to build on previous efforts and to reduce the risk of corruption and bribery, Storytel plans to take a more solid country-by-country approach through a cross-functional effort (HR/Operations and Legal/Compliance) and carry out a more thorough risk assessment to provide a solid platform from which we can provide a tailored awareness programme.

Anti-competitive measures

Storytel adheres to local legislation concerning competition law in all markets, and we believe that competition creates a better market for our customers. The main risks identified by Storytel are, that an employee of Storytel due to lack of knowledge or otherwise, fails to follow the law or the Storytel policies by not treating all business partners on equal terms or by unlawfully communicating business aspects such as pricing or marketing with a competitor. To ensure that Storytel does not engage in these or other unlawful practices and that all employees follow the law and our Code of Conduct, Storytel identified awareness training for relevant employees as an important measure. In this effort selected employees underwent training during 2018. The programme will expand in 2019 into a broader competition law awareness programme.

Going forward

Storytel will produce a sustainability report on an annual basis to follow up on our sustainability areas and goals and to present new information. In 2019 Storytel will take an integrated approach to sustainability and start tracking and measuring KPIs related to the sustainability areas presented in this report.

The auditor's report on the statutory sustainability report

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

Engagement and responsibility

The Board of Directors is responsible for that the statutory sustainability report on pages 30-55 has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

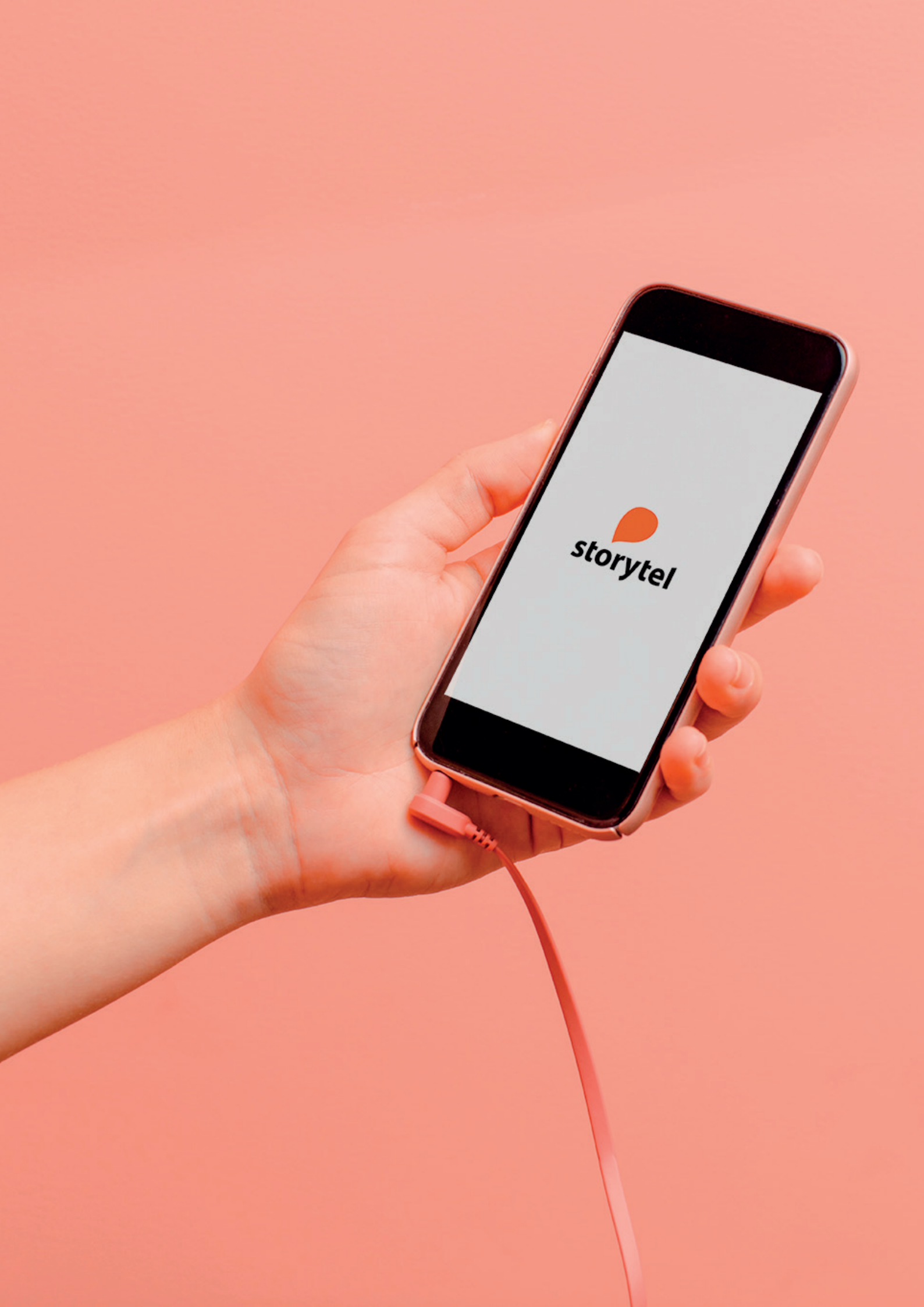
Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on the statutory sustainability report. This means that my (our) examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. I (We) believe that the examination has provided me (us) with sufficient basis for my (our) opinions.

Opinion

A statutory sustainability report has been prepared.

Stockholm 15th of April 2019
Ernst & Young AB

Alexander Hagberg
Authorized Public Accountant



storytel

Directors'

Report

Information about operations

The Board of Directors and Chief Executive Officer of Storytel AB (publ) hereby submit the annual report and consolidated financial statements for the 2018 financial year.

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

Storytel was founded in 2005 as a subscription service for audiobooks. The Storytel Group currently comprises two business segments; Streaming and Publishing. The Streaming segment delivers a subscription service for audiobooks and e-books under the Storytel and Mofibo brands, currently in Sweden, Norway, Denmark, Finland, Iceland, the Netherlands, Poland, Russia, Spain, India, United Arab Emirates, Turkey, Italy, Mexico and Bulgaria. The Streaming segment also includes audiobook publishing and Storytel Original, primarily through the audiobook publisher Storyside. The Publishing segment comprises the publishers Norstedts, Massolit, Printz Publishing, the Danish publisher People's Press, Storytel Publishing, Rabén & Sjögren and B. Wahlströms, as well as Norstedts Kartor.

Significant events during the year

In 2018 Storytel launched its service in six new markets; Iceland, United Arab Emirates, Turkey, Italy, Mexico and Bulgaria. This means that Storytel is now active in 15 markets. Storytel also announced that the company intends to launch in Singapore and Brazil in 2019.

Some internal restructuring was carried out during the year in Sweden and Norstedts Förlagsgrupp AB is now responsible for all physical publishing within the Storytel Group. In addition, two companies, Barnbolaget i Örebro AB and Telegram Bokförlag AB, were merged into Storyside AB, as all three have digital licensing and distribution rights.

The Annual General Meeting was held on 15 May 2018. Rustan Panday was re-elected as the Chairman of the Board. Jonas Tellander, Nils Janse and Jonas Sjögren were re-elected as Board members. Eva Swartz Grimaldi and Morten Strunge were elected as new Board members.

On 15 May 2018 Storytel announced the release of its own tablet, Storytel Reader, which was launched in June. Storytel Reader is on sale in Sweden, Denmark and Finland and contains Storytel's catalogue of audio books and e-books.

On 7 June 2018 Storytel refinanced its external bank loans with Swedbank. A new loan of MSEK 100 was taken out, with the option for an additional MSEK 100 that can be approved and utilised by 31 December 2019. At the same time the annual amortisation rate for existing loans was reduced from MSEK 40 to MSEK 20. The new loan will be amortised by MSEK 10 on an annual basis.

Following the authorisation for a new share issue from the Annual General Meeting on 15 May 2018, the company undertook a targeted share issue on 13 September 2018 using an accelerated book building process. 4,348,000 shares were issued at a subscription rate of SEK 115 per share. This provided the company with MSEK 500 before issue costs. More than 50 investors subscribed to this issue, including several major existing institutional shareholders.

On 18 September Storytel's subsidiary Norstedts Förlagsgrupp acquired the publisher Printz Publishing, which works with authors such as Jojo Moyes, Sophie Kinsella and Lucy Diamond.

On 30 November 2018 Storytel's application for admission to trading on the Nasdaq First North in Stockholm was approved. The first day of trading was 5 December 2018.

Significant events after the end of the year

In October 2018 ECOFIN decided that each member state would be able to decide whether or not to apply the reduced VAT rate for digital books. After the end of the year the Swedish government decided to reduce VAT on digital books from the current rate of 25% to 6%. This VAT reduction will come into force on 1 July 2019.

On 31 January 2019 Storytel acquired Ztorylabs AB (Ztory), a digital subscription service primarily for magazines and newspapers.

On 25 February 2019 Storytel announced that the company will launch in Germany in the summer 2019.

Anticipated future development, significant risks and uncertainties

Anticipated future development

Storytel's ambition is to be a global market leader in digital storytelling. The company is expected to continue to grow in existing markets and new markets and continually develop its service to be an attractive choice on the market, primarily for digital audiobooks and e-books.

Risks associated with Storytel's expansion

The Storytel Group will continue to invest in international expansion. In many cases Storytel may be entering non-developed audiobook markets, so there is a risk that it may take longer than expected to form new patterns of behaviour and encourage customers to start consuming the content in the service. Storytel is also expanding into markets that are significantly different from Storytel's domestic market of Sweden. This includes, but is not limited to, stricter laws and regulations, sanctions and corruption, for example. There is a risk that the company may not take all of these elevated risks into account when entering new markets.

The expansion rate also imposes high demands on the organisation to have efficient processes and IT systems in place. There is a risk that the company will not invest in these areas quickly enough or may not find the right competence for the company.

Storytel is growing both organically and through acquisitions. There is a risk that the company will not find suitable acquisitions to grow its operations, that acquisitions may not successfully integrate, or that they may not perform in other ways in line with expectations from Storytel and the market.

Risks associated with processing personal data

On 25 May 2018 the new EU regulation GDPR (General Data

Protection Regulation) came into force. Storytel has implemented organisational, technical and administrative changes and resources to meet the requirements in this new regulation. However, there is uncertainty about how this new regulation will be interpreted in the countries where Storytel operates. GDPR also has strict penalties and any breaches could result in a fine of up to MEUR 20 or 4% of Storytel's global sales.

Opportunity for future expansion

Storytel's ability to attract new customers is largely dependent on the company continuing to successfully deliver an innovative and technically feasible service with the right content. Storytel is also dependent on being able to continue to maintain and strengthen the company's brand. If Storytel is not able to do this, the company is at risk of not attracting new customers, which means that it would not be able to continue to grow its business.

To provide a full service Storytel is dependent on filling the service with content; both content that Storytel licences itself from rights holders and content from other publishers. There is a risk that it could become more difficult for the company to sign agreements with rights holders or that the terms could change drastically. There is also a risk that current agreements with other publishers could run out or may not be able to be renewed on the same terms as today.

Storytel is in a period of expansion and the company has obtained, and may need to obtain more, capital from the capital market. If the company is not able to do this because of external or internal circumstances, the company risks not being able to continue to grow at the pace it wants.

Opportunities for continued operation

Storytel AB (publ) recorded a loss in 2018. This loss was in line with the budget and projections and was due to the substantial investments made in the company's international operations, which usually take a number of years to become profitable. In 2018 Storytel operated in 15 markets, four of which generated a profit. Storytel AB (publ) is listed on Nasdaq First North, so the assessment is that capital will be available via the capital market or bank financing. It is therefore assessed that there is no threat to the Group's survival.

Commitments within the Group

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

The share

The closing price on the last day of trading (28 December 2018) was SEK 90.2. No share trading took place between December 29 and 31 2018. During the financial year the lowest share price was SEK 67.4 and the highest was SEK 158.8. The average price was SEK 111.7 during the financial year. An average of 60,614 shares were traded per day, with a high of 479,637 shares on one single day.

Sustainability report

Storytel is required to produce a sustainability report pursuant to the Swedish Annual Accounts Act. A statutory sustainability report has been prepared in accordance with these requirements and is presented on pages 30-55 as a separate document from the Annual Report. The aim of this sustainability report is to clarify our sustainability goals and explain what we are doing to achieve them. This report covers the operations of the entire Storytel Group.

	Group 2018	Group 2017
Numbers of shares at year-end	55,865,307	51,516,672
Of which A shares	635	635
Earnings per share after tax (SEK)	-4.02	-1.40

Largest shareholders as of 31 December 2018	Proportion %	Votes %
Roxette Photo NV	20.93	20.93
Handelsbanken Fonder	9.46	9.46
Jonas Tellander	8.95	8.95
Swedbank Robur Fonder	7.24	7.24
Annamaria Tellander	5.71	5.71
Others	47.71	47.71
	100	100

Five-year summary (SEK thousand)

Group	2018	2017	2016	2015	2014
Net sales	1,459,952	1,170,861	743,900	298,600	142,545
Profit after financial items	-260,962	-82,963	20,547	14,955	14,936
Operating margin (%)	-16.91	-5.72	3.43	1.12	10.66
Profit margin (%)	-14.53	-6.16	3.16	2.94	3.1
Equity	624,079	343,573	172,472	7,808	9,320
Equity-to-assets ratio (%)	45.63	36.19	23.84	4.82	15.00
Balance sheet total	1,367,803	949,421	724,293	162,033	62,151
Number of employees , on average	383	306	164	56	24

Parent company	2018	2017	2016	2015	2014
Net sales	3,186	2,685	1,606	1,201	1,230
Profit after financial items	-8,685	2,242	-4,768	12,306	-3,035
Equity-to-assets ratio (%)	89.07	90.52	90.38	96.57	48.43
Equity	1,454,642	973,778	734,383	595,770	20,378
Balance sheet total	1,633,214	1,075,762	812,512	616,932	42,078

For definitions of key ratios, see the Accounting and valuation principles.

Proposed appropriation of profits

The Board of Directors proposes that the profit available for disposition (SEK):

Accumulated deficit	-4,169,880
Share premium reserve	1,430,389,927
Profit for the year	-7,065,330
	1,419,154,717
To be carried forward	1,419,154,717

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

Consolidated Income Statement KSEK	Note 1	2018-01-01 -2018-12-31	2017-01-01 -2017-12-31
Net sales	2	1,459,952	1,170,861
Changes in inventories during work in progress		2,311	-1,049
Other operating income	3	23,744	29,401
		1,486,007	1,199,213
Operating costs			
Unit-sale costs		-892,904	-692,576
Other external costs	4, 5	-486,164	-308,022
Personnel costs	6	-284,974	-207,378
Depreciation, amortisation and impairment of tangible and intangible non-current assets		-64,588	-55,659
Other operating costs		-4,238	-2,524
		-1,732,868	-1,266,159
Operating profit	30	-246,861	-66,946
Profit from financial items			
Profit from participations in Group companies		54	0
Profit from participations in associates		165	-29
Other interest income and similar profit/loss items	7	3,728	3,647
Interest expense and similar profit/loss items	8	-18,049	-19,635
		-14,102	-16,017
Profit after financial items		-260,963	-82,963
Profit before tax		-260,963	-82,963
Tax on profit for the year	9	48,764	10,825
Profit for the year		-212,198	-72,138

Consolidated Balance sheet KSEK	Note 1	2018-12-31	2017-12-31
ASSETS			
Non-current assets			
Intangible non-current assets			
Capitalised expenses and similar work	10	32,421	43,367
Concessions, rights, licenses and brands	11	90,166	109,351
Tenancy rights and similar rights	12	963	1,091
Goodwill	13	141,385	149,522
Advances relating to intangible non-current assets	14	1,247	1,062
		266,182	304,393
Tangible non-current assets			
Inventories, tools and installations	15	4,987	3,588
Construction in progress and advances relating to tangible non-current assets		46	0
		5,033	3,588
Financial non-current assets			
Participations in associates	16, 17	2,194	2,029
Other long-term securities	18	931	254
Deferred tax asset	19	58,002	14,635
Other non-current receivables	20	6,595	7,228
		67,722	24,146
Total non-current assets		338,937	332,126
Current assets			
Inventories, etc.			
Work in progress		0	347
Finished goods and goods for resale		63,113	52,418
Work in progress on behalf of others		14,265	11,109
Advances to suppliers		0	1,757
		77,378	65,631
Current receivables			
Trade receivables		168,451	158,490
Receivables in associates		11,773	4,220
Current tax assets		14,889	11,304
Other receivables		15,791	12,320
Prepaid expenses and accrued income	21	158,000	114,355
		368,903	300,689
Current investments			
Other current investments		0	1,842
Cash and cash equivalents	22	582,585	249,132
Total current assets		1,028,866	617,295
TOTAL ASSETS		1,367,803	949,421

Consolidated Balance sheet KSEK	Note 1	2018-12-31	2017-12-31
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders in parent company			
Share capital		27,933	25,759
Share premium reserve		856,454	370,699
Statutory reserve		15,356	10,581
Retained earnings including profit for the year		-275,664	-63,466
Equity attributable to shareholders in parent company		624,079	343,573
Total equity		624,079	343,573
Provisions			
Provisions for deferred tax	23	24,686	30,729
Other provisions	24	36,962	31,163
		61,648	61,892
Non-current liabilities			
Liabilities to credit institutions	25		
	26	200,649	127,962
Current liabilities			
Liabilities to credit institutions		30,007	45,887
Advances from customers		2,779	2,291
Trade payables		116,605	97,067
Liabilities to associates		5,886	0
Current tax liabilities		1,917	588
Other liabilities		53,656	42,777
Accrued expenses and deferred income	27	270,575	227,384
		481,426	415,994
TOTAL EQUITY AND LIABILITIES		1,367,803	949,421

**Consolidated Statement of Changes in Equity
KSEK**

	Share capital	Share premium reserve	Statutory reserve	Other equity including profit for the year	Total
Closing equity as of 31/12/2016	23,924	136,881	2,996	8,672	172,472
New share issue	1,835	239,462			241,297
Translation differences for the year			7,586		7,586
Issue costs		-5,644			-5,644
Profit for the year				-72 138	-72 138
Closing equity as of 31/12/2017	25,759	370,699	10,582	-63,466	343,573
New share issue	2,174	497,846			500,020
Translation differences for the year			4,774		4,774
Issue costs		-12,090			-12,090
Profit for the year				-212,198	-212,198
Closing equity as of 31/12/2018	27,933	856,454	15,356	-275,664	624,079

Consolidated Cash Flow Statement KSEK	Note 1	2018-01-01 -2018-12-31	2017-01-01 -2017-12-31
Operating activities			
Profit after financial items		-260,963	-82,963
Adjustments for non-cash items, etc.	28	73,183	61,479
Tax paid		-4,082	-10,660
Cash flow from operations before changes in working capital		-191,861	-32,145
Cash flow from changes in working capital			
Change in inventories and work in progress		-9,317	20,088
Change in trade receivables		-6,421	-6,826
Change in current receivables		-50,061	-4,970
Change in trade payables		18,509	12,903
Change in current liabilities		52,083	22,983
Cash flow from operating activities		-187,069	12,034
Investment activities			
Investments in intangible non-current assets		-9,517	-6,735
Investments in tangible non-current assets		-3,239	-1,060
Acquisition of subsidiaries	29	-10,285	-64,101
Investments in financial non-current assets		-677	-1,876
Sale of financial non-current assets		0	6,905
Cash flow from investment activities		-23,718	-66,866
Financing activities			
New share issue, net		487,930	196,852
Loans raised		100,000	22,230
Amortisation of loans		-45,666	-43,053
Sale of securities		1,843	0
Cash flow from financing activities		544,107	176,029
Cash flow for the year		333,320	121,197
Cash and cash equivalents at beginning of year			
Cash and cash equivalents at beginning of year		249,132	129,561
Exchange rate difference in cash and cash equivalents			
Exchange rate difference in cash and cash equivalents		133	-1,625
Cash and cash equivalents at year-end	36	582,585	249,132

Parent Company's Income Statement KSEK	Note 1	2018-01-01 -2018-12-31	2017-01-01 -2017-12-31
Net sales		3,186	2,685
Other operating income		92	63
		3,278	2,748
Operating costs			
Other external costs	4, 5	-4,589	-2,666
Personnel costs	6	-4,698	-3,387
		-9,287	-6,053
Operating profit	30	-6,009	-3,305
Profit from financial items			
Profit from participations in Group companies	37	-84	9,500
Other interest income and similar profit/loss items	7	2,996	760
Interest expense and similar profit/loss items	8	-5,587	-4,713
		-2,676	5,547
Profit after financial items		-8,685	2,242
Profit before tax		-8,685	2,242
Tax on profit for the year	9	1,620	1,500
Profit for the year		-7,065	3,742

Parent Company's Balance Sheet KSEK	Note 1	2018-12-31	2017-12-31
ASSETS			
Non-current assets			
Financial non-current assets			
Participations in Group companies	31, 32, 33	1,030,223	867,119
Deferred tax asset		3,120	1,500
		1,033,343	868,619
Total non-current assets		1,033,343	868,619
Current assets			
Current receivables			
Receivables in Group companies		171,902	95,826
Tax receivables		63	37
Other receivables		213	29
Prepaid expenses and accrued income	21	124	81
		172,302	95,974
Cash and cash equivalents		427,569	111,169
Total current assets		599,871	207,143
TOTAL ASSETS		1,633,214	1,075,762

Parent Company's Balance Sheet KSEK	Note 1	2018-12-31	2017-12-31
EQUITY AND LIABILITIES			
Equity	34, 35		
Restricted equity			
Share capital		27,933	25,759
Statutory reserve		7,555	7,555
		35,487	33,313
Non-restricted equity			
Share premium reserve		1,430,390	944,634
Profit/loss brought forward		-4,170	-7,912
Profit for the year		-7,065	3,742
		1,419,155	940,464
Total equity		1,454,642	973,778
Non-current liabilities	25		
Liabilities to credit institutions	26	150,136	81,000
Total non-current liabilities		150,136	81,000
Current liabilities			
Liabilities to credit institutions		26,691	20,000
Trade payables		523	13
Current tax liabilities		81	112
Other liabilities		198	167
Accrued expenses and deferred income	27	942	691
Total current liabilities		28,436	20,984
TOTAL EQUITY AND LIABILITIES		1,633,214	1,075,762

**Parent Company's Changes in Equity
KSEK**

	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit for the year	Total
Closing equity as of 31/12/2016	23,924	7,555	710,817	-7,629	-283	734,383
New share issue	1,835		239,462			241,297
Appropriation in accordance with the AGM resolution				-283	283	0
Issue costs			-5,645			-5,645
Profit for the year					3,742	3,742
Closing equity as of 31/12/2017	25,759	7,555	944,634	-7,912	3,742	973,778
New share issue	2,174		497,846			500,020
Appropriation in accordance with the AGM resolution				3,742	-3,742	0
Issue costs			-12,090			-12,090
Profit for the year					-7,065	-7,065
Closing equity as of 31/12/2018	27,933	7,555	1,430,390	-4,170	-7,065	1,454,643

Parent Company's Cash Flow Statement KSEK	Note 1	2018-01-01 -2018-12-31	2017-01-01 -2017-12-31
Operating activities			
Profit after financial items		-8,685	2,242
Adjustments for non-cash items, etc.	28	121	0
Tax paid		-26	52
Cash flow from operations before changes in working capital		-8,590	2,294
Cash flow from changes in working capital			
Change in current receivables		-246,302	-69,410
Change in trade payables		510	-801
Change in current liabilities		250	126
Cash flow from operating activities		-254,132	-67,791
Investment activities			
Investments in financial non-current assets		0	-114,459
Change in long-term receivables		6,774	0
Cash flow from investing activities		6,774	-114,459
Financing activities			
New share issue, net		487,930	235,653
Loans raised		100,000	60,800
Amortisation of loans		-24,173	-36,400
Cash flow from financing activities		563,757	260,053
Cash flow for the year		316,399	77,803
Cash and cash equivalents at beginning of year			
Cash and cash equivalents at beginning of year		111,169	33,366
Cash and cash equivalents at year-end	36	427,568	111,169



Notes

KSEK

Note 1 Accounting and valuation principles

Company information

Storytel AB (Publ), corporate ID no. 556575-2960 is a limited liability company whose registered office is in Stockholm, Sweden. The main activities of the company are described in the Directors' Report.

General information

The annual report and consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act 1995:1554 and BFNAR 2012:1 Annual Reports and Consolidated Financial Statements (K3).

The following accounting and valuation principles apply to both the consolidated financial statements and the parent company's annual accounts unless otherwise specified.

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

The accounting principles are unchanged compared with previous years.

Revenue recognition

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

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

Consolidated financial statements

The consolidation method

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

Subsidiaries

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

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

Associates and jointly controlled entities

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

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

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

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

Transactions between Group companies

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

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

Recalculation of foreign subsidiaries

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

Goodwill

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

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

Intangible assets

Internally generated intangible non-current assets

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

Other intangible non-current assets

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

Non-current assets

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

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

Intangible non-current assets

Capital expenditures for development work	5-10 years
Concessions, patents, licenses and brands	5 years
Tenancy rights and similar rights	5 years
Goodwill	5-10 years

An amortisation period for goodwill exceeding five years is justified on the basis of strategic acquisitions whose useful life is estimated to be 10 years.

Tangible non-current assets

Inventories, tools and installations	3-5 years
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Borrowing costs

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

Financial instruments

Financial instruments are valued at acquisition value. The instrument is reported in the balance sheet when the company becomes a party under the contractual terms of the instrument. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument expires, or is transferred, and the company has transferred practically all risks and benefits associated with ownership. Financial liabilities are removed from the balance sheet when the obligations have been settled or otherwise expired.

Participations in subsidiaries

Participations in subsidiaries are recognised at acquisition value less any impairment losses. The acquisition value includes the price paid to purchase the shares as well the costs of acquisition. Any capital contributions are added to the acquisition value as they arise.

Other long-term securities

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

Trade receivables/current receivables

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

Borrowings and trade payables

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

Impairment testing of financial non-current assets

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

Leases

As the financial risks and benefits associated with the asset have not been transferred to the lessee, leasing is classed as operational leasing.

Inventories

Inventories have been valued at the lowest of the acquisition value and net realisable value on the closing day. Net realisable value refers to the estimated selling price of the products less selling expenses. Under the chosen method of valuation, allowance has been made for obsolescence of inventories.

Income tax

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

Current tax

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

Deferred tax

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

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

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

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

Provisions

Provisions have been made for known or feared risks following individual assessment. Storytel AB's subsidiaries have a detailed process for calculating provisions relating to the return of books sold. Provision to a sales return reserve is calculated continuously on sales and a historical percentage of returns.

Negative goodwill which can be attributed to future losses and costs is recognised in the income statement during the financial year in which such losses and costs were incurred.

Employee benefits

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

Post-employment employee benefits

Pension plans for post-employment benefits are classified on a defined-contribution or defined-benefit basis. In the case of defined-benefit plans, the company is obliged to provide the agreed compensation to current and former employees.

In all material respects, the company bears the risk of the compensation being greater than anticipated (actuarial risk) and the return on assets failing to meet expectation (investment risk).

Defined-contribution plans

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

Defined-benefit plans

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

Public grants

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

Group contributions

Group contributions paid and received are recognised as appropriations.

Cash flow statement

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

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

Definitions of key ratios

Net sales

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

Profit after financial items

Profit after financial revenues and costs, before tax.

Operating margin (%)

Operating profit as a percentage of sales.

Profit margin (%)

Profit after tax as a percentage of net sales.

Equity-to-assets ratio (%)

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

Equity

The company's net assets, i.e. the difference between assets and liabilities.

Balance sheet total

The company's total assets.

Number of employees

Average number of employees during the financial year.

Estimates and assessments

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

Estimation uncertainty

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

Deferred tax receivables

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

Trade receivables and publishing receivables

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

Inventories

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

Royalty receivables

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

Provision for sales return reserve

The provision for sales returns is based on historic information about reserves as well as current trends that may indicate that future returns may deviate from historic returns.

Note 2 Distribution of net sales
Group

	2018	2017
Sales by category		
Subscription revenues	966,854	668,010
Publishing	488,756	499,673
Other	4,343	3,180
	1,459,952	1,170,862
Sales by geographic market		
Sweden	899,479	850,373
Rest of the world	560,474	320,489
	1,459,952	1,170,862

Net sales by geographic market refers to the market where the sales company is registered

Note 3 Other operating income
Group

	2018	2017
Grants received	3,629	4,084
Exchange gains relating to operations	569	759
Sales of rights	4,004	4,279
Other revenue	15,542	20,279
	23,744	29,401

Note 4 Leases Group

Leases and rental agreements are reported as operational leasing (rental agreements), with the leasing charge expensed on a straight-line basis over the term of the lease. Rental agreements generally run for a term of 3-5 years, with the option to extend for 3 years at a time. Inventories and vehicles are leased for a period of two to three years, with an option to buy out.

Costs for the year relating to leases were KSEK 21,759 (22,611).

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

	2018	2017
Within one year	25,764	21,165
After one year but within five years	79,957	47,220
Later than five years	49,200	0
	154,921	68,385

The parent company has no leasing agreements.

Note 5 Auditor's fees Group

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

	2018	2017
EY		
Audit assignment	1,496	1,906
Auditing activities besides the audit assignment	484	553
Tax advice	267	303
Other services	948	57
	3,195	2,819
Other		
Audit assignment	9	0
	9	0

Parent company

	2018	2017
EY		
Audit assignment	251	92
Auditing activities besides the audit assignment	325	400
	576	492

Note 6 Employees and personnel costs by country Group

Average number of employees by country	2018		2017	
	Total	Women	Total	Women
Sweden	251	184	197	140
Denmark	60	22	61	27
India	14	7	12	6
Netherlands	7	4	12	6
Finland	8	6	6	5
Spain	7	2	6	2
Poland	8	2	5	1
Russia	7	4	3	1
Turkey	6	1	1	1
Bulgaria	5	3	1	1
Iceland	4	1	1	0
Italy	4	1	0	0
Austria	1	0	1	0
Mexico	1	0	0	0
	383	237	306	190

	2018	2017
Salaries and other remuneration		
Board and Chief Executive Officer	2,759	2,587
Other employees	198,822	140,834
	201,581	143,421
Social security costs		
Pension costs for the Board and Chief Executive Officer	524	240
Pension costs for other employees	22,752	15,078
Other statutory and contractual social security contributions	50,404	39,780
	73,679	55,098
Gender breakdown among senior executives		
Proportion of women on the Board	29%	29%
Proportion of men on the Board	71%	71%
Proportion of women among other senior executives	40 %	40 %
Proportion of men among other senior executives	60 %	60 %

Parent company

	2018		2017	
Average number of employees by country				
Sweden	2	(1)	2	(1)
	2	(1)	2	(1)

The average number of women is given in brackets.

	2018	2017
Salaries and other remuneration		
Board and Chief Executive Officer	613	262
Other employees	2,516	2,004
	3,128	2,266
Social security costs		
Pension costs for the Board and Chief Executive Officer	0	0
Pension costs for other employees	478	333
Other statutory and contractual social security contributions	971	780
	1,448	1,113

Agreement on severance pay

There is currently no agreement of severance pay for the board of directors, the chief executive officer or other senior executives.

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

	2018	2017
Other interest income	2,081	301
Foreign exchange differences	1,647	3,346
	3,728	3,647

Parent company

	2018	2017
Interest income from Group companies	2,996	760
	2,996	760

Note 8 Interest expense and similar profit/loss items
Group

	2018	2017
Other interest expense	9,925	7,432
Foreign exchange differences	6,078	8,865
Other financial costs	2,046	3,338
	18,049	19,635

Parent company

	2018	2017
Other interest expense	5,587	4,713
	5,587	4,713

Note 9 Current and deferred tax Group

	2018	2017
Tax on profit for the year		
Current tax	-2,398	-1,271
Adjustment for previous years	-774	0
Change in deferred tax relating to temporary differences, including effect of changed tax rate	51,936	12,104
Other tax	0	-8
Total reported tax	48,764	10,825

Reconciliation of effective tax

	2018		2017	
	Percentage	Amount	Percentage	Amount
Reported profit before tax		-260,962		-82,963
Tax according to current tax rate, parent company	22.00	57,412	22.00	18,252
Non-deductible expenses		-4,152		-1,847
Non-taxable income		1,782		4,479
Deferred tax on temporary differences		156		-7,378
Effect of other tax rates on foreign subsidiaries		-2,524		-198
Effect of changed tax rate		-2,958		0
Loss carry-forwards whose tax value is not recognised as an asset		-4,772		-1,749
Utilisation of previous years' loss carry-forwards during the year whose tax value is not recognised as an asset		4,594		159
Other		-774		-893
Reported effective tax	18.69	48,764	13.05	10,825

Parent company

	2018	2017
Tax on profit for the year		
Change in deferred tax relating to temporary differences, including effect of changed tax rate	1,620	1,500
Total reported tax	1,620	1,500

Reconciliation of effective tax

	2018		2017	
	Percentage	Amount	Percentage	Amount
Reported profit before tax		-8,685		2,242
Tax according to current tax rate	22.00	1,911	22.00	-493
Non-deductible expenses		-319		-54
Non-taxable income		1,320		2,199
Effect of changed tax rate		-212		0
Loss carry-forwards whose tax value is not recognised as an asset		-1,080		-151
Reported effective tax	18.65	1,620	-66.90	1,500

**Note 10 Capital expenditures for development and similar work
Group**

	31 December 2018	31 December 2017
Opening acquisition value	119,012	116,316
Acquisition value	0	326
Purchases	32	2,177
Reclassification	0	0
Sales/disposals	-71	0
Translation differences	1,835	193
Closing accumulated acquisition value	120,809	119,012
Opening amortisation	-75,645	-61,564
Acquired amortisation	0	-35
Sales/disposals	566	0
Amortisation for the year	-12,454	-12,879
Translation differences	-855	-1,167
Closing accumulated amortisation	-88,388	-75,645
Closing reported value	32,421	43,367

**Note 11 Concessions, brands, etc.
Group**

	31 December 2018	31 December 2017
Opening acquisition value	139,265	94,988
Acquisition value	5,437	43,514
Purchases	1,405	0
Translation differences	169	763
Closing accumulated acquisition value	146,276	139,265
Opening amortisation	-29,913	-8,713
Acquired amortisation	0	-397
Amortisation for the year	-27,188	-21,896
Translation differences	-499	1,092
Closing accumulated amortisation	-57,600	-29,913
Closing reported value	88,676	109,351

**Note 12 Tenancy rights and similar rights
Group**

	31 December 2018	31 December 2017
Opening acquisition value	1,346	200
Acquisition value	265	1,146
Closing accumulated acquisition value	1,611	1,346
Opening amortisation	-255	-120
Amortisation for the year	-394	-135
Translation differences	1	0
Closing accumulated amortisation	-648	-255
Closing reported value	963	1,091

Note 13 Goodwill Group

	31 December 2018	31 December 2017
Opening acquisition value	219,748	147,562
Acquisition value	5,219	68,783
Purchases	6,345	3,412
Translation differences	3,853	-9
Closing accumulated acquisition value	235,164	219,748
Opening amortisation	-70,225	-53,690
Amortisation for the year	-23,061	-18,805
Translation differences	-493	2,270
Closing accumulated amortisation	-93,779	-70,225
Closing reported value	141,385	149,522

Note 14 Advances relating to intangible non-current assets Group

	31 December 2018	31 December 2017
Opening acquisition value	1,061	1,221
Purchases	1,470	1,061
Outgoing items	-1,284	-1,221
Closing reported value	1,247	1,061

Note 15 Inventories, tools and installations Group

	31 December 2018	31 December 2017
Opening acquisition value	25,490	23,289
Acquisition value	4	1,445
Purchases	2,839	1,060
Sales/disposals	-25	0
Translation differences	-10	-305
Closing accumulated acquisition value	28,297	25,490
Opening depreciation	-21,902	-20,572
Acquired depreciation	25	-312
Depreciation for the year	-1,570	-1,078
Translation differences	137	60
Closing accumulated depreciation	-23,310	-21,902
Closing reported value	4,987	3,588

Note 16 Participations in associates and jointly controlled entities Group

	31 December 2018	31 December 2017
Opening acquisition value	2,029	10,648
Share of profit for the year	165	0
Reclassification	1	0
Closing accumulated acquisition value	2,194	10,648
Sales/disposals	0	-8,619
	0	-8,619
Closing reported value	2,194	2,029

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

Name	Capital share	Voting share	Book value
Storytel A.S	50%	50%	0
Bokinfo Norden HB	25%	25%	2,194
			2,194
	Corporate ID no.	Domicile	
Storytel A.S	913211421	Oslo	
Bokinfo Norden HB	556600-2126	Stockholm	

Storytel A.S is reported in accordance with the proportional consolidation method. Bokinfo Norden HB is reported in accordance with the equity method.

Note 18 Other non-current securities holdings Group

	31 December 2018	31 December 2017
Opening acquisition value	254	348
Acquisitions	904	254
Sales/disposals	0	-348
Reclassifications	-226	0
Closing accumulated acquisition value	931	254
Closing reported value	931	254

**Note 19 Deferred tax on temporary differences
Group**

Deferred tax on temporary differences 31 December 2018				
Temporary differences		Deferred tax asset	Deferred tax liability	Net
Deductible temporary differences		6,693	0	6,693
Tax-related loss carry-forwards		51,309	0	51,309
Taxable temporary differences		0	-24,686	-24,686
		58,002	-24,686	33,316

31 December 2017

Temporary differences		Deferred tax asset	Deferred tax liability	Net
Deductible temporary differences		8,780	0	8,780
Tax-related loss carry-forwards		5,855	0	5,855
Taxable temporary differences		0	-30,729	-30,729
		14,635	-30,729	-16,094

Changed in deferred tax

	Amount at beginning of year	Reported in income statement	Reported in balance sheet	Amount at year-end
Deductible temporary differences	8,780	-2,087	198	6,693
Tax-related loss carry-forwards	5,855	45,454	0	51,309
Taxable temporary differences	-30,729	-7,398	1,355	-24,686
	-16,094	35,968	1,553	33,316

Note 20 Other non-current receivables Group

	31 December 2018	31 December 2017
Opening acquisition value	7,228	7,237
Acquisition value	0	991
Additional receivables	1,790	0
Outgoing receivables	-2,462	-1,000
Translation differences	38	0
Closing accumulated acquisition value	6,595	7,228
Closing reported value	6,595	7,228

Note 21 Prepaid expenses and accrued income Group

	31 December 2018	31 December 2017
Prepaid royalties	118,187	91,174
Production costs	0	3,106
Accrued income	12,036	7,320
Prepaid leasing	3,650	3,590
Other prepaid expenses	24,128	9,165
	158,000	114,355

Parent company

	31 December 2018	31 December 2017
Other prepaid expenses	124	81
	124	81

Note 22 Overdraft facility Group

	31 December 2018	31 December 2017
An overdraft facility has been sanctioned in the amount of	75,000	75,000
Used credit amounts to	0	0

Note 23 Deferred tax liability Group

	31 December 2018	31 December 2017
Amount at beginning of year	30,729	31,512
Change in deferred tax, untaxed reserves, acquisitions	1,355	0
Change in deferred tax, untaxed reserves, income statement	0	-3,563
Change in deferred tax, consolidated surplus values and income statement	-7,907	-6,792
Change in deferred tax, consolidated surplus values and balance sheet	0	8,999
Translation differences	508	573
Amount at year-end	24,686	30,729

Note 24 Other provisions Group

Other provisions mainly consist of sales return reserve and earnouts attributable to company acquisitions.

	31 December 2018	31 December 2017
Amount at beginning of year	31,163	23,117
Revaluation of earnouts attributable to company acquisitions	-748	0
Acquisition value	0	2,036
Reclassification, sales return reserve	0	-2,254
Provision for the period	26,843	31,065
Utilisation during the year	-19,966	-20,975
Reversal of unused amounts for the period	-455	-1,826
Translation differences	125	0
Amount at year-end	36,962	31,164

Note 25 Non-current liabilities Group

	31 December 2018	31 December 2017
Due after one year but within five years of the closing day		
Liabilities to credit institutions	180,650	107,963
	180,650	107,963
Due later than five years from the closing day		
Liabilities to credit institutions	20,000	20,000
	20,000	20,000

Parent company

	31 December 2018	31 December 2017
Due after one year but within five years of the closing day		
Liabilities to credit institutions	130,136	61,000
	130,136	61,000
Due later than five years from the closing day		
Liabilities to credit institutions	20,000	20,000
	20,000	20,000

Note 26 Pledged assets and contingent liabilities Group

	31 December 2018	31 December 2017
For liabilities to credit institutions:		
Floating charges	126,585	112,825
Collateral in subsidiary shares	347,461	346,290
	474,046	459,115
For other non-current liabilities		
Restricted cash	20,000	20,000
Bank guarantee	107	94
	20,107	20,094
Contingent liabilities		
Pension obligations	2,921	2,816
Partnership liability	3,174	3,080
	6,095	5,896

The book value of liabilities related to the collateral in subsidiary shares is KSEK 225,552.

Parent company

	31 December 2018	31 December 2017
For liabilities to credit institutions:		
Floating charges	3,425	3,425
Collateral in subsidiary shares	253,590	253,590
	257,015	257,015

The book value of liabilities related to the collateral in subsidiary shares is KSEK 176,827.

Note 27 Accrued expenses and deferred income Group

	31 December 2018	31 December 2017
Deferred income	46,570	30,508
Production costs	0	1,455
Accrued holiday pay	23,317	18,411
Accrued social security contributions	9,241	13,955
Accrued royalties	159,543	142,420
Other accrued expenses	31,905	20,635
	270,575	227,384

Parent company

	31 December 2018	31 December 2017
Accrued holiday pay	760	498
Other accrued expenses	182	194
	942	691

Note 28 Adjustments for non-cash items Group

	31 December 2018	31 December 2017
Depreciation and amortisation	64,588	54,793
Provisions	5,685	-2,259
Profit from participations in associates	-165	0
Capital gains	313	0
Exchange rate effects and other non-cash items	2,764	8,945
	73,184	61,479

Parent company

	31 December 2018	31 December 2017
Write downs	37	0
Loss on sale of non-current assets	84	0
	121	0

Note 29 Acquisition of business and other changes to the Group during the year

Group

2018

The publisher Printz Publishing AB was acquired in October 2018. The purchase price is not considered to have a material impact on the Group's financial position or cash. A performance-based earnout may be due subsequently. During the year two companies, Barnbolaget i Örebro AB (corporate ID no 556677-2611) and Telegram Bokförlag AB (corporate ID no 556782-9303) merged into Storyside AB. Disclosures pursuant to BFNAR 1999:1 have not been provided as these mergers are not assessed as having a material impact on the Group.

2017

Kontentan Förlag AB was acquired in February 2017. People's Press in Denmark was acquired for a sum equivalent to KSEK 97,000 thousand in March, while Telegram Bokförlag AB was acquired in April. Three companies were acquired in September 2017: Seslenenkitap (now Storytel Turkey Yayıncılık Hizmetleri A.S), in Turkey, for KSEK 2,800 thousand; D&D Factory (now Storytel Bulgaria EOOD), in Bulgaria, for KSEK 1,376 thousand; and Skynjun (now Storytel Iceland EHF), in Iceland, for KSEK 1,346 thousand. A performance-based earnout may be due subsequently in all three cases.

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

Group

Parent company

For sales and purchases between Group companies, the same pricing principles apply as regards transactions with external parties. The Storytel Group's other related parties consist primarily of senior executives. The transactions with these parties have also been carried out at arm's length.

Information on personnel costs can be found in Note 6, Employees and personnel costs.

Note 31 Participations in Group companies

Parent company

	31 December 2018	31 December 2017
Opening acquisition value	867,119	752,659
Purchases	0	103,882
Sales/liquidations	-6,859	0
Shareholder contributions	170,000	10,577
Closing accumulated acquisition value	1,030,260	867,119
Impairment for the year	-37	0
Closing accumulated impairment	-37	0
Closing reported value	1,030,223	867,119

Note 32 Specification of participations in Group companies
Parent company

Name	Capital Share	Voting share	Book value
Storytel AG	100%	100%	776,517
Storytel Publishing AB	100%	100%	6,726
Omega Film AB	100%	100%	116
Norstedts Förlagsgrupp AB	100%	100%	142,982
People's Press A/S	100%	100%	103,882
			1,030,223

	Corporate ID no.	Domicile
Storytel AG	2803008746-7	Switzerland
Storytel Publishing AB	556676-0046	Stockholm
Omega Film AB	556045-0297	Stockholm
Norstedts Förlagsgrupp AB	556240-5059	Stockholm
People's Press A/S	2803008746-7	Denmark

Note 33 Indirectly owned subsidiaries
Parent company

Name and domicile	Capital share	Corporate ID no.
Storytel Sweden AB, Stockholm	100%	556696-2865
Storytel Danmark AS, Denmark	100%	35207600
Storytel NL BV, Netherlands	100%	58216111
Storytel Publishing NL B.V, Netherlands	100%	62057707
Storyside AB, Stockholm	100%	556630-2906
Earbooks AB, Stockholm	100%	556938-3762
Mofibo Books ApS, Denmark	100%	35228691
Mofibo Sweden AB, Stockholm	100%	556977-0166
Storytel GmbH, Austria	100%	439493p
Storytel SP z.o.o., Poland	100%	362739911
Storytel Oy, Finland	100%	27922507
Storytel LLC, Russia	100%	114784713702
Gammafon Barnmedia AB, Stockholm	100%	556367-7946
Norstedts Kartor AB, Stockholm	100%	556532-7540
Böckernas Klubb med Journalen BKJ AB, Stockholm	100%	556317-0629
Kartcentrum i Stockholm AB, Stockholm	100%	556468-5575
Barnens Bokklubb AB, Stockholm	100%	556103-0445
Storytel Bulgaria EOOD, Bulgaria	100%	202130119
Storytel Iceland ehf, Iceland	100%	570504-3040
Storytel Turkey Yayıncılık Hizmetleri A.S., Turkey	100%	35728/5
Storytel Arabia FZ LLC, UAE	100%	-
Storyside India LLP, India	100%	AAH-6929
Storytel Italy S.rl, Italy	100%	10127220969
Printz Publishing AB, Stockholm	100%	556828-0043
Kontentans Förlags AB, Stockholm	100%	556502-7447
Storytel S.L Spanien, Spain	100%	B66996729
Storytel Servicios S. de R.L. de C.V, Mexico	100%	53023, SSEI805236MA
Storytel Latin America S. de R.L de C.V, Mexico	100%	53022,SLAI80523RI3
Storytel Pte Ltd, Singapore	100%	UEN: 201842070G
Storytel Services UK Limited, England	100%	11708468
Storytel Brasil Distribuição de Audiolivros Ltda, Brasilien	100%	-

Note 34 Number of shares and quota value
Parent company

Name	Number of shares	Quota value
Number of A shares	635	0.5
Number of B shares	55,864,672	0.5
	55,865,307	

Note 35 Appropriation of profit or loss
Parent company

	2018-12-31
Proposed appropriation of profits	
The Board of Directors proposes that the profit available for disposition:	
Accumulated deficit	-4,170
Share premium reserve	1,430,390
Profit for the year	-7,065
	1,419,155
Be carried forward	1,419,155

Note 36 Cash and cash equivalents
Group

	31 December 2018	31 December 2017
Cash and cash equivalents		
Bank balance	582,585	249,130
	582,585	249,130

Out of the group bank balance, KSEK 20,000 (KSEK 20,000) consists of restricted cash.

Parent

	31 December 2018	31 December 2017
Cash and cash equivalents		
Bank balance	427,569	111,169
	427,569	111,169

Out of the parent bank balance, KSEK 20,000 (KSEK 20,000) consists of restricted cash.

Note 37 Profit from participations in Group companies
Parent

	2018	2017
Dividends received	5,999	9,500
Profits from divestments	813	0
Write-downs	-6,896	0
	-84	9,500

Note 38 Significant events after the end of the financial year
Group
Parent company

In October 2018 ECOFIN decided that each member state would be able to decide whether or not to apply the reduced VAT rate for digital books. After the end of the year the Swedish government decided to reduce VAT on digital books from the current rate of 25% to 6%. This VAT reduction will come into force on 1 July 2019.

On 31 January 2019 Storytel acquired Ztorylabs AB (Ztory), a digital subscription service primarily for magazines and newspapers.

On 25 February 2019 Storytel announced that the company will launch in Germany in June 2019.

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

Stockholm 15th of April 2019

Rustan Panday
Chairman of the board

Morten Qvist Strunge

Jonas Sjögren

Nils Janse

Karin Frato Alexandersson

Eva Swartz Grimaldi

Jonas Tellander
Chief Executive Officer

Our auditor's report has been submitted 15th of April 2019

Ernst & Young AB

Alexander Hagberg
Authorised Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Storytel AB (Publ) for the year 2018-01-01 – 2018-12-31 with exception to the statutory sustainability report. The annual accounts and consolidated accounts of the company are included on pages 58-100 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the di-

rection, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Storytel AB (Publ) for the year 2018-01-01 – 2018-12-31 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with

generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

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

Stockholm 15th of April 2019

Ernst & Young AB

Alexander Hagberg
Authorized Public Accountant

