

2019

Annual Report.



Annual Report &
Sustainability Report 2019





Let me
tell you
a story

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This English version of the Annual Report of Storytel AB (Publ.) is a translation of the Swedish original. The Swedish text is the binding version and shall prevail in the event of any discrepancies.

About Storytel

Storytel aspires to be a global market leader in storytelling. By leveraging technology, Storytel democratizes 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 accessing stories via a digital platform, Storytel's subscribers can reap the benefits of reading in a way that fits the 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. These divisions are synergetic and help Storytel 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 and by the end of 2019 it had a market capitalization of approximately BSEK 8.

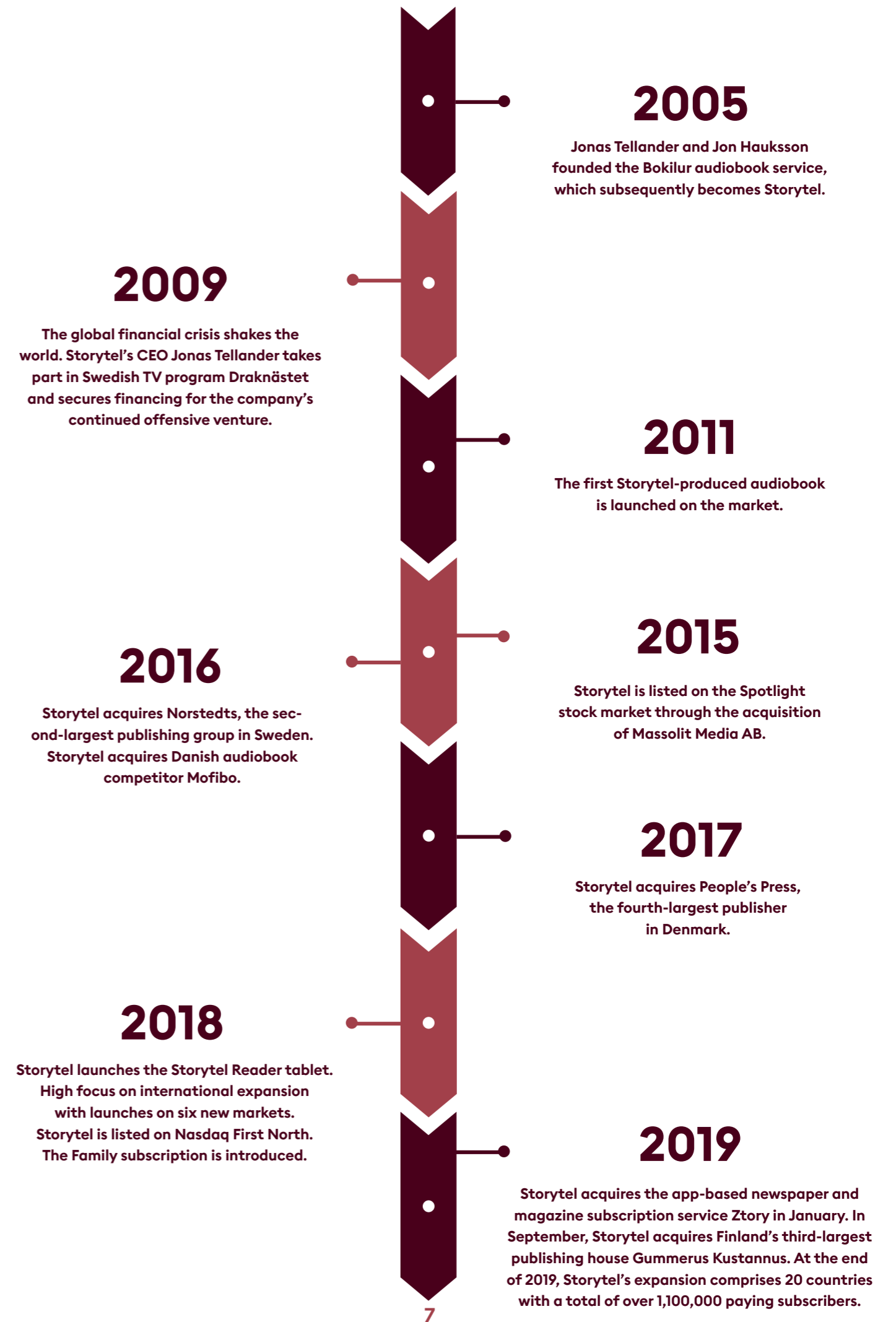
Streaming

Storytel is Northern Europe's leading audiobook and e-book streaming service. It offers unlimited listening and reading of more than 400,000 titles in 27 languages on a global scale. Our vision is to make the world a more empathetic

place with great stories to be shared and enjoyed by anyone, anywhere and anytime. The streaming business area offers subscriptions for audiobooks and e-books under the Storytel and Mofibo brands. Storytel operates in 20 markets around the globe: Sweden, Norway, Denmark, Finland, the Netherlands, Poland, Russia, India, South Korea, Germany, Spain, Iceland, UAE, Italy, Turkey, Brazil, Mexico, Colombia, Bulgaria and Singapore. Ztory—a subscription-based digital all-you-can-read streaming service for newspapers and magazines—has been a part of Storytel since January 2019. Storytel is headquartered in Stockholm, Sweden.

Print Publishing

The Print Publishing division comprises 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. In September 2019, Storytel acquired Gummerus Kustannus, one of the oldest and most respected publishing houses in Finland. Founded in 1872, the family-owned business has grown into Finland's third-largest book publisher and a dynamic force on the Finnish market. Through its publishing imprints, the Storytel Group is a well-known publisher and literary agency in Europe, especially in the Nordic countries.



Vision



Mission

Storytel's ambition has always been much bigger than a market opportunity or a technological possibility. We are a brand that aims to be a global leader—we want to provide an inherent good and give back every day. We want to make a difference in people's everyday lives through our commitment to provide them access to the best stories.

Vision

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

Mission

Inspire people of all ages to discover the world of stories by building an accessible and personalized storytelling experience using technology, insights and data.

Empower people to unlock their creativity and share stories by connecting storytellers with a global audience.

Provide meaningful and inspiring 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 2019

Spurred by the success in 2018, we set our financial goals high when going into 2019. Our aim was to grow the subscriber base by 40% and reach 1,100,000 subscribers before the end of the year, while increasing our streaming revenues to MSEK 1,400-1,450 (36-41% growth). We were also aiming to launch our service in at least three new markets; we ended up launching five. During an astounding 2019, Storytel launched in Singapore, Germany, Colombia, Brazil and South Korea. When we passed the communicated target of 1,100,000 paying customers on Christmas Day, Storytel could sum up the year with a global streaming revenue increase of 39,5%, which corresponds to revenues equal to MSEK 1,437, and an expansion stretching over three continents and 20 countries. By year-end of 2019, Storytel had eight markets with more than 50,000 paying subscribers, up from four markets in 2018, and was profitable on a local level on five markets: Sweden, Norway, Denmark, Iceland and, since early January 2020, also in the Netherlands. The significant lowering of the digital VAT on many European markets contributed to this development. The positive cash flows from our profitable markets helped to create new value, both to our business and to finance new markets. So did our new loan agreement with Swedbank in the autumn of 2019. The refinancing meant that Storytel extended its existing long-term loans to a total of SEK 500 million and removed the annual repayment of approximately SEK 30 million. The refinancing strengthens Storytel's financial position and creates a robust base for continued aggressive investments in content production, sales, marketing and the digitalization of the book market, in accordance with our expansion strategy. Our recent and very successful directed issue of 5,963,152 shares corresponding to approximately MSEK 948 in the beginning of 2020, further fuels and underlines our strong commitment to growth for the upcoming years.

Growth and market development

Storytel is growing in every dimension. Today - and on a daily basis - we handle more than 1.1 million customers, roughly 1 million streamed hours, a leading content offering of over 400,000 titles/books, around 1.3 million app openings and more than 27 languages. Storytel has also proven that its business model is profitable and scalable. Already back in 2010, and up through 2016, Storytel was making profits on a company level, thereby proving that our business model was sustainable before starting to invest heavily in our international expansion. From a global perspective, the Swedish audiobook market is the most developed in our industry's ongoing and accelerating digital transformation. During 2019, audiobook revenues in Sweden corresponded to almost 50% of the total revenue on the Swedish market for adult fiction literature. We are undoubtedly still at the beginning of the digital audiobook revolution where Storytel is leading the way. Based on Deloitte's estimate for global book market revenue, the global fiction book market alone is as large as the accumulated revenues of radio, podcast and recorded music - and the total global book market is twice as big. This clearly underlines the market potential in Storytel's non-Nordic segment, which grew triple-digit in 2019.

In the coming decade, we expect the global audiobook market to grow 15% annually from 40 BSEK to 200 BSEK with Storytel capturing a double-digit market share globally.

In the Nordics today, the strong increase in sales of the digital formats continues to drive growth for the book market as a whole, with Storytel as the outstanding market leader for audiobooks and e-books. In Sweden, Storytel and Bonnierförlagen signed a new agreement in August 2019, granting Storytel access to Bonnierförlagen's full catalogue of audiobooks and e-books starting on 1 September 2019 and ending earliest 31 December 2022. I am confident that this deal will contribute to positive conditions for the development of the local book business, both for authors and for the continuous digital evolution that is constantly optimizing the consumer's accessibility to great stories that can be shared and enjoyed by anyone, anywhere and anytime.

The flexibility that the smartphone creates, has redefined the concept of ownership and is changing consumer behavior. To a large and rapidly growing number of people, access has become the new ownership. The booming audiobook market and Storytel's offering of unlimited access to a catalogue with over 400,000 titles and 27 languages globally are certainly indications that this is the case. 95% of the global population live outside the USA; most of these consumers do not have English as their first language. These populations are growing faster, becoming wealthier and more curious about the world, and the smartphone and constant access is becoming part of their everyday lives. The world is indeed becoming both unlimited and global.

Print publishing

The book market is undergoing a transformation, and I am pleased to see that Norstedts Förlagsgrupp (NFG) is not only spearheading this shift, but doing so with retained profitability and robust stability. I am also happy to note the well-earned respect and admiration that NFG, as a prominent and influential publisher, enjoys in the marketplace. In October, the Swedish Government awarded Norstedts Agency with the prestigious Export Prize for the astounding success of the Millennium novels. In its motivation the Government stated: "Behind the Millennium phenomena stands Norstedts Agency, which has enabled the biggest literary export success of all times in Scandinavia". This naturally attracts exciting new authors to join the amazing NFG line-up, with successful names such as David Lagercrantz, Elena Ferrante, Emelie Schepp, Anna Jansson, and with kids brands like "Handbok för Superhjältar" and "Musse & Helium". Almost half (48%) of NFG's current fiction revenues are digital, and 76% of total revenues from titles older than one year, emphasizing the combined benefits of digital and print today and the increasing value of backlist titles. This makes the business less dependent on new releases and secures long-term revenue streams for publishers and authors. During the autumn of 2019, Storytel acquired Finland's third-largest publishing house - the renowned and respected publisher Gummerus.

Its publishing operations today represent a total yearly production of approximately 200 domestic and translated titles, mainly fiction and non-fiction, and a slew of success stories such as Minna Rytisalo, Selja Ahava, Matti Rönkä, Camilla Grebe, Jojo Moyes, Clare Mackintosh and Jussi Adler-Olsen.

Outlook on 2020

In 2020, our target is to reach 1,500,000 paying subscribers, corresponding to a subscriber base growth rate of 36%, and to increase streaming revenues by 32-35% to BSEK 1.9 - 2.0. We are also aiming to launch the Storytel service in 1-3 markets, while focusing on making 2-4 more markets profitable. With 2020 kicking off with the Netherlands turning profitable in January, and with Finland, Poland and Russia on a trajectory to turning profitable, I feel confident that we can meet these high expectations. In 2019, the VAT for digital books was reduced in a number of Storytel markets, including Sweden where the rate went down from 25% to 6%. This improves profitability, and enables us to further improve our customer offering and make higher payments to publishers and authors. In 2020, Storytel will celebrate its 15th birthday at the Gothenburg Book Fair in September. As founder and CEO, running Storytel since the start, I am profoundly happy to note that the audiobook engagement from customers and the public is at an all time high. Since Storytel relaunched the review feature for our users three months ago, over 100 000 reviews have been created by our users. During the year we will continue to launch features and functionality that will personalize both the user experience and the social value of reading, listening and sharing stories. The dynamic, knowledgeable and passionate organisation that we have built makes us well-equipped to take our expansion to the next level with the objective to be present on 40+ markets by 2023. Looking at our long-term targets, presented at our Capital Markets Day on the 14th of January 2020, we aim to keep a CAGR of 40% on subscriber base growth and 35% CAGR in revenue growth, implying that we will reach more than 4 million subscribers and almost BSEK 5 in streaming revenues in 2023.

In the beginning of 2020, the Corona infection has created feelings of uncertainty and fear in many people. At such a time, we are humble, but also proud, to see that audiobook streaming and stories are something people actively seek out for distraction, entertainment, comfort and knowledge.

After all, it is with empathy and awareness that the world rises from crises.

I look forward to another eventful, innovative and interesting year.

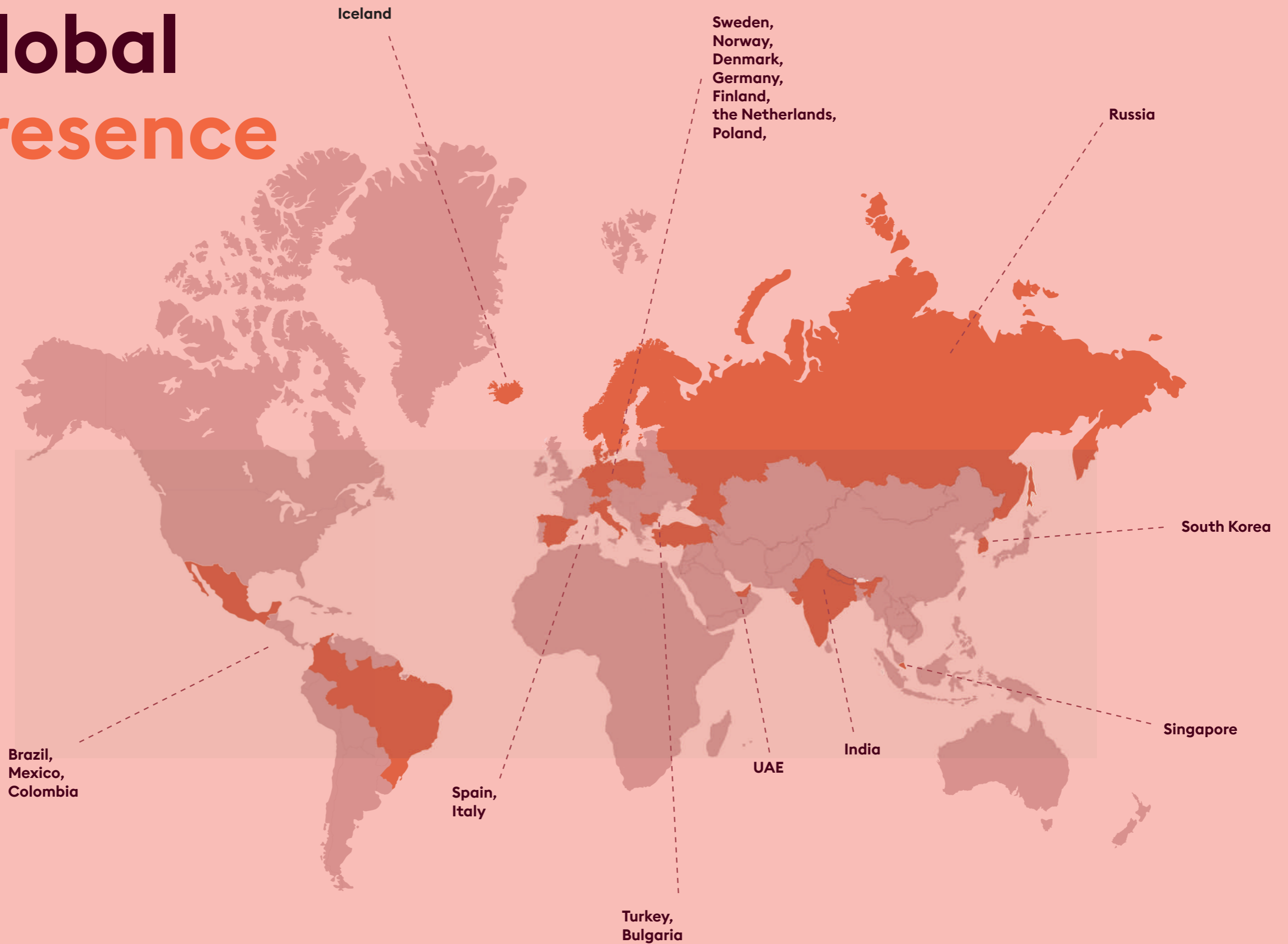
Thank you for following us on this journey, as customers and/or shareholders.

Stockholm 1 April 2020

Jonas Tellander, CEO and founder

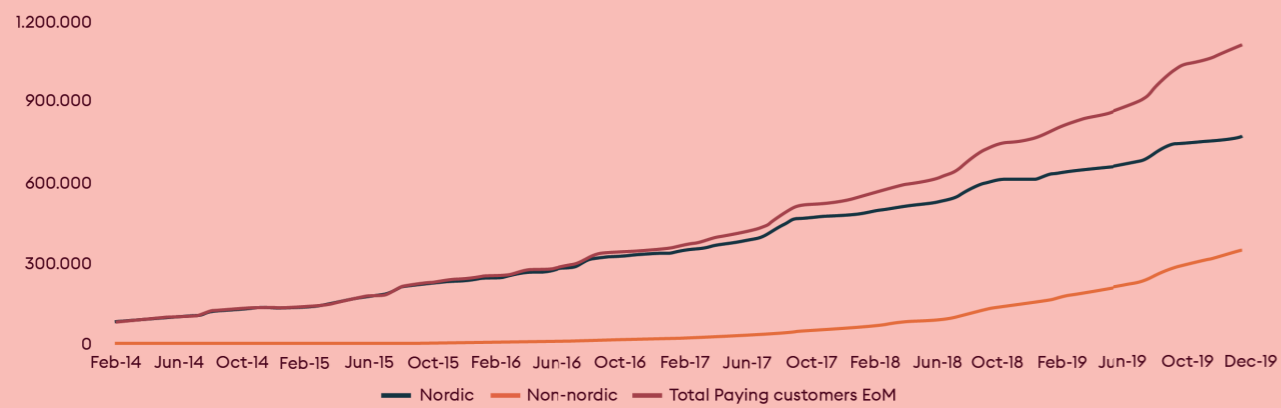


Global presence

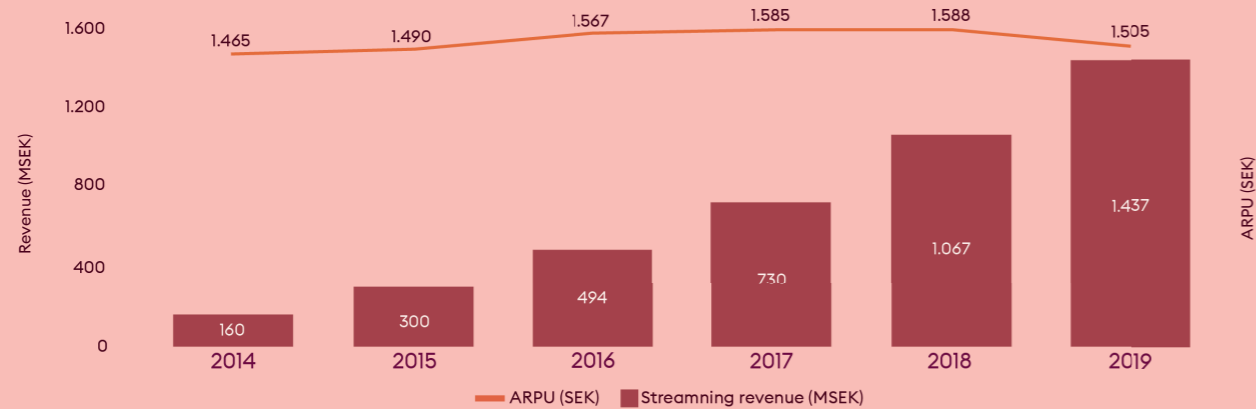


Storytel in figures

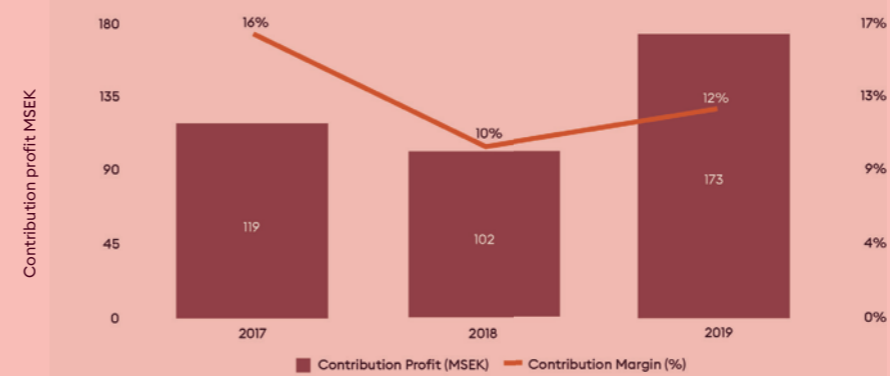
Subscriber base development



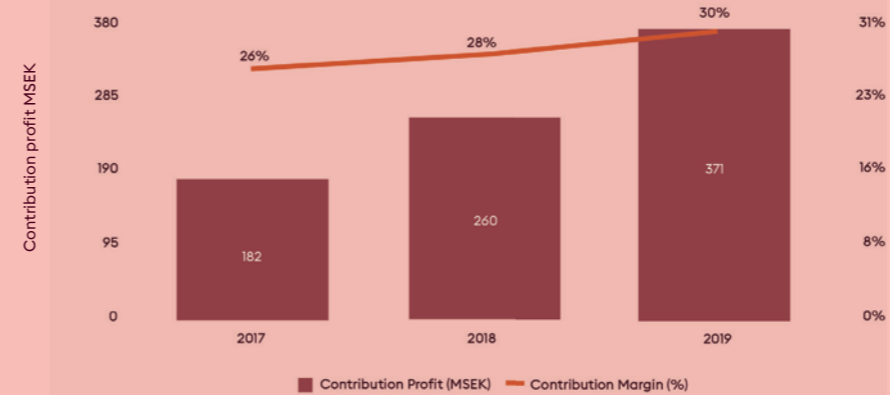
Streaming revenue (inc. 100% Norway)



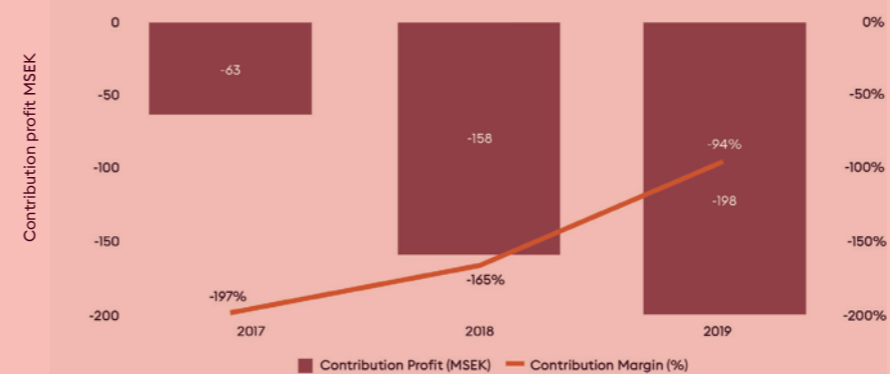
Contribution profit, Streaming



Contribution profit, Streaming Nordics

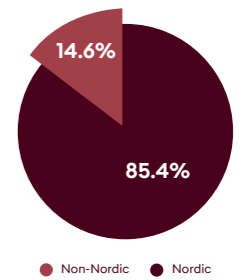


Contribution profit, Streaming Non-Nordics

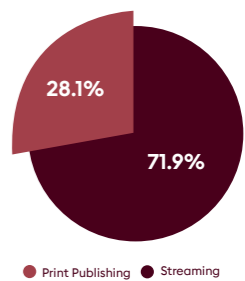


2019

Revenue split between Nordic and Non-Nordic 2019

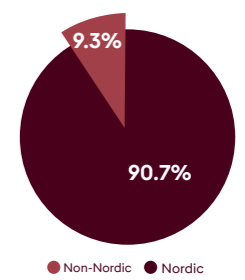


Revenue split between Streaming and Print (Norway split 50%) 2019

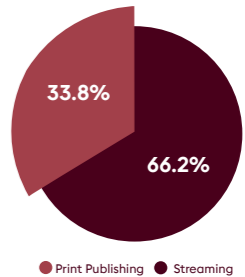


2018

Revenue split between Nordic and Non-Nordic 2018



Revenue split between Streaming and Print (Norway split 50%) 2018



Ownership structure

Largest shareholders as of 31 December 2019

Shareholder	Number of A shares	Number of B shares	% of share capital
Roxette Photo NV		9.375.316	16,71
Handelsbanken Fonder		5.441.032	9,70
Jonas Tellander		5.000.000	8,91
Swedbank Robur Fonder		4.384.992	7,82
Annamaria Tellander		3.192.264	5,69
Swedbank Försäkring		2.306.933	4,11
Rustan Panday		2.227.908	3,97
Paul Sverdrup		1.807.782	3,22
C WorldWide Asset Management		1.742.721	3,11
Vitruvian Partners		1.650.000	2,94
Total largest shareholders		37.128.948	66,17
Other shareholders	635	18.979.827	33,83
Total	635	56.108.775	100,00



Governance Structure

Storytel AB (publ) is a public limited liability Swedish company with CIN 556575-2960 whose Class B shares are listed on Nasdaq First North Growth Market. The company has its registered office and head office in Stockholm.

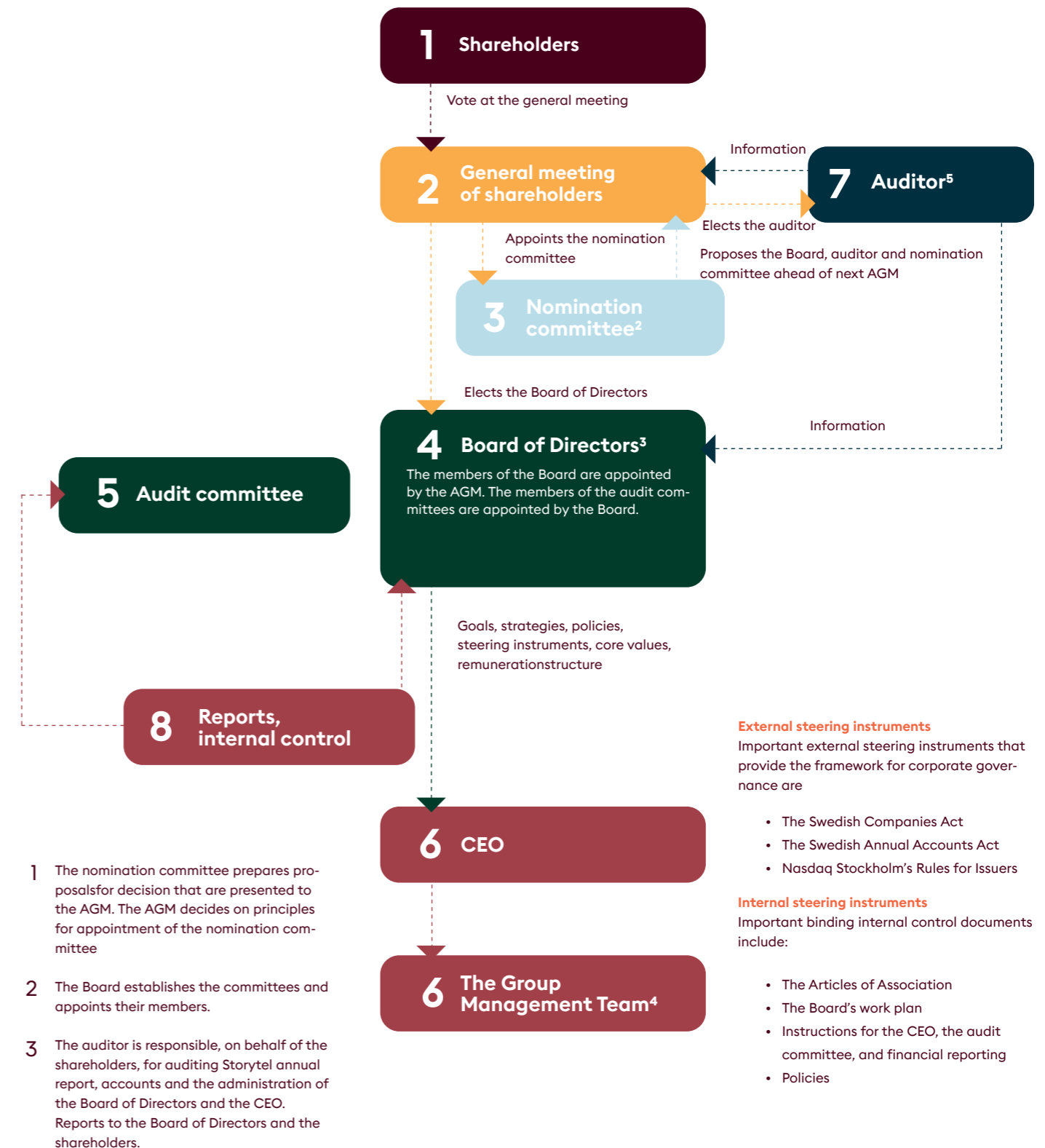
The company's corporate governance is based on external governance instruments, such as the Swedish Companies Act, the Swedish Annual Accounts Act, and Nasdaq Stockholm's rules for issuers, and internal governance instruments, such as the Articles of Association, instructions, policies and guidelines. During the year, Storytel has applied Nasdaq Stockholm's rules for issuers and generally accepted practices on the stock market.

Share and shareholders¹

The Class B shares of Storytel AB (publ) were admitted on 25 August 2015 to trading on Spotlight Stock Market via a reverse acquisition of Massolit Media AB and have been traded since 5 December 2018 on Nasdaq First North Growth Market. On 31 December 2019, there were 56,109,410 shares, of which 56,108,775 Class B shares and 635 Class A shares. Each Class B share corresponds to one vote, while each Class A share corresponds to ten votes, but all shares carry an equal right to the company's assets and profits. Roxette Photo NV was Storytel's largest shareholder on 31 December 2019, holding 16.7 per cent of the votes and share capital in the company. The company's ten largest shareholders are shown in the Owner Structure table on page 16.

General Meeting of Shareholders

The general meeting of shareholders is Storytel's highest decision-making body. All shareholders have the opportunity to attend the general meeting and to influence the company by exercising their voting rights relative to their shareholdings. The Swedish Companies Act and the Articles of Association include the rules that govern the Annual General Meeting (AGM). Storytel's financial year runs from 1 January to 31 December. The AGM must be held within six months of the end of the financial year. The date and location of the AGM is communicated no later than in conjunction with the Q3 interim report on the company's website. Notice of the AGM must be given no more than six weeks and no fewer than four weeks prior to the meeting through an announcement in Post- och Inrikes Tidningar (Swedish Official Gazette) and on the company's website. Issuance of the notice shall be announced in Dagens Nyheter. Shareholders have the right to request that a matter be addressed by the AGM; such requests must be submitted in writing to the Board of Directors. The matter will be addressed by the AGM if it has been received by the Board no later than seven weeks prior to the AGM. Pursuant to Chapter 7, section 32 of the Swedish Companies Act, all shareholders are entitled to ask the company about matters addressed during the AGM and about the financial situation of the company and the Group.



Annual General Meeting 2019

The most recent AGM was held on 15 May 2019 in Stockholm. Owners corresponding to 41.5 per cent of the shares and votes in the company were present at the Meeting. The CEO, the majority of the Board members, the company's auditor, the Chair of the Nomination Committee and the company's CFO were also present at the meeting. The AGM resolved in accordance with each of the Board's proposals regarding

- Adoption of the balance sheet and income statement.
- No dividend to shareholders.
- Release from liability for the Board members and the CEO.
- That the Board of Directors shall consist of seven members without deputies. The AGM also resolved that the company shall have a registered public accounting firm as its auditor.
- In accordance with the Nomination Committee's proposal, to re-elect Rustan Panday, Jonas Tellander, Jonas Sjögren, Eva Swartz Grimaldi, Morten Strunge and Nils Janse to the Board of Directors. To newly elect Helen Fasth Gillstedt to the Board of Directors. To re-elect Rustan Panday as the Chair of the Board. Karin Alexandersson will continue to represent the employees on the Board.
- To re-elect Ernst & Young Aktiebolag as the company's auditor. Ernst & Young Aktiebolag has announced that authorised public accountant Alexander Hagberg will continue to be the auditor-in-charge.
- In accordance with the proposal of the Nomination Committee, that the fees to the Board members shall amount to SEK 1,860,000, including fees for work on committees (SEK 1,000,000 the previous year), and the following amounts shall be paid to the members of the Board and established committees:
 - SEK 200,000 (SEK 175,000) to each Board member not employed by the company (Jonas Sjögren, Nils Janse, Morten Strunge, Eva Swartz Grimaldi and Helen Fasth Gillstedt) and SEK 600,000 (SEK 300,000) to the Chair of the Board, and
 - SEK 30,000 (SEK 0) to each of the members of the Audit Committee not employed by the company and SEK 200,000 (SEK 0) to the Chair of the committee who is not employed by the company.

- To adopt principles for the composition of the Nomination Committee in accordance with the proposal of the Nomination Committee (unchanged from last year)
- To authorise the Board of Directors, up through the next Annual General Meeting, with or without deviation from shareholders' preferential rights, on one or several occasions, to decide on a new issue of shares or issue of warrants and/or convertibles of a maximum of ten per cent of the Company's share capital.
- To establish an employee stock option programme and a targeted issue of warrants, and approval of the transfer of warrants

Annual General Meeting 2020

The Annual General Meeting will be held on Wednesday, 6 May 2020, in the company's premises at Tryckerigatan 4 in Stockholm, Sweden. The date of the Annual General Meeting was made available in conjunction with the presentation of the Q3 interim report. The notice is planned to be sent on 1 April. For more information, please visit www.investors.storytel.com

NOMINATION COMMITTEE²

Work of the Nomination Committee

Ahead of the AGM, the Nomination Committee is tasked with putting forth proposals for the election of Board members and the Chair of the Board, fees to the Board, any remuneration for committee work, the election of the Chair of the AGM and the auditor, auditor's fees and the rules for the Nomination Committee. The Chair of the Board of Directors presents to the Nomination Committee an annual evaluation of the work of the Board during the year, and this evaluation, together with the company-specific requirements at Storytel, serves as a basis for the Nomination Committee's work. The Nomination Committee's proposals for Board members, fees to the Board and auditors are presented in the notice of meeting and at <https://investors.storytel.com>.

Composition of the Nomination Committee

The Nomination Committee shall be composed of four members, of which three are appointed by the company's three largest shareholders in terms of voting rights and the fourth is the Chair of the Board. Unless otherwise agreed between the members, the member that is appointed by the largest shareholder will be the Chair of the Nomination Committee. A Board member shall never be the Chair of the Nomination Committee.

Nomination Committee ahead of AGM 2019

Members	Appointed by	Independence in relation to the company's largest owner	Number of votes 31/12/2019
Lars Bergqvist, Chair	Roxette Photo NV	No	16.7%
Oscar Karlsson	Handelsbanken Fonder	Yes	9.7%
Jonas Tellander	Jonas Tellander	Yes	8.9%
Rustan Panday		Yes	4.0%

Meetings of the Nomination Committee

The Nomination Committee held three minuted meetings prior to AGM 2020, of which one was per capsulam. No fees were paid for the work of the Nomination Committee.

BOARD OF DIRECTORS³

Work of the Board

The Board's primary assignment is to protect the interests of the company and the shareholders, appoint the CEO, set the direction and be responsible for ensuring that the company complies with applicable laws and its Articles of Association. The Board of Directors is also responsible for ensuring that the Group has an appropriate structure so the Board can optimally exercise its owner responsibility over the Group, including subsidiaries, and that the book-keeping, administration, and financial circumstances of the company can otherwise be controlled in a satisfactory manner. The Board shall meet the company's auditor at least once a year without the presence of company management and evaluate the work of the CEO on an ongoing basis and at least once a year.

Composition of the Board of Directors

Storytel's Board, in accordance with the Articles of Association, shall be composed of at least three and no more than eight members elected by the AGM. The members are elected annually at the AGM for the period extending up to the next AGM. The AGM held on 15 May 2019 resolved that the Board shall consist of seven elected members. Rustan Panday (Chair), Jonas Tellander, Helen Fasth Gillstedt, Jonas Sjögren, Nils Janse, Morten Qvist Strunge, and Eva Swartz Grimaldi were elected to the Board for the period from the AGM on 15 May 2019 until the end of the next AGM on 6 May 2020. In addition, Karin Alexandersson has acted as employee representative to the Board during 2019. The elected members' average age at the end of the year was 50, and two of the seven are women. For information about the Board members' assignments outside the Group

and the holdings of shares in Storytel, see pages XX-ZZ and investors.storytel.com.

Diversity policy

Storytel, through its Nomination Committee, strives to achieve diversity through its proposals for the election of Board members. This rule entails that the composition of the Board must be appropriate given the company's business, stage of development, and other circumstances and be characterized by diversity and breadth with regard to the elected members' competence, experience and background.

The objective should be an even gender distribution. The objective of the diversity policy is to acknowledge the importance of sufficient diversity in the Board in terms of gender, age, and nationality as well as experiences, professional background and business areas.

Independence of the Board

Of the Board's seven members, three are independent in relation to the company and Executive Management and six are independent in relation to the company's major shareholders.

The Board's procedures and policies

The Board reviews and adopts rules of procedure on an annual basis for its own work and for the work of the Board's Audit Committee. The Board also establishes the procedures for the CEO. These procedures govern, for example, the distribution of work between the Board, Chair of the Board, CEO and auditor, the quorum, issues of bias, the work of the committee, internal and external reporting, procedures for the notice of meeting, meetings and the minutes. Furthermore, the Board has issued and adopted a Code of Conduct and policies for the work environment, sustainability, information security, insider information, communication, and risk and compliance.

Evaluation of the work of the Board

The work of the Board is evaluated on an annual basis with the aim of developing the Board's working methods and efficiency. The Chair of the Board is responsible for the evaluation as a whole and for presenting it to the Nomination Committee. The intention of the evaluation is to gather feedback from Board members on how the work of the Board is performed and any measures that could be taken to improve the efficiency of the Board's work and whether the Board is well-balanced in terms of competence. This evaluation is an important basis for the Nomination Committee ahead of the AGM. In 2019, the Chair of the Board commissioned the company's certified advisor, FNCA, to conduct a survey of all Board members, including employee representatives. The results of the survey were reported to and discussed by the Board and the Nomination Committee.

Board meetings

In 2019, the Board held 23 meetings, of which one was statutory. The CEO, the CFO and the Chief Legal Counsel, who is also the secretary of the Board, attend Board meetings. Other employees participate as needed to report on specific matters.

BOARD COMMITTEES

Audit Committee

The members of the Audit Committee are appointed by the Board, and these members then appoint the Chair. At least one of the members shall have auditing or accounting experience. The company's CEO, CFO, other employees or auditor may be invited to participate in the Committee's meetings. The Board's Audit Committee in 2019 was composed of members Helen Fasth Gillstedt (Chair), Jonas Sjögren, and Rustan Panday. The Audit Committee is responsible for ensuring the quality of the financial reporting and the effectiveness of the internal control and risk management regarding financial statements. In brief, the Audit Committee, without affecting the Board's responsibilities and tasks in general, shall meet regularly with the company's auditors to learn about the audit's focus and scope. The Audit Committee shall convene at least five times per financial year. The Audit Committee's meetings shall be minuted. The Audit Committee shall inform the Board about the matters it has handled. The Committee that was established in conjunction with the AGM held two meetings in 2019.

Chair of the Board

The Chair of the Board is elected by the AGM, and the AGM on 15 May 2019 elected Rustan Panday to the position. The

Chair of the Board shall lead the Board's work and monitor that the Board discharges its duties. The Chair is responsible in particular for ensuring that the work of the Board is well-organized, effective and in line with the development of the business. The Chair of the Board monitors that the Board's decisions are executed effectively and is responsible for evaluating the work of the Board on an annual basis and informing the Nomination Committee about the results of the evaluation.

CEO AND GROUP MANAGEMENT⁴

The CEO is appointed by the Board and leads the operations in accordance with the directions and procedures adopted by the Board. The CEO is also responsible for the ongoing administration of the company's and the Group's operations in accordance with the Swedish Companies Act. Furthermore, the CEO decides with the Chair of the Board the agenda for the Board meetings. The Board evaluates the CEO's duties and work on an ongoing basis. The CEO is responsible for both ensuring that the Board receives the information it requires and presenting and proposing at the Board meetings the matters prepared by the company management. The CEO keeps the Board and the Chair of the Board informed about the company's and the Group's financial position and performance.

Jonas Tellander has been the President and CEO of Storytel since it was founded. As at 31 December 2019, Group management consisted of the CEO, four department managers, the Chief Commercial Officer, the Chief Financial Officer, the Chief Publishing Officer, and the Chief Development Officer. For information about the CEO and other members of Group management, see pages 30-34.

Group management holds regular management meetings, and in 2019 the meetings were held weekly. These meetings focus on the Group's strategic and operational development and follow up on the Group's performance.

AUDITOR⁵

The auditor is appointed by the AGM to audit the company's annual accounts and bookkeeping and the administration of the Board and the CEO. The auditors report to the owners at the AGM through the auditor's report. The AGM held on 15 May 2019 re-elected the registered public accounting firm Ernst & Young Aktiebolag as the company's auditor. Ernst & Young Aktiebolag has announced that authorised public accountant Alexander Hagberg will continue to be the auditor-in-charge.

FINANCIAL REPORTING

The Board of Directors is responsible for ensuring that the company's organisation is designed such that its financial situation can be controlled in a satisfactory manner and that financial statements such as interim reports and year-end reports for the market are designed in accordance with laws, applicable accounting standards and other requirements for MTF-listed companies. The Board of Directors shall monitor the financial performance, safeguard the quality of the financial reporting and internal control, and regularly follow up on and evaluate the operations. The Audit Committee is responsible for the preparation of the Board's work to ensure the quality of the company's financial reporting. However, the Audit Committee does not address only the Group's financial statements and more significant accounting issues but also issues regarding internal control, compliance, significant uncertainty in carrying amounts, events after the balance sheet date, changes in estimates and assessments and other circumstances that affect the quality of the financial statements. The President/CEO shall ensure that the bookkeeping of the Group's companies is conducted in accordance with applicable law and that the administration is managed in

a satisfactory manner. The accounts are prepared for the Group every quarter and submitted to the Board and Group management. An income statement, a balance sheet and an investment budget are prepared for each financial year and are adopted at a regular Board meeting no later than in December. External financial information is provided regularly in the form of

- Interim reports
- Annual report
- Press releases with key announcements that are judged to potentially have an impact on the share price
- Presentations for financial analysts, investors, and the media the same day as the year-end report and interim reports are published and on Capital Markets Day
- Meetings with financial analysts and investors

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
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
Helen Fasth Gillstedt	Board member	2019	Yes	Yes
Karin Alexandersson	Employee representative	2015	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:

He has broad experience and 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 Never Eat Alone, Jehangir AB, Rustan Panday AB and has several board assignments within the Storytel Group. Ambassador for Hand in Hand Sweden.

Holdings in the Company:

Rustan holds 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:

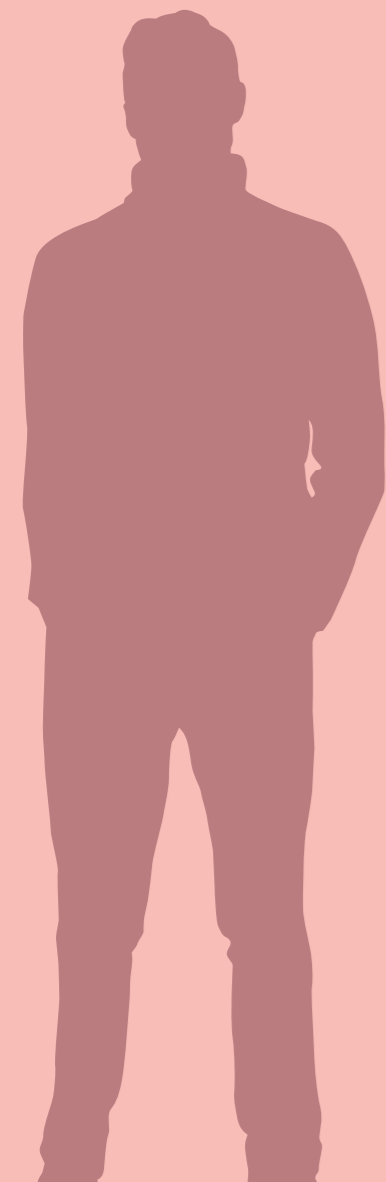
1970 Education/background: Jonas is the founder and CEO of Storytel. He holds an MSc in Chemical Engineering from Lund University and an MBA from INSEAD. He previously worked as the head of global licensing finance at Roche.

Other assignments:

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

Holdings in the Company:

Jonas holds 5,000,000 class B shares.



Karin Alexandersson

Employee representative since 2015, coordinator in Storytel's distribution 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:

-



Jonas Sjögren

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

Year of birth:
1966

Education/background:

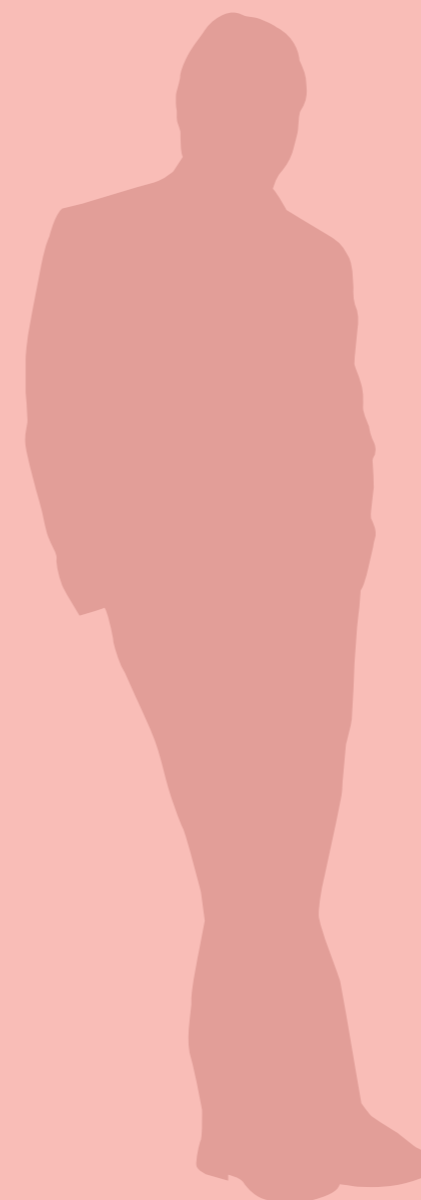
Master of Science in Electrical Engineering from Chalmers University of Technology, Medical degree from Sahlgrenska Academy, and an MBA from INSEAD. He has worked in various positions, such as manager for a product management department at Ericsson AB from 1991 to 2003 and as head of investments at Exceca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

Other assignments:

Chair of the Boards of 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 holds 9,362,423 class B shares through the associated company Roxette Photo NV, and 69,183 class B shares that are owned privately, partly through a capital insurance and partly through a pension plan.



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 programs for the TV4 Group, CEO of the book publishing company Natur & Kultur, and Chair of the Board of Norstedts Förlagsgrupp AB for seven years, 2013–2019. 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 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:

–



Helen Fasth Gillstedt

Board member since 2019. Chair of the Audit Committee.

Year of birth:
1962

Education/background:

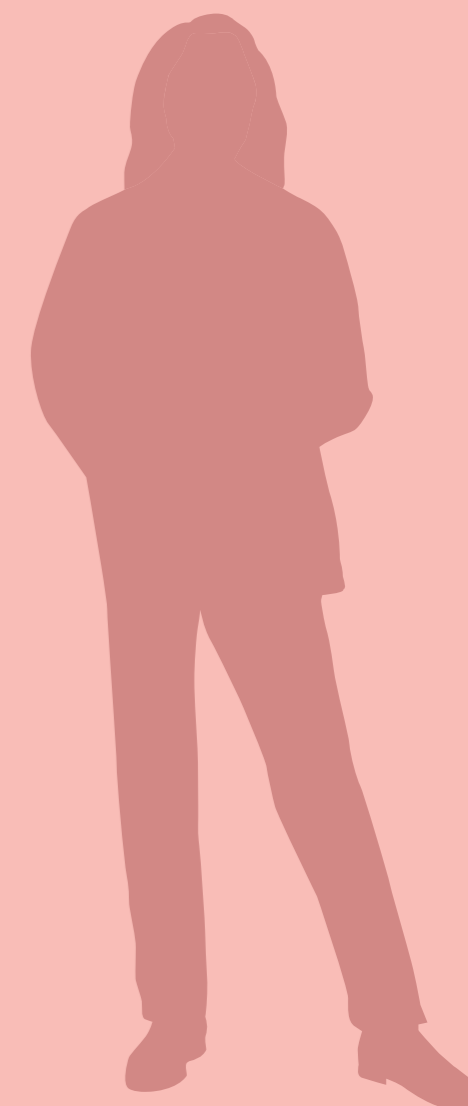
M.Sc. in Finance & Control and International Business, Stockholm School of Economics. Studies in Sustainable Development, Stockholm Resilience Center at Stockholm University and KTH Royal Institute of Technology. Over 20 years of experience in leading positions at Statoil and SAS Group.

Other assignments:

Board member of Handelsbanken Fonder AB, Munters AB, Samhall AB, PowerCell AB and CEO of Blong AB. Representative of Handelsbanken Fonder AB and on Nomination Committees (Thule, Loomis, SDIPTech, Instalco, Tobii, XMReality).

Holdings in the Company:

Helen holds 3,000 class B shares.



Nils Janse

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

Year of birth:
1981

Education/background:

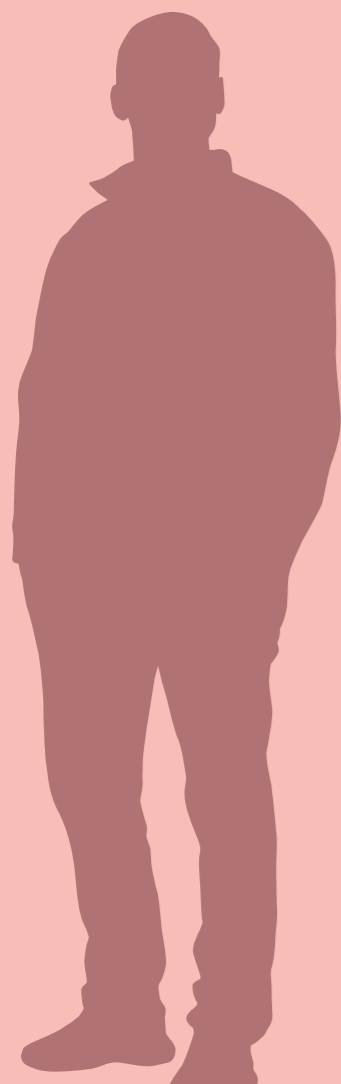
Master of Science in Industrial Engineering and Management from KTH Royal Institute of Technology in Stockholm. Nils has experience as an engagement manager at the consulting firm McKinsey & Company. He is the CEO and founder of Delibr.

Other assignments:

CEO and founder of Delibr AB.

Holdings in the Company:

Nils holds 41,374 class B shares in the Company.



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:

Morten holds 297,032 class B shares in the company through his wholly owned holding company New Chapter ApS.



Manage

ment





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:
Master of Science 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.



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 worked at McKinsey & Company for 12 years, and she left in 2010 as a local partner. She 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 and Board member of Carnegie Investment Bank AB. Previous Board member of Storytel from 2016 to 2018.

Holdings in the Company:
11,000 class B shares.



Rickard Henley

Chief Publishing Officer. 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

Chief Development Officer. 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 of 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 A shares and 348,225 B shares.



Jörgen Gullbrandson

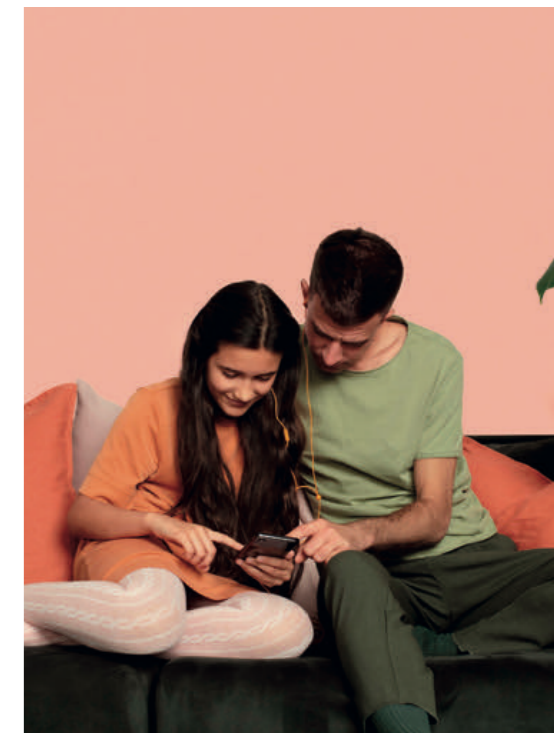
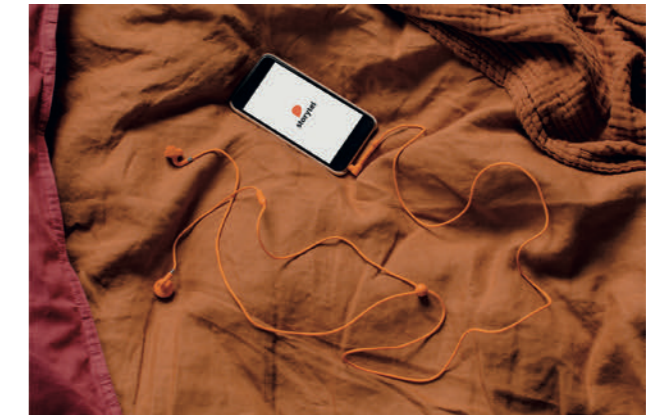
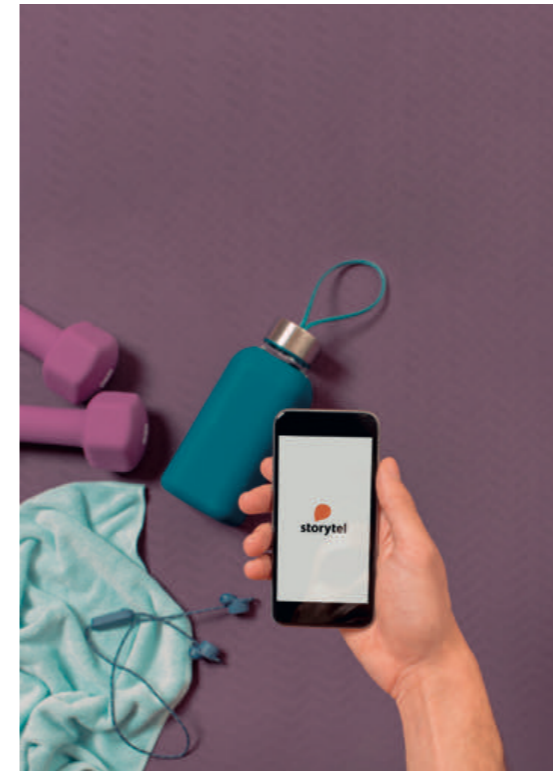
Interim CFO since January 2020.

Year of birth:
1972

Education/background:
Jörgen has a Master of Science in Business Administration from the School of Business, Economics and Law at the University of Gothenburg. He has been working in leading positions for the past 20 years, typically as CFO but also as CEO, COO and MD in companies such as Readly, Univer-sum, Glocalnet BBDO, Boxman and Beiersdorf.

Other assignments:
CEO and chair of Schicksal AB

Holdings in the Company:
2 830 B shares



Sustainability Report

Intro to Storytel

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. Leveraging technology and the power of storytelling, Storytel democratizes stories by providing a platform for both content creators and content consumers.



U O i S i V

Vision

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.

Missions

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

Inspire people of all ages to discover the world of stories by building an accessible and **personalized storytelling experience** using technology, insights and data.

Empower people to unlock their creativity and share stories by **connecting storytellers with a global audience**.

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



Storytel was founded with the ambition of adding value to people's everyday lives through great stories. Time spent with Storytel should be time well spent, something that we refer to as "meaningful recreation." In this space, we believe that we can address social issues such as well-being and mental health, literacy and learning, and self-development. Therefore, we care deeply about the impact our product and stories have on people's lives. We know that our product helps people read more, and more often. We also know that Storytel helps users explore new genres, something that we attribute to both our business model and our book recommendations. In some markets, such as Russia and Turkey, our users say that Storytel has helped them broaden their general knowledge, which means that we also help users learn. At Storytel, we are passionate about helping people read more and make the book, now in a digital format, a competitive media and source of entertainment alongside streaming video, music and social media.



87%

of users in the Netherlands say that they read/listen to more books since subscribing to Storytel.

83%

of users in Sweden say that they read/listen to books more often since subscribing to Storytel

69%

of users in Spain say that they read/listen to more books from different genres since subscribing to Storytel

72%

of users in Russia say that using Storytel has helped broaden their general knowledge.

Storytel adds value to the publishing industry and the cultural community in a number of ways. The company drives the digitization of books, which helps publishers and authors profit from sustainable backlist revenues. Storytel has a catalogue of 400,000 titles in 27 languages, and in 2019, 93% of all audiobooks were listened to in full at least once during the year, thereby creating an entirely new source of revenue for some storytellers. As a global company, Storytel also provides an international platform for authors, which can help them achieve international recognition. Storytel employs narrators, often actors, in its productions, which creates new job opportunities. In 2019, Storytel commissioned actors for 165,000 hours globally, which amounts to 70 full-time actors. When Storytel enters a new market, it invests in the local language and local authorships. We see

that 85% of consumption is in the local language, and that 85% of the Top 50 list in each market also consists of local authors. We are continuously investing in the long term (our own studios, audiobooks in countries where they do not yet exist, and new, unique Storytel Original content) in order to build an industry around the spoken word.

This report highlights how Storytel works with sustainability and what we believe can be improved given the sustainability issues and risks we have identified. Storytel presents its second sustainability report in accordance with the Swedish Annual Accounts Act. We have looked to the GRI Standards for inspiration and will report accordingly in the future.

Organizational Profile & Business Model

Storytel is Northern Europe's leading audiobook and e-book streaming service and offers unlimited listening and reading of more than 400,000 titles on a global scale. Our vision is to make the world a more empathetic place with great stories to be shared and enjoyed by anyone, anywhere and anytime. Storytel is a digital platform provider as well as a comprehensive publishing group. The streaming business area offers subscriptions for audiobooks and e-books under the Storytel and Mofibo brands. Storytel's publishing business area is carried out through the publishing houses Norstedts, Massolit, StorySide, Printz Publishing, People's Press, Rabén & Sjögren, B.Wahlströms, Gummerus Kustannus and Norstedts Kartor. Ztory—a subscription-based digital all-you-can-read streaming service for newspapers and magazines—has been part of Storytel since January 2019. Storytel operates in twenty markets around the globe and is headquartered in Stockholm, Sweden.

Storytel charges its customers in advance on a monthly basis. After their payment is registered, subscribers gain 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 per book consumed. Revenues from customers are shared with publishers in a revenue share model. Publishers then pay royalties to their authors based on the revenues received from Storytel.

Storytel in numbers in 2019



Number of
subscribers

1,100,000+



Number
of employees

400+



Number of
books in the service

400,000+

Number of
launched markets

20



Storytel's approach to ESG

Companies leave traces behind on our planet, and Storytel is no exception—but we are motivated to eliminate negative traces and only leave positive ones. ESG stands for Environmental, Social and Governance, and together these words make up a well-established framework for corporate sustainability. At Storytel, we have drawn from this framework and divide our sustainability initiatives into Footprint, Brainprint and Fingerprint to better understand and show the impact that Storytel has on society at large. We want to offer a service and products that are sustainable by design. The ultimate goals are for Storytel to contribute to improvements in society and that using the Storytel platform should not result in negative externalities on the planet or its people.

Brainprint and Fingerprint to better understand and show the impact that Storytel has on society at large. We want to offer a service and products that are sustainable by design. The ultimate goals are for Storytel to contribute to improvements in society and that using the Storytel platform should not result in negative externalities on the planet or its people.

Long-term objectives

Our Footprint - the impact that we have on the environment

Be a climate-neutral publisher and streaming service provider

Our Brainprint - the stories that we create and how we distribute them

Be a service provider and distributor of content that enriches people's lives

Our Fingerprint - the impact that we have on our employees, business partners, investors and society at large

Be a company that people benefit greatly from by working for and/or with

Sustainability operations and responsibilities

We aim for sustainability to be a natural part of everything we do and for our sustainability goals to be integrated into our business plans. The management team reviews the progress toward our sustainability goals twice a year. The goals, policies and processes connected to sustainability are reviewed by the Board of Directors once a year. We report our progress toward our goals in our annual Sustainability Report.

Storytel's success in its sustainability initiatives is largely dependent on employee dedication and willingness to support Storytel's sustainability goals. Therefore, a big focus in 2019 was on educating and raising awareness about sustainability and what sustainability means for Storytel. This work has just gotten started and will be a focus area in 2020 as well. In 2019, Storytel established a Sustainability Task Force within the company with local representatives from the different Storytel markets. The purpose of this group is to collaborate on joint sustainability initiatives, for example introducing waste management in the offices or changing to a more sustainable energy supplier.

In early 2020, all employees at Storytel answered a survey about Storytel's sustainability work, and based on the results we are confident that Storytel will continue to progress toward becoming a fully sustainable company. The following are the results*:

* 80% response rate

76%

of all employees are aware of Storytel's sustainability goals

70%

of all employees believe that Storytel is doing enough to be a sustainable company

67%

of all employees feel that it is clear how they can contribute to making Storytel a more sustainable company

97%

of all employees say that they are willing to change their own behavior in order to contribute to making Storytel a more sustainable company

55%

of employees say that sustainability is a topic that is discussed within their team

75%

of employees say that they want to learn more about sustainability

Materiality assessment

When preparing the 2018 Sustainability Report, Storytel conducted a materiality assessment among employees, owners, the Board of Directors, the management team, customers and publishing houses. In 2019, the management team revisited the materiality assessment, identifying ten different sustainability topics. These have been grouped into eight focus areas that will be elaborated on in this report.

Material sustainability topics:

Footprint

1. Energy use and emissions from Storytel's business operations
2. Impact from Storytel's products and through our platform

Brainprint

3. Customer value
4. Data security and customer integrity
5. Responsible content

Fingerprint

6. Diversity and inclusion
4. Employee working conditions
5. Ethical business practices



Foot-print

Our Footprint - the impact that we have on the environment

Be a climate neutral publisher and streaming service provider

The Storytel Group's operations are not climate-neutral today. However, our ambition is for them to be so in the near future. We are committed to using green energy exclusively in the future and reducing business travel.

Follow-up on progress from last year

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

- Provide a climate neutral technical platform

This is a goal that we have set out to accomplish by the end of 2021. During 2019, we made significant progress in this area by migrating large parts of the technical infrastructure to the Google Cloud platform, and in 2020 we will continue working toward reaching our goal. Google matches 100% of the energy consumed by its global operations with renewable energy and maintains a commitment to carbon neutrality.

- Look into how Storytel's physical products can become more environmentally friendly with regards to production, distribution and recycling.

This is a project that was initiated in 2019 and will continue into 2020. In 2019, we gained some critical insight into how we can improve our products from a sustainability perspective. In 2020, we will continue this investigation and by the end of the year, hopefully, be able to launch initiatives based on our findings.

Reduce Storytel's GHG emissions: Business travel

- Start tracking our air travel

In 2019, we mapped our air travel on a global scale. In 2020, we will further improve our procedures and reduce error by introducing a travel management system for all employees to use when booking transportation.

- Make sure Storytel's travel policy is known and respected

Storytel's travel policy was updated in 2019 and then communicated broadly to all employees. It is part of the Code of Conduct, which employees read before joining Storytel and are also reminded of during their onboarding.

- Invest in better conference systems for all our offices

At the beginning of the year, the Operations Team conducted an audit to see which local offices needed to upgrade their conference systems. Shortly thereafter, new equipment was installed in those offices. Storytel remains committed to assuring that meeting rooms and conference systems are of the highest standard to avoid excessive business travel.

Reduce Storytel's GHG emissions & energy use: Operations

- Start measuring our climate impact on a Group level

The Storytel Group has started measuring the climate impact of Storytel and Norstedts, but it has not started yet on People's Press and the newly acquired Gummerus. In 2020, Storytel will take steps to report climate impact on a Group level.

- Create a global environmental policy

A global sustainability policy was drafted in 2019 and introduced to employees in early 2020. This policy, like all other global policies, is revised and updated accordingly on an annual basis.

- Raise awareness within the organization about sustainability and climate change

In 2019, all employees were invited to a global meeting to learn about sustainability and climate change from a climate professional. We also made sustainability a meta-topic during our annual conference, and this was emphasized through workshops and the choice of location and in several lectures. We also established communication channels to share information on this topic internally. More educational sessions will be held in 2020.

Focus area

1

Energy use and Emissions from Storytel's business operations

Total emissions

Total emissions in 2019 = 937 tCO₂e*
2018 = 1.67 tCO₂e per FTE
2019 = 2.32 tCO₂e per FTE
* Location-based

The increase in emissions per employee can largely be explained by the fact that we have included more parameters in our calculations for 2019. Also, the number of employees in 2019 grew by 39%, and the new employees needed new equipment, which we have accounted for.

Storytel has climate compensated for all of its calculated energy use and emissions in 2019. 937 ton CO₂e were compensated for through the REDD+ project in Khasi Hills, India. This is a Plan Vivo-certified project that preserves the unique rainforest in the region. In addition to climate benefits, the project contributes to protecting waterways, promoting biodiversity, educating and providing new income opportunities to the local population.

Total emissions from electricity consumption and district heating

Total emissions 2019 = 346 tCO₂e
2018 = 0.14 tCO₂e per FTE
2019 = 0.86 tCO₂e per FTE

The figure for 2018 only includes energy and heating in the Swedish and Danish offices. In 2019, all offices around the globe were included in the calculation.

Total emissions from business travel

Total emissions 2019 = 420 tCO₂e
2018 = 1.32 tCO₂e per FTE
2019 = 1.04 tCO₂e per FTE

Storytel's travel policy outlines that we should only travel when necessary. Video conferencing is our preferred way of meeting with colleagues located in other offices. In 2019, Storytel employees had more than 25,000 meetings on

Google Hangouts, greatly reducing business travel and the associated CO₂e emissions.

25,000 hangouts meetings in total = 62 per FTE

During Storytel's annual conference, employees from all over the world fly to Stockholm for a week. This week adds enormous value to Storytel and its employees, but it also has a big climate impact. One reason Storytel managed to reduce business travel in 2019 was that we reduced the number of team-specific conferences that were previously spread out over the year. Instead, teams had their conferences in Stockholm in conjunction with the company-wide conference.

Total emissions from IT equipment

Total emissions 2019 = 106 tCO₂e
2018 = 0.19 tCO₂e per FTE
2019 = 0.26 tCO₂e per FTE

The increase in the number of employees, especially in our tech department, resulted in higher equipment emissions.

Key challenges in this focus area

A challenge for Storytel in lowering its emissions from business operations is that some Storytel markets do not have renewable energy alternatives. It can also be difficult to recycle and handle waste in a sustainable way in some markets. Storytel is also facing a challenge in being able to control business travel & IT equipment purchase in some markets.

Targets for 2020

- Start measuring climate impact on a Group level
- Involve more employees from more markets in on-going sustainability efforts
- Continue raising awareness about sustainability within the company
- Encourage all managers to involve their teams in how they can make Storytel a more sustainable company through their team and/or role
- Help local offices become greener

Focus area

2

Impact from products and through our platform

As mentioned, Storytel has set out to provide a climate-neutral platform by 2021. Storytel has partnered with sustainability consultants to conduct detailed analyses of our products from a sustainability perspective and identify potential improvements. In 2020, we will have a strong focus on making sure that our streaming platform can be powered by renewable and clean energy by 2021.

Besides working to lower our own emissions and energy consumption, Storytel is also in a position to influence others—both individuals and companies—all over the world. Storytel has 1,000+ titles about sustainability and climate change that our users can learn from, and we see that publishers deliver increasing numbers of such titles. Climate fiction (Cli-fi) is trending as a content category, and non-fiction books about self-development from a sustainable perspective are also rising in popularity.

Key challenges in this focus area

The main challenge is that Storytel is relying on multiple business partners to succeed in this area. It can be difficult to get accurate data about energy consumption and emissions from our business partners since they do not always have the processes in place to collect and share such data.

Targets for 2020

- Continue working towards providing a climate-neutral platform by 2021.
- Educate our users about how to consume Storytel and other streaming services in the most environmentally friendly way.

Brain-print

Our Brainprint - the stories that we create and how we distribute them

Be a service provider and distributor of content that enriches people's lives

Organizations that create and distribute content hold a powerful position in society through the impact and influence of their content. Since we want the Storytel service to be an integral part of users' everyday life, we work hard to make sure that we add value and offer responsible content.

Follow up on progress from last year

Inspire people to read more

- Initiate partnerships that encourage more reading in society

Storytel is on a mission to set stories free, so naturally we want to find business partners who share our passion for increasing readership in society. In 2019, Storytel partnered with Prince Carl Philip's and Princess Sofia's Foundation for Dyslexia and created a book club together with its members.

Set stories free around the world

- Make more languages available to Storytel's users

In 2019, Storytel produced 6,000 audiobooks in 27 languages. Storytel treasures the local culture and language, and we want to make these stories available everywhere to be shared and enjoyed. For example, in 2019 we added

Arabic content produced by Storytel in our Swedish local service, and our entire Turkish catalogue is available in Germany.

- Influence more people to write their (first) stories

Storytel produces original content and works closely with storytellers to help them write their stories. In 2019, Storytel also launched initiatives that focused on younger age groups to help children write their first stories. For example, Operation Skriva was launched, which is a podcast series for children who would like to know more about the process around writing and helps them write stories. Also, in collaboration with the most popular children's magazine in Sweden, Kamratposten, Storytel launched a competition for children aged 7-15 to write their very own novel on the theme Courage. The prize was to be published in KP's magazine and by Storytel.

Focus area

3

Customer value

Storytel is on a mission to not only make books more accessible but also make reading more convenient and compatible with everyday life. By accessing stories through a digital platform, Storytel's subscribers can reap the benefits of reading in a way that fits their modern lifestyle and makes it feel simple and enjoyable. The Storytel experience offers its users self-care, self-development and a sense of community, which we refer to as "meaningful recreation." Moreover, the Storytel app can offer a solution for everyday problems, such as boredom, insomnia and loneliness.

Our brand impact can be measured by the impact that we have on people's lives. The average Storytel user spends 30 hours on our platform every month, which means that Storytel is a truly integral part of our users' everyday life. As a subscription service, Storytel must prove its value at all times to its users, so various metrics of customer satisfaction are closely monitored to make sure that customers continue to subscribe to and enjoy the service.

To monitor whether the Storytel app truly adds value to people's lives, we survey on a regular basis whether users 1) are reading/listening to more books, 2) are reading/listening to books more often, and 3) have been exploring new genres since subscribing to Storytel. Around 80% of our users say that they read/listen to more books thanks to Storytel, and about the same number say that they also read/listen more often than before. In other words, Storytel helps its users create a habit of reading more regularly. Around 70% of users say that Storytel helps them explore new genres of books. Furthermore, in some markets, users say that Storytel has helped them broaden their general knowledge, for example in Russia and Turkey where 72% of users say that this is the case.

Storytel tracks NPS and customer experience scores on a regular basis to make sure customer value is high.

The recent UK-based study Audiobooks and literacy found that engagement with audiobooks can help children improve their reading skills as well as their mental well-being and emotional intelligence. Audiobooks can support the development of children's emotional intelligence, partly by deepening their understanding of tone and accents, but also since research has shown that listening to a human voice can elicit a stronger emotional response than reading a written narrative or watching a film. The study also showed that audiobooks can be effective at engaging reluctant and struggling readers. When written text is a barrier, audiobooks allow readers to enjoy stories that are beyond their reading level. It has previously been shown that listening to an audiobook requires the same cognitive skills as reading in print and helps children with language comprehension and the ability to understand and retain information. To summarize, the study shows that audiobooks can improve children's reading skills and enjoyment of reading, support children's emotional intelligence and mental well-being, improve children's reading comprehension, and broaden children's access to books.

Key challenges in this focus area

To keep adding value to customers, Storytel must constantly invest in improving the customer experience. Another challenge for Storytel is to make long-format stories as compelling to users as shorter content, like streaming videos or podcasts, which can be easier to consume.

Targets for 2020

- Continue developing a community around reading and stories to add more value to our users and storytellers

Focus area

4

Data security and customer integrity

Our stakeholders entrust us with the processing of their personal data, and we do our utmost to protect and store this data as prescribed by law and in the best possible way. Everyone who works at Storytel encounters personal data differently, whether through the personal data of employees, customers or business partners. In 2019, a data risk assessment was conducted in collaboration with all functional team leads and Group management. We also arranged a company-wide information security awareness training course to ensure that all employees have a basic understanding of information security. Information security is an inherent part of Storytel's information management process, and it entails ensuring the confidentiality, integrity and availability of information. After the awareness training, all employees took a mandatory quiz to verify that they understood the policies and rules that are in place. In 2019, data privacy and protection also became a part of the onboarding process for all new employees.

Storytel's approach to managing data privacy is to establish privacy-related processes and procedures. These processes and procedures are a priority and a natural part of our business operations. More specifically, we have a Privacy by Design process that enables us to be proactive about privacy and data protection throughout the entire data, IT and process lifecycle. Storytel has two main privacy policies: one concerning customer data and one concern-

ing employee data. No affiliate in the Group may adopt practices that go against these policies unless required to by national law. In addition, every team within Storytel has its own set of data privacy guidelines to reduce risks related to personal data processing within the team's specific function.

Key challenges in this focus area

There is a risk that rapid growth and expansion will allow only limited time to anchor the established processes, procedures and policies. Storytel must continuously identify areas where new or adapted policies are needed to protect data and the integrity of the customer. Also, Storytel must stay up to date on new regulations and case law/published guidelines from data protection authorities. Storytel's presence in markets outside the EU can also present challenges since data must be processed in accordance with GDPR as well as the data protection legislation in each country.

Targets for 2020

- Update the Internal Privacy Policy on our intranet to provide accessible and practical information and tools for all employees
- Identify and assess the implications of new data protection laws being implemented during 2020, for example in Brazil and India

Focus area

5

Responsible content

Storytel has a broad catalogue of content. This catalogue offers a mix of original content, which is produced by Storytel across all of our local markets, and licensed content from third parties globally. As a content producer, Storytel embraces its responsibility to human rights, such as education and freedom of expression. By embracing diversity and pluralism in its content, Storytel aims to facilitate understanding and cultivate empathy among its readers.

After Storytel conducted its first materiality assessment, responsible content emerged as a prioritized sustainability topic. As a result, Storytel established a Content Committee in 2019 to both proactively and reactively handle content-related issues in the company's roles as both a content provider and a publisher. The committee is a collaboration between a number of departments within the organization and is tasked with determining Storytel's stance on content that has been reported as explicit or in some other way unsuitable for the service. This forum meets every second month—or more often if necessary—and is led by Storytel's Head of Global Content. Represented departments include Legal, Communication, Customer Support, CRM, and the local country manager whenever an issue is local. In 2019, the committee enhanced the company's process for reviewing and handling complaints and helped reduce various content-related risks. The following list presents some of the content-related topics that are subject to the scrutiny of the committee:

- Copyright violation
- Classified information
- Geopolitics
- Violence, racism, sexism
- Pornography
- Solicitations to commit crimes
- Incitement to imminent lawless action

In addition to the Content Committee's work to ensure responsible content, the Global Content Team also works meticulously to make sure that each title has the proper credits, a registered publisher and correct metadata.

Key challenges in this focus area

There is a risk in this focus area that Storytel will fail to have adequate processes in place to handle and monitor content from a safety perspective. Storytel also faces a major challenge in that it must take a market-by-market approach and understand what responsible content means in each market. Storytel could furthermore inadvertently alienate various customer groups through its content decisions.

Targets for 2020

- Continue improving Storytel's processes for handling and monitoring reported content.



Finger- print

Our Fingerprint - the impact that we have on our employees, business partners, investors and society at large

Be a company that people greatly benefit from by working for and/or with

Our fingerprint is our DNA and who we are as an organization. The culture at Storytel encourages dedication, innovative thinking, collaboration, openness, 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 for and with. Integrity is valued deeply, and respect for our business partners is inherent. We want our interactions with people—employees, business partners, investors and customers alike—to be constructive and add value.

Follow-up on progress from last year

Employee Net Promoter Score: sustain score above 50

- Ensure that everyone at Storytel knows our Code of Conduct and adheres to it

We introduce our Code of Conduct during the recruitment process, and over the year we follow up throughout the organization on how well it is understood. We also make sure that people know where to find it, and we check if people think that we act according to it. In 2019, we launched a new onboarding program introducing all new employees to the Storytel culture and how we operate as a business. This program is important for ensuring that all new colleagues know what is expected of them and what they can expect from Storytel.

- Initiate leadership training on several levels of the organization

An important focus area for Storytel's management and HR teams is to work together to ensure that the leaders within the organization are equipped to lead their teams. In 2019, we created the Storytel Leadership Principles, which outline what we expect from our leaders. We also initiated a First-Time Manager Program to better support our colleagues who have taken on their first leadership assignment. We will continue with leadership training for all our managers in 2020.

- Create development plans for employees at Storytel

At Storytel, we want development and learning to be a natural part of our everyday work life. In 2019, we launched Development at Storytel, a plan that outlines how Storytel views employee development and what it expects from its employees. We will use this plan as a framework when talking about employee development throughout the year

and during performance reviews. We will continue to develop this plan in 2020 to help employees develop, grow and perform at their best.

Have a mutually beneficial and fruitful relationship with publishers

- Improve how we share data and insights with publishers

Throughout 2019, we have been conducting research and gathering publisher feedback on how Storytel can improve its current online portal by adding consumption data for publishers. Our aim is to build a new tool based on the publishers' requirements, and it will be launched in early Q2 2020. At Storytel, we seek to be transparent about data and information. The new version of the Storytel Portal will be continuously updated and developed to suit the needs of our content partners. We also update our company presentation for third-party publishers twice a year, and we have shared in our latest version valuable consumption data from 2019, such as consumption based on local language, publication date and time of day.

- Roll out our new time-based financial model to ensure fairer compensation for publishers

In 2019, we introduced and transitioned most of our global third-party publishers to Storytel's new financial model. We believe that this model will ensure financial sustainability for the expanding Storytel service, so we in turn can continue to grow the publishers' revenue. Consumers are moving from ownership to access, and Storytel believes that revenues should also reflect this new behaviour. In other words, time spent reading is vital for any author and publisher to sustain their business in the digital era.

Focus area

6

Diversity and Inclusion

Storytel wants to be an employer who represents sound values and offers a safe environment where everyone can be who they want to be. Storytel cherishes differences, and everyone is entitled to equal opportunity and treatment. Our employees come from all over the world, and we welcome people regardless of gender, identity, disability, sexual orientation, ethnicity, age, religion or other beliefs. We strongly believe that individuals who feel safe and can be themselves are happier and more productive. Storytel's goal is to be a diverse workplace where we can evolve and learn from everyone's differences.

In 2019, Storytel presented its Diversity Plan to the organization. The plan covers topics such as working conditions, salary practices, recruitment and promotion, education and competence, development, and the balance between work life and parenting. Every year, our HR team and safety committee map employees' salaries to identify any salary inequalities.

Key challenges in this focus area

There are risks associated with not investing enough to create a diverse and inclusive workplace. For example, Storytel could fail to be an attractive employer to a diverse set of applicants and, as a result, miss out on the business advantages of having a diverse workforce. More specifically, Storytel could fail to recruit female tech employees and international talent.

Targets for 2020

- Raise awareness among managers about the advantages of having diverse teams and what actions managers can take to realize such advantages
- Improve the process for internal recruitments and promotions to create equal opportunities for everyone
- Attract and recruit more women to our development department



Focus area

7

Employee working conditions

Everything at Storytel starts with our employees. Without them, we would not be able to reach our goals. It is therefore particularly important that we create the best possible conditions for our employees to thrive at work. In order to maintain a good work environment, we collaborate closely with our safety committee, which includes both employees and management. Together, we take a structured approach to improving Storytel as a workplace and following the rules and guidelines set up by the Swedish Work Environment Authority. A Global Work Environment Policy was drafted in 2019, and it was approved by the Board in early 2020. The policy outlines the work environment that Storytel strives to provide and the behaviour and responsibility expected from each employee.

Most of our work is done in an office environment, and the risk of physical injuries is quite low. Our challenge is instead linked to heavy workloads and stress. Stress-related illnesses are growing in society in general, and we want and need to work very hard to make Storytel an exception. As a constantly growing company, and with employees who are dedicated and passionate and go the extra mile, there is a risk that positive stress could turn into destructive stress. By using regular employee pulse surveys, we measure and track the level of stress within the company in general and among our different teams. This triggers a continuous dialogue between employees, HR and managers. We do our best to create a work environment that allows employees to find a good balance between work and their private life.

Another key aspect of thriving employees is good leadership. Storytel has grown quickly from being a small start-up to having over 400 employees all over the world. This has increased the need for good leadership. We hold Leadership Forums, where managers can share best practices and learn from each other, and in 2019 Storytel began tracking the Net Promoter Score for leaders (LNPS) within the orga-

nization. At the moment, Storytel's LNPS is lower than the Employee NPS (ENPS), but the long-term ambition is to have both metrics above 50.

All employees at Storytel have a yearly performance review with their manager to evaluate performance and development and set individual goals. This is a vital part of learning and development within the organization, and employees and managers are expected to reflect on both short- and long-term development at Storytel. The emphasis during the review is on dialogue; employees are encouraged to give feedback and share their wants and needs.

84% of employees agree that they are given the opportunity to grow and develop

83% of employees say that they have received new responsibilities in the past twelve months

However, only around 60% of employees say that they get the training they need to grow and develop. In 2020, Storytel will work to improve this number by creating development plans and training managers in coaching.

Key challenges in this focus area

Again, rapid growth and expansion may make it difficult to ensure that working conditions live up to the Storytel standards in all local offices. Another key challenge is that Storytel could experience higher employee turnover if employees' learning and development are not appropriately prioritized.

Targets for 2020

- Sustain our ENPS at 50+
- Increase our LNPS to 50+
- Create more opportunities for learning and development for all employees

Focus area

8

Ethical business practices

A key steering document for conducting ethical business practices is our Code of Conduct, and the HR team helps employees comply with it. Storytel also has a whistleblower system, which helps ensure that employees are able to report unethical behaviour without fearing retribution. As another important step to ensure that Storytel's business practices are ethical, the Code of Conduct was expanded in 2019 to include a section on using objective grounds to select business partners. Employees are not allowed to be involved in business activities where they have a conflict of interest, and they must disclose any conflicts of interest to their immediate manager.

Policies and compliance within Storytel

Storytel initiated a policy project in 2019 and had drafted

several new global policies by the end of the year. These policies are vital for ensuring compliance within the organization and helping Storytel employees to act ethically and in compliance with the Code of Conduct. Each global policy has an owner and is revised annually – or more often if necessary.

All new employees are expected to read and understand the Code of Conduct and the global policies during their first few weeks of employment. In 2019, Storytel introduced a compliance program for ethical business, and compliance training is now part of the onboarding for all new employees. In 2020, this program and associated policies will be translated into guidelines for employees to deepen the understanding of the rules and further assure compliance.

Policy	Purpose of Policy
Code of Conduct	This policy outlines how we conduct our business, take care of Storytel's assets, handle confidential information and treat one other, customers, competitors and partners.
Global Work Environment Policy	This policy outlines the goals for Storytel's work environment and specifies how Storytel expects each employee to act and what Storytel expects them to take responsibility for.
Sustainability Policy	The purpose of the policy is to clearly outline how Storytel views sustainability and guide all employees to make the right decisions in their everyday work and when cooperating with external partners.
Risk and Compliance Policy	This policy outlines Storytel's process for identifying, assessing and managing risk, the categories of risks that Storytel is exposed to and how the risk management process (identification, assessment, mitigation and reporting of risks) is exercised.
Information Security Policy	This policy outlines the objectives, responsibilities, organization and means of implementation of information security. In addition, it describes the general principles of monitoring and communication.
Insider and Communication Policy	This policy outlines the basic principles, applicable laws and regulations, persons covered, methods for handling and possibly acting upon sensitive information. The policy seeks to guide persons possessing inside information in order to prevent a breach of the rules and regulations.

Anti-corruption and anti-competitive behavior

Storytel believes in fair play and, in order to help the industry as a whole prosper, Storytel wants to be an ethical player on the market. 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 a number of different market participants, ranging from publishing houses to telecom operators. We choose business partners based on trust: not only trust in their businesses, but in their corporate values and their ability to conduct themselves fairly in the market, too.

Storytel adheres to local legislation concerning bribery and corruption in all markets, and we believe that competition creates a better market for our customers. 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's Code of Conduct lays down a 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 changing landscape has raised the level of risk the Group and its companies are facing, not only in terms of a greater risk that an incident would occur in these markets but also the risk that different cultures perceive differently what constitutes both corruption and normal business practice. To mitigate these risks, Storytel has implemented several measures in 2019. For example, Storytel hired its first compliance and regulatory officer, and this officer produced the above-mentioned compliance program in close collaboration with relevant internal stakeholders at Storytel, thereby contributing to the increase in the overall awareness of the importance of the Code of Conduct. Storytel also held an awareness session in 2019 for all employees to discuss anti-corruption and anti-competitive behaviour.

Protecting Intellectual Property (IP)

At Storytel, all IP-related work serves as a tool to establish a solid foundation on which the business can thrive. 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 against activities infringing on our IP rights. Storytel col-

laborates with industry organisations and is part of several business-related associations to monitor any changes and developments in the industry at large. This surveillance is conducted not only through our network of organisations and business partners, but also through collaboration with specialised advisors. As the respect for, and protection of, intellectual property is core business for Storytel this is a prioritized issue worldwide.

The processes in place and the cross functional collaboration in itself ensures that Storytel maintains a high and adequate level of respect and protection for IP rights and has secure processes to handle both internal and external rights. Benefiting from all employees' different qualifications and experiences in intellectual property related areas, Storytel is able to maintain a high level of knowledge and respect for IP throughout the company group. To ensure that this quality level is persistent, Storytel conducts awareness training related specifically to trademarks and copyrights.

Key challenges in this focus area

There is a risk that insufficient familiarity with the Code of Conduct and other global policies could unintentionally result in unethical business practices. There is a risk that an employee of Storytel, due to lack of knowledge or otherwise, could fail to follow the law or Storytel policies by not treating all business partners on equal terms or unlawfully communicating business information such as pricing or marketing to a competitor. Moreover, the broad and cross-functional handling of mainly copyright related questions, as part of Storytel's core business, could result in unintended inconsistent handling of copyright related questions.

Targets for 2020

- Through onboarding, continue to ensure that all employees are familiar with our Code of Conduct and other internal global policies and the compliance program.
- Draft and introduce guidelines on anti-bribery and corruption that spells out Storytel's zero tolerance policy on bribes or other behaviour that is seen as a form of undue influence and provide some practical examples on what behaviour may or may not be allowed as a Storytel representative.
- Adopt a broad new IP strategy with focus on copyright and trademarks.

Looking forward

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. For Storytel to continue delivering on this promise, growth needs to be both sustainable and compatible with our financial targets. For us, sustainable growth has three dimensions: environmental, economic and social. The implication of these dimensions is that our business model should preserve the environment, be simultaneously sustainable for authors, publishers, customers and Storytel, and be responsible toward employees, business partners, investors and other stakeholders. As Storytel grows in terms of both employees and customers, a solid governance structure becomes increasingly import-

ant. As described in this report, Storytel has taken several important steps in 2019 toward sustainable growth through strengthened compliance. Storytel has a strong culture and attributes much of its growth to its employees. The Storytel culture, outlined in the Code of Conduct, is perhaps the most important safety mechanism to protect Storytel from misconduct and continue to steer the company toward sustainable growth. Since 97% of all Storytel employees say that they are willing to change their behaviour to contribute to making Storytel a more sustainable company, we are confident that we will continue to make progress and deliver on our sustainability targets in 2020.

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 36-65 has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

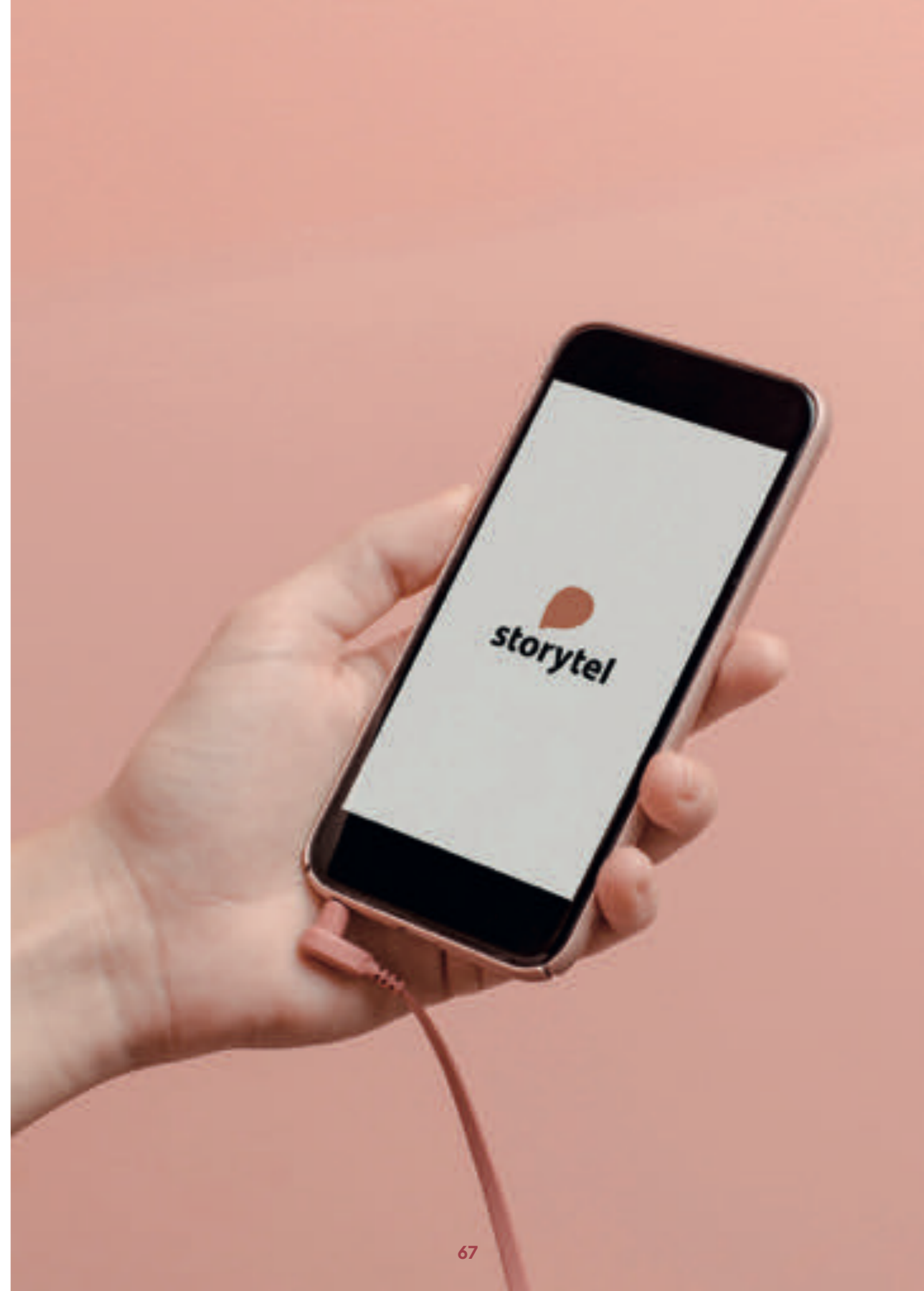
Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on the statutory sustainability report. This means that my (our) examination of the statutory sustainability report is different and substantially less in 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 1st of April 2020
Ernst & Young AB

Alexander Hagberg
Authorized Public Accountant



Directors' Report

Information about operations

The Board of Directors and the CEO of Storytel AB (publ) hereby submit the annual report and consolidated financial statements for the 2019 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 subscriber service for audiobooks. The Storytel Group currently comprises two business segments: Streaming and Publishing. The Streaming business area offers a subscription-based service for audiobooks and e-books under the brands Storytel and Mofibo, currently in Sweden, Norway, Denmark, Finland, Iceland, the Netherlands, Germany, Poland, Russia, Spain, India, United Arab Emirates, Turkey, Italy, Mexico, Brazil, Colombia, Singapore, Korea, and Bulgaria. The Streaming segment also includes audiobook publishing and Storytel Original, primarily through the audiobook publisher Storyside. The Publishing business area includes the imprints Norstedts, Danish People's Press, Finnish Gummerus, Storytel Publishing, Rabén & Sjögren, B.Wahlströms and Norstedts Kartor.

Significant events during the year

In 2019, Storytel launched its service on five new markets: Singapore, Germany, Columbia, Brazil, and Korea. This means that Storytel is now active on 20 markets.

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

The Annual General Meeting was held on 15 May 2019. Rustan Panday was re-elected as the Chair of the Board. Jonas Tellander, Nils Janse, Jonas Sjögren, Eva Swartz Grimaldi and Morten Strunge were re-elected as Board members. Helen Fasth Gillstedt was newly elected to the Board.

On 17 September, Storytel acquired Finland's third-largest imprint, Gummerus Kustannus Oy ("Gummerus Kustannus"/"Gummerus Publishers"), with popular authors

such as Minna Rytisalo, Pauliina Rauhala, Matti Rönkä, Sisko Savonlahti, Camilla Grebe and Jojo Moyes. The acquisition of Gummerus Kustannus strengthens Storytel's position in both distribution and publishing on the Finnish book and streaming market.

On 9 October 2019, Storytel refinanced its external bank loans with Swedbank. Storytel raised a new amortisation-free loan of MSEK 200 with a term of three years. At the same time, all existing loans were combined into a single revolving credit facility of MSEK 300, which the company can opt to utilise in three different parts. This facility also has a term of three years. At year-end, the company had utilised approximately SEK 400 million of its total credit line of MSEK 500.

During the year, VAT was lowered in a number of European countries. The Swedish Government decided to lower VAT on digital books from 25% to 6%. The reduction entered into force on 1 July 2019.

Significant events after the end of the year

Following the authorisation for a new share issue from the Annual General Meeting on 15 May 2019, the company undertook a targeted share issue on 20 February 2020 using accelerated book building. 6,000,000 shares were issued a subscription rate of SEK 159 per share. This provided the company with MSEK 948 before issue costs. Roughly fifty investors subscribed to the issue, of which a number of large institutions investors that already are shareholders.

During the first quarter of 2020, the business was affected by the Covid-19 pandemic as all offices - in line with recommendations from the respective local authorities - cancelled all international travel and prescribed work from home for the employees. Since Storytel has a strict travel policy for sustainability reasons, and since Storytel employees have a great deal of experience in working daily with digital tools in the company's solid infrastructure, this has affected the company only in a minimal manner. The part of the business affected by the recent events is our audiobook production, yet the impact has not been significant until this date.

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 on 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 copyright 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.

Depending on whether the impact that Covid-19 has on the global economy will last for a longer period of time, the demand for the service could decline over time. We do however see a compensating force presented by the human need to consume stories, which due to the limited ability to move freely and the increased use of digital services at home provides a possibility for increased consumption of our services.

Opportunities for continued operation

Storytel AB (publ) recorded a loss in 2019. 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 2019 Storytel operated on 20 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 guarantee 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 final day of trading 30 December 2019 was SEK 143.2. The share was not traded on 31 December 2019. During the financial year, the lowest share price was SEK 87.1 and the highest SEK 151.6. The average price was SEK 109.8 during the financial year. An average of 50,118 shares were traded per day, with a high of 709,046 shares on one single day.

	2019	2018
Number of shares at year-end	56,109,410	55,865,307
Of which Class A	635	635
Earnings per share, after tax, before and after dilution, SEK	-5.59	-4.02

Largest shareholders 31/12/2019	Share%	Votes%
Roxette Photo NV	16.71%	16.71%
Handelsbanken Fonder	9.70%	9.70%
Jonas Tellander	8.91%	8.91%
Swedbank Robur Fonder	7.82%	7.82%
Annamaria Tellander	5.69%	5.69%
Other	51.17%	51.17%
Sum	100%	100%

Sustainability report

Storytel is required to produce a sustainability report pursuant to the Swedish Annual Accounts Act. A statutory sustainability report was prepared in accordance with these requirements. It is presented on pages 36–65 and is independent 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.

Five-year summary (SEK thousand)

Group	2019	2018	2017	2016	2015
Net sales	1,843,267	1,459,952	1,170,861	743,900	298,600
Profit after financial items	-380,186	-260,962	-82,963	20,547	14,955
Operating margin (%)	-19.57	-16.91	-5.72	3.43	1.12
Profit margin (%)	-16.96	-14.53	-6.16	3.16	2.94
Equity	342,200	624,079	343,573	172,472	7,808
Equity-to-assets ratio (%)	26.2	45.63	36.19	23.84	4.82
Balance sheet total	1,305,901	1,367,803	949,421	724,293	162,033
Number of employees	539	383	306	164	56

Parent Company	2019	2018	2017	2016	2015
Net sales	3,788	3,186	2,685	1,606	1,201
Profit after financial items	-27,822	-8,685	2,242	-4,768	12,306
Equity-to-assets ratio (%)	78.39	89.07	90.52	90.38	96.57
Equity	1,463,718	1,454,642	973,778	734,383	595,770
Balance sheet total	1,867,313	1,633,214	1,075,762	812,512	616,932

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	-11,235,210
share premium reserve	1,457,965,705
profit/loss for the year	-18,622,219
	1,428,108,276
to be carried forward	1,428,108,276

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

Consolidated Income Statement KSEK	Note 1	2019-01-01 -2019-12-31	2018-01-01 -2018-12-31
Net sales	2	1,843,267	1,459,952
Change in inventories during production		-2,148	2,311
Other operating income	3	26,185	23,744
		1,867,304	1,486,007
Operating costs			
Goods for resale		-1,142,305	-892,904
Other external costs	4, 5	-615,577	-486,164
Personnel costs	6	-402,622	-284,974
Depreciation and impairment of tangible and intangible non-current assets		-67,345	-64,588
Other operating costs		-100	-4,238
		-2,227,949	-1,732,868
Operating profit		-360,645	-246,861
Profit from financial items			
Profit from participations in associates		79	165
Interest income and similar profit/loss items	8	11,674	3,782
Interest expense and similar profit/loss items	9	-31,294	-18,049
		-19,541	-14,102
Profit after financial items		-380,186	-260,963
Profit before tax			
		-380,186	-260,963
Tax on profit for the year	11	67,520	48,764
Profit for the year		-312,666	-212,198
Parent company's share of profit for the year		-312,666	-212,198

Consolidated Balance Sheet KSEK	Note 1	2019-12-31	2018-12-31
ASSETS			
Non-current assets			
Intangible non-current assets			
Capital expenditures and similar work	12	30,164	32,421
Concessions, rights, licenses, brands	13	75,515	90,166
Tenancy rights and similar rights	14	1,921	963
Goodwill	15	160,405	141,385
Advances relating to intangible non-current assets	16	2,062	1,247
		270,067	266,182
Tangible non-current assets			
Inventories, tools and installations	17	9,732	4,987
Construction in progress and advances relating to tangible non-current assets	18	5,576	46
		15,309	5,033
Financial non-current assets			
Participations in associates	19	2,273	2,194
Other long-term securities	20	10	931
Deferred tax asset	21	125,821	58,002
Other non-current receivables	22	1,203	6,595
		129,308	67,722
Total non-current assets		414,684	338,937
Current assets			
Inventories, etc.			
Finished goods and goods for resale		58,042	63,113
Work in progress on behalf of others		13,830	14,265
		71,873	77,378
Current receivables			
Trade receivables		170,258	168,451
Receivables in associates		8,967	11,773
Current tax assets		32,969	14,889
Other receivables		59,062	15,791
Prepaid expenses and accrued income	23	182,189	158,000
		453,444	368,903
Cash and bank balances	24	365,900	582,585
Total current assets		891,216	1,028,866
TOTAL ASSETS		1,305,901	1,367,803

Consolidated Balance Sheet KSEK	Note 1	2019-12-31	2018-12-31
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders in parent company			
Share capital		28,055	27,933
Other capital contributions		885,235	856,454
Reserves		17,240	15,356
Retained earnings including profit for the year		-588,330	-275,664
Equity attributable to shareholders in parent company		342,200	624,079
Total equity		342,200	624,079
Provisions			
Provisions for deferred tax	25	20,166	24,686
Other provisions	26	42,070	36,962
		62,236	61,648
Non-current liabilities			
Liabilities to credit institutions	27 28	196,134	200,649
Current liabilities			
Liabilities to credit institutions	27, 28	203,798	30,007
Advances from customers		4,625	2,779
Trade payables		117,450	116,605
Liabilities to associates		4,392	5,886
Current tax liabilities		4,676	1,917
Other liabilities		42,312	53,656
Accrued expenses and deferred income	29	328,077	270,575
		705,331	481,426
TOTAL EQUITY AND LIABILITIES		1,305,901	1,367,803

Consolidated Statement of Changes in Equity KSEK

	Share capital	Other capital contributions	Reserves	Other equity including profit for the year	Total
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
New share issue	122	25,797			25,919
Issue, employee stock option (note 6)		2,984			2,984
Translation differences for the year			1,884		1,884
Profit for the year				-312,666	-312,666
Closing equity as of 31/12/2019	28,055	885,235	17,240	-588,330	342,200

Consolidated Cash Flow Statement KSEK	Note 1	2019-01-01 -2019-12-31	2018-01-01 -2018-12-31
Operating activities			
Profit after financial items		-380,186	-260,963
Adjustments for non-cash items, etc.	30	74,233	73,183
Tax paid		-26,318	-4,082
Cash flow from operating activities before changes in working capital		-332,271	-191,862
Cash flow from changes in working capital			
Change in inventories and work in progress		13,238	-9,317
Change in trade receivables		6,804	-6,421
Change in current receivables		-50,225	-50,061
Change in trade payables		-3,902	18,509
Change in current liabilities		27,768	52,083
Cash flow from operating activities		-338,588	-187,070
Investing activities			
Investments in intangible non-current assets		-5,651	-9,517
Investments in tangible non-current assets		-13,121	-3,239
Acquisition of subsidiaries	31	-27,900	-10,285
Investments in financial non-current assets		0	-677
Cash flow from investing activities		-46,672	-23,718
Financing activities			
New share issue, net		0	487,930
Loans raised		188,841	100,000
Amortisation of loans		-21,698	-45,666
Sale of securities		0	1,843
Cash flow from financing activities		167,143	544,107
Cash flow for the year		-218,117	333,320
Cash and cash equivalents at beginning of year			
Cash and cash equivalents at beginning of year		582,585	249,132
Exchange rate difference in cash and cash equivalents			
Exchange rate difference in cash and cash equivalents		1,432	133
Cash and cash equivalents at year-end	32	365,900	582,585

Received interest for the period is 3,081 KSEK and paid interest for the period is 11,612 KSEK.

Parent Company Income Statement KSEK	Note 1	2019-01-01 -2019-12-31	2018-01-01 -2018-12-31
Net sales		3,788	3,186
Other operating income		0	92
		3,788	3,278
Operating costs			
Other external costs	4, 5	-5,983	-4,589
Personnel costs	6	-6,877	-4,698
Other operating costs		-1,773	0
		-14,633	-9,287
Operating profit	33	-10,844	-6,009
Profit from financial items			
Profit from participations in Group companies	7	-21,519	-84
Other interest income and similar profit/loss items	8	10,653	2,996
Interest expense and similar profit/loss items	9	-6,112	-5,587
		-16,978	-2,676
Profit after financial items		-27,822	-8,685
Appropriations	10	9,600	0
Profit before tax		-18,222	-8,685
Tax on profit for the year	11	-400	1,620
Profit for the year		-18,622	-7,065

Parent Company Balance Sheet KSEK	Note 1	2019-01-01 -2019-12-31	2018-01-01 -2018-12-31
ASSETS			
Non-current assets			
Financial non-current assets			
Participations in Group companies	34, 35, 36	1,502,934	1,030,223
Deferred tax asset		2,720	3,120
Total non-current assets		1,505,654	1,033,343
Current assets			
Current receivables			
Receivables in Group companies		220,645	171,902
Current tax assets		0	63
Other receivables		1	213
Prepaid expenses and accrued income	23	268	124
		220,915	172,302
Cash and bank balances		140,745	427,569
Total current assets		361,660	599,871
TOTAL ASSETS		1,867,313	1,633,214

Parent Company Balance Sheet KSEK	Note 1	2019-01-01 -2019-12-31	2018-01-01 -2018-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		28,055	27,933
Statutory reserve		7,555	7,555
		35,610	35,487
Non-restricted equity			
Share premium reserve		1,457,966	1,430,390
Profit/loss brought forward		-11,235	-4,170
Profit for the year		-18,622	-7,065
		1,428,108	1,419,155
Total equity		1,463,718	1,454,642
Non-current liabilities			
Liabilities to credit institutions	28	196,134	150,136
Total non-current liabilities		196,134	150,136
Current liabilities			
Liabilities to credit institutions	27, 28	203,748	26,691
Trade payables		1,145	523
Current tax liabilities		0	81
Other liabilities		105	198
Accrued expenses and deferred income	29	2,464	942
Total current liabilities		207,462	28,436
TOTAL EQUITY AND LIABILITIES		1,867,313	1,633,214

**Parent Company Statement of Changes in Equity
KSEK**

	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit for the year	Total
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 Annual General Meeting 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
New share issue	122		25,797			25,919
Appropriation in accordance with the Annual General Meeting resolution				-7,065	7,065	0
Employee stock options (note 6)			1,779			1,779
Profit for the year					-18,622	-18,506
Closing equity as of 31/12/2019	28,055	7,555	1,457,966	-11,235	-18,622	1,463,718

**Parent Company Cash Flow Statement
KSEK**

	Note 1	2019-01-01 -2019-12-31	2018-01-01 -2018-12-31
Operating activities			
Profit after financial items		-27,822	-8,685
Adjustments for non-cash items	30	21,506	121
Tax paid		-18	-26
Cash flow from operating activities before changes in working capital		-6,334	-8,590
Cash flow from changes in working capital			
Change in current receivables		-479,076	-246,302
Change in trade payables		0	510
Change in current liabilities		2,050	250
Cash flow from operating activities		-483,360	-254,132
Investing activities			
Investments in financial non-current assets		-26,519	0
Change in long-term receivables		0	6,774
Cash flow from investing activities		-26,519	6,774
Financing activities			
New issue, net		0	487,930
Loans raised		223,054	100,000
Amortisation of loans		0	-24,173
Cash flow from financing activities		223,054	563,757
Cash flow for the year		-286,824	316,399
Cash and cash equivalents at beginning of year			
Cash and cash equivalents at beginning of year		427,568	111,169
Cash and cash equivalents at year-end	32	140,745	427,568

Received interest for the period is 9 KSEK and paid interest for the period is 4,584 KSEK.

Notes

KSEK

Note 1 Accounting and valuation principles

Company information

Storytel AB (Publ), corporate ID no. 556575-2960 is a limited 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 acquisition analysis. 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 an acquisition analysis and identification of any surplus and deficit values. During the holding period, the consolidated value of the participation is affected by the depreciation of the surplus values or reversal of the deficit values. The value of the participation is also affected by the share of profit in the associate during the holding period, adjusted for internal profits and other consolidated adjustments. Dividends received reduce the consolidated value.

The proportion of profit after tax 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

Group-internal receivables and liabilities, transactions between Group companies, and unrealized gains have been 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 has been eliminated from the consolidated income statement.

Recalculation of foreign subsidiaries

The financial statements of foreign subsidiaries have been recalculated in accordance with the current method. All balance sheet items have been restated at the closing day rate. All income statement items have been restated 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 associated with the production of an internally generated intangible non-current asset are capitalised and amortised during the estimated useful life of the asset assuming that the criteria in BFNAR 2012:1 are met.

Non-current assets

Intangible and tangible non-current assets are recognised at cost less accumulated depreciation according to plan and any impairment.

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

Intangible non-current assets

Capitalised development expenditure	5-10 years
Concessions, patents, licenses and brands	5 years
Tenancy rights and similar rights	5 years
Goodwill	5-10 years

A depreciation period of more than 5 years for goodwill is justified in that it refers to strategic acquisitions that are judged to have a useful life of up to 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 non-current securities holdings

Investments in securities intended to be held on a long-term basis have been recognised at cost. 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

Since the economic risks and benefits associated with the asset have not been transferred to the lessee, all leases have been classified as operating leases.

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 carryforwards 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.

Share-based remuneration

Employees at the Group's streaming companies participate in an employee warrant programme where the parent company Storytel AB (publ) issued warrants that entitle the holder to acquire shares in Storytel AB (publ). The cost of share-based remuneration to employees is based on the fair value of the warrants as per the allocation date, calculated in accordance with the Black & Scholes model, and is recognized as a personnel cost together with a corresponding increase in equity during the period in which the vesting conditions are met, until the warrants are fully vested and the employee is fully entitled to remuneration. The vesting conditions require that the employee must remain in employment during the vesting period, and the assessment regarding fulfilment is reflected in the number of employee warrants that are expected to be able to be exercised at the end of the programme. At every period end, the Group reassesses how many warrants are expected to be vested. Any deviations to the original assessment are recognized in the income statement, and corresponding adjustments are made in equity.

Social security expenses attributable to share-based remuneration according to the above are expensed over the periods during which the services are performed. The liability for social security contributions that arises is remeasured at every balance sheet date based on a new calculation of the contributions that are expected to be paid when the warrants are redeemed. This means that the warrants are marked to market at each period end.

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

State 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.

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 can be influenced by a deterioration in the counterparty's ability to pay.

Inventories

The net realisable value is calculated for inventories on the balance sheet date taking into account the most reliable information that is available. 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 a 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.

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 percent 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.

Note 2 Distribution of net sales Group

	2019	2018
Sales by category		
Subscription revenues	1,330,407	966,854
Publishing	512,326	488,756
Other	534	4,343
	1,843,267	1,459,952
Sales by geographic market		
Sweden	1,030,207	899,479
Rest of the world	813,059	560,474
	1,843,267	1,459,952

Net sales by geographic market refers to the market where the selling company is domiciled.

Note 3 Other operating income Group

	2019	2018
Grants received	4,017	3,629
Exchange gains relating to operations	933	569
Sales of rights	4,142	4,004
Other revenue	17,094	15,542
	26,185	23,744

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 SEK 38,800 (21,759) thousand.

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

	2019	2018
Within one year	40,651	25,764
After one year but within five years	143,939	79,957
Later than five years	42,698	49,200
	227,287	154,921

The Parent Company has not entered into any leases..

Note 5 Auditor's fees Group

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

	2019	2018
EY		
Audit assignment	2,149	1,496
Auditing activities besides the audit assignment	144	484
Tax advice	263	267
Other services	32	948
	2,588	3,195

Parent Company

	2019	2018
EY		
Audit assignment	405	251
Auditing activities besides the audit assignment	104	325
	509	576

Note 6 Employees and personnel costs by country

	2019		2018	
Average number of employees by country	Total	Women	Total	Women
Sweden	323	219	251	184
Denmark	79	33	60	22
India	14	7	14	7
Netherlands	9	4	7	4
Finland	30	25	8	6
Spain	10	4	7	2
Poland	15	3	8	2
Russia	11	7	7	4
Turkey	8	2	6	1
Bulgaria	8	6	5	3
Iceland	7	3	4	1
Italy	5	2	4	1
United Kingdom	1	1	0	0
Austria	1	0	1	0
Mexico	6	1	1	0
Brazil	5	2	0	0
Singapore	3	1	0	0
South Korea	1	1	0	0
Thailand	3	0	0	0
	539	322	383	237

	2019	2018
Salaries and other remuneration		
Board and Chief Executive Officer	4,032	2,759
Other employees	302,856	198,822
	306,888	201,581

Social security costs

	2019	2018
Pension costs for the Board and Chief Executive Officer	563	524
Pension costs for other employees	29,890	22,752
Other statutory and contractual social security contributions	58,545	50,404
	88,960	73,679

Gender breakdown among senior executives

	2019	2018
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

	2019		2018	
Average number of employees by country				
Sweden	2	(1)	2	(1)
	2	(1)	2	(1)
The average number of women is given in brackets.				
			2019	2018
Salaries and other remuneration				
Board and Chief Executive Officer			1,604	613
Other employees			2,004	2,516
			2,266	3,128
Social security costs				
Pension costs for other employees			568	478
Other statutory and contractual social security contributions			1,396	971
			1,963	1,448

Warrant programme

The Storytel Group implemented an employee warrant programme in 2019, Storytel Loyalty Program 2019/2022, where employees and key consultants in the Streaming area were offered the right to subscribe to warrants. The programme includes a maximum of 550,000 employee warrants, where no individual person has the right to subscribe to more than 7,500 warrants. Vesting occurs during a three-year period starting in June 2019, where one-third of the warrants are vested per year. If employment is terminated, non-vested employee warrants are forfeited. Redemption occurs during the period June–December of the programme's final year, and the exercise per share amounts to SEK 119.69. Each employee warrant entitles the holder to subscribe to one B share in the company.

Programme 2019/2022	Number of warrants
Outstanding 1 January 2019	0
Allocated	465,920
Forfeited	-15,128
Redeemed	0
Expired	0
Outstanding 31 December 2019	450,792
Redeemable 31 December 2019	0

To enable Storytel's delivery of shares in accordance with the programme and thus guarantee related costs, primarily social security contributions, the company conducted a private placement totalling 687,500 warrants, which were subscribed by Storytel Sweden AB. The warrants that have been issued, in addition to the number that corresponds to employee warrants under the programme, will be sold to regulate the cash flow for social security contributions in conjunction with employees exercising their warrants.

The warrant costs for the employee warrant programme amounted to 2,984 KSEK for the group 2019 and is booked as other capital contribution in equity, for the parent company 1,779 KSEK is booked as share premium reserve in equity.

The quota value is SEK 0.5 per share, and the increase of the company's share capital can thus amount to at the most SEK 343,750 at full subscription of the warrants for new shares.

There are no previous ongoing warrant programmes in the Group.

Note 7 Profit/loss from participations in Group companies

Parent company

	2019	2018
Dividends received	0	5,999
Gains/losses from disposals	-13	813
Impairment	-21,506	-6,896
	-21,519	-84

Note 8 interest income and similar profit/loss items Group

	2019	2018
Interest income	3,869	2,081
Foreign exchange differences	2,210	1,647
Other financial income	5,596	54
	11,674	3,782

Parent company

	2019	2018
Interest income from Group companies	9,430	2,996
Foreign exchange differences	1,223	0
	10,653	2,996

**Note 9 Interest expense and similar profit/loss items
Group**

	2019	2018
Other interest expense	12,879	9,925
Foreign exchange differences	15,951	6,078
Other financial costs	2,464	2,046
	31,294	18,049
Parent company		
Interest expense	6,112	5,587
	6,112	5,587

**Note 10 Appropriations
Parent company**

Appropriations	31 December 2019	31 December 2018
Group contribution	9,600	0
	9,600	0

**Note 11 Current and deferred tax
Group**

	2019	2018
Tax on profit for the year		
Current tax	-5,188	-2,398
Adjustment for previous years	201	-774
Change in deferred tax relating to temporary differences, including effect of change in tax rate	72,507	51,936
Total reported tax	67,520	48,764

Reconciliation of effective tax

		2019		2018
	Per cent	Amount	Per cent	Amount
Reported profit before tax		-380,186		-260,962
Tax as per current tax rate, parent company	21.40	81,360	22.00	57,412
Non-deductible expenses		-9,529		-4,152
Non-taxable income		10,852		1,782
Deferred tax on temporary differences				156
Effect of other tax rates on foreign subsidiaries		-1,436		-2,524
Effects of change in tax rate		-2,014		-2,958
Loss carryforwards, whose tax value is not recognised as an asset		-14,816		-4,772
Utilisation during the year of previous years' loss carryforwards, the tax value of which is not recognised as an asset		3,077		4,594
Other		25		-774
Reported effective tax	17.76	67,520	18.69	48,764

Parent company

	2019	2018
Tax on profit for the year		
Change in deferred tax due to temporary differences, including effects of change in tax rate	-400	1 620
Total reported tax	-400	1 620

Reconciliation of effective tax

		2019		2018
	Per cent	Amount	Per cent	Amount
Reported profit before tax		-18,222		-8,685
Tax according to current tax rate	21.40	3,900	22.00	1,911
Non-deductible expenses		-310		-319
Non-taxable income		1,284		1,320
Effects of change in tax rate		-106		-212
Loss carryforwards, whose tax value is not recognised as an asset		-4,368		-1,080
Reported effective tax	2.20	400	18.65	1,620

**Note 12 Capital expenditures for development and similar work
Group**

	31 December 2019	31 December 2018
Opening cost	120,809	119,012
Acquired cost	14,032	0
Purchases	7,688	32
Sales/disposals	0	-71
Translation difference	875	1,835
Closing accumulated cost	143,404	120,809
Opening depreciation	-88,388	-75,645
Acquired depreciation	-9,224	0
Sales/disposals	-247	566
Depreciation/amortisation for the year	-15,072	-12,454
Translation difference	-309	-855
Closing accumulated depreciation	-113,240	-88,388
Closing carrying amount	30,164	32,421

**Note 13 Concessions, brands, etc.
Group**

	31 December 2019	31 December 2018
Opening cost	147,766	139,265
Acquisition value	15	5,437
Purchases	12,997	1,405
Reclassification	-542	0
Translation difference	426	1,659
Closing accumulated cost	160,661	147,766
Opening depreciation	-57,600	-29,913
Reclassifications	302	0
Depreciation/amortisation for the year	-27,666	-27,188
Translation difference	-183	-499
Closing accumulated depreciation	-85,146	-57,600
Closing carrying amount	75,515	90,166

**Note 14 Tenancy rights and similar rights
Group**

	31 December 2019	31 December 2018
Opening cost	1,611	1,346
Acquisition value	0	265
Purchases	1,574	0
Reclassification	99	0
Translation difference	-1	-1
Closing accumulated cost	3,284	1,611
Opening depreciation	-649	-255
Reclassifications	-34	0
Depreciation/amortisation for the year	-681	-394
Translation difference	1	1
Closing accumulated depreciation	-1,362	-648
Closing carrying amount	1,921	963

**Note 15 Goodwill
Group**

	31 December 2019	31 December 2018
Opening cost	235,164	219,748
Purchases through acquisitions		5,219
Purchases	40,988	6,345
Translation difference	181	3,853
Closing accumulated cost	276,332	235,164
Opening depreciation	-93,779	-70,225
Depreciation/amortisation for the year	-21,925	-23,061
Translation difference	-223	-493
Closing accumulated depreciation	-115,927	-93,779
Closing carrying amount	160,405	141,385

**Note 16 Advances relating to intangible non-current assets
Group**

	31 December 2019	31 December 2018
Opening acquisition value	1,247	1,061
Purchases	2,780	1,470
Reclassification to tangible assets	-1,965	-1,284
Closing carrying amount	2,062	1,247

**Note 17 Inventories, tools and installations
Group**

	31 December 2019	31 December 2018
Opening cost	28,297	25,490
Acquisition value	382	4
Purchases	6,743	2,839
Sales/disposals	-517	-25
Translation difference	-79	-10
Closing accumulated cost	34,826	28,297
Opening depreciation	-23,310	-21,902
Acquired depreciation	-75	0
Sales/disposals	324	25
Depreciation/amortisation for the year	-2,000	-1,570
Translation difference	-34	137
Closing accumulated depreciation	-25,094	-23,310
Closing carrying amount	9,732	4,987

**Note 18 Construction in progress and advances relating to tangible non-current assets
Group**

	31 December 2019	31 December 2018
Opening cost	46	0
Purchases	6.698	46
Sales/disposals	-1.167	0
Closing accumulated cost	5.576	46
Opening depreciation	0	0
Depreciations for the year	0	0
Closing accumulated depreciations	0	0
Closing carrying amount	5.576	46

**Note 19 Participations in associates and jointly controlled entities
Group**

	31 December 2019	31 December 2018
Opening cost	2,194	2,029
Share of profit for the year	79	165
Reclassification	0	1
Closing accumulated acquisition value	2,273	2,194
Closing carrying amount	2,273	2,194

**Specification of participations in associates and jointly controlled entities
Group**

Name	Capital share	Voting share	Book value
Storytel AS	50%	50%	0
Bokinfo Norden HB	25%	25%	2,273
			2,273
	CIN	Domicile	
Storytel AS	913211421	Oslo	
Bokinfo Norden HB	556600-2126	Stockholm	

Storytel AS is reported in accordance with the Proportional Method since the company owns 50%.

**Note 20 Other non-current securities
Group**

	31 December 2019	31 December 2018
Opening cost	931	254
Acquisitions	10	904
Sales/disposals		0
Reclassifications	-931	-226
Closing accumulated acquisition value	10	931
Closing carrying amount	10	931

**Note 21 Deferred tax on temporary differences
Group**

**Deferred tax on temporary differences
31 December 2019**

Temporary differences		Deferred tax asset	Deferred tax liability	Net
Deductible temporary differences		4,831	0	4,831
Tax-related loss carryforwards		120,990	0	120,990
Taxable temporary differences		0	-20,166	-20,166
		125,821	-20,166	105 655

31 December 2018

Temporary differences		Deferred tax asset	Deferred tax liability	Net
Deductible temporary differences		6,693	0	6,693
Tax-related loss carryforwards		51,309	0	51,309
Taxable temporary differences		0	-24,686	-24,686
		58,002	24,686	33,316

Changed in deferred tax

	Amount at beginning of year	Reported in income statement	Reported in balance sheet	Amount at year-end
Deductible temporary differences	6,693	-1,862	0	4,832
Tax-related loss carryforwards	51,309	66,524	3,158	120,990
Taxable temporary differences	-24,686	7,846	-3,335	-20,166
	33,316	72,508	-177	105,655

**Note 22 Other non-current receivables
Group**

	31 December 2019	31 December 2018
Opening cost	6,595	7,228
Acquisition value	0	0
Additional receivables	170	1,790
Outgoing receivables	-5,575	-2,462
Translation difference	13	38
Closing accumulated acquisition value	1,203	6,595

**Note 23 Prepaid expenses and accrued income
Group**

	31 December 2019	31 December 2018
Prepaid royalties	127,546	118,187
Accrued income	10,640	12,036
Prepaid leasing	0	3,650
Other prepaid expenses	44,003	24,128
	182,189	158,000

Parent company

	31 December 2019	31 December 2018
Other prepaid expenses	268	124
	268	124

**Note 24 Overdraft facility
Group**

	31 December 2019	31 December 2018
An overdraft facility has been sanctioned in the amount of	300,000	75,000
Unused credit amounts to	203,798	0

On 9 October 2019, Storytel refinanced its external bank loans with Swedbank. Storytel raised a new amortisation-free loan of MSEK 200 with a term of three years. At the same time, all existing loans were combined into a single revolving credit facility of MSEK 300, which the company can opt to utilise in three different parts. This facility also has a term of three years. At year-end, the company had utilised approximately SEK 400 million of its total credit line of MSEK 500.

**Note 25 Deferred tax liability
Group**

	31 December 2019	31 December 2018
Amount at beginning of year	24,686	30,729
Change in deferred tax, acquisitions	3,335	0
Change in deferred tax, untaxed reserves, acquisitions	0	1,355
Change in deferred tax, untaxed reserves, income statement	208	0
Change in deferred tax, consolidated surplus values and income statement	-8,753	-7,907
Translation differences	691	508
Amount at year-end	20,166	24,686

**Note 26 Other provisions
Group**

Other provisions consist primarily of sales return reserve and earn-outs for business acquisitions.

	31 December 2019	31 December 2018
Amount at beginning of year	36,962	31,163
Revaluation of earnouts attributable to company acquisitions	5,637	-748
Reclassification, sales return reserve	-2,360	0
Provision for the period	24,340	26,843
Utilisation during the year	-19,508	-19,966
Reversal of unused amounts for the period	-3,074	-455
Translation differences	72	125
	42,070	36,962

**Note 27 Non-current liabilities
Group**

	31 December 2019	31 December 2018
Due before one year		
Liabilities to credit institutions	203,798	0
	203,798	0

	31 December 2019	31 December 2018
Due after one year but within five years of the closing day		
Liabilities to credit institutions	196,134	180,650
	196,134	180,650

	31 December 2019	31 December 2018
Due later than five years from the closing day		
Liabilities to credit institutions	0	20,000
	0	20,000

	31 December 2019	31 December 2018
Parent Company		

	31 December 2019	31 December 2018
Due before one year		
Liabilities to credit institutions	203,798	0
	203,798	0

	31 December 2019	31 December 2018
Due after one year but within five years of the closing day		
Liabilities to credit institutions	196,134	130,136
	196,134	130,136

	31 December 2019	31 December 2018
Due later than five years from the closing day		
Liabilities to credit institutions	0	20,000
	0	20,000

**Note 28 Pledged assets and contingent liabilities
Group**

	31 December 2019	31 December 2018
For liabilities to credit institutions:		
Floating charges	126,827	126,585
Collateral in subsidiary shares	180,098	347,461
	306,925	474,046
For other non-current liabilities		
Blocked bank funds	20,000	20,000
Bank guarantee	100	107
	20,100	20,107
Contingent liabilities		
Pension obligations	2,998	2,921
Partnership liability	3,607	3,174
	6,605	6,095
Parent company		
For liabilities to credit institutions:		
Floating charges	3,425	3,425
Collateral in subsidiary shares	226,498	253,590
	229,923	257,015

The book value of liabilities related to the collateral in subsidiary shares is TSEK 143,510 (176,827).

**Note 29 Accrued expenses and deferred income
Group**

	31 December 2019	31 December 2018
Deferred income	56,260	46,570
Accrued holiday pay	21,597	23,317
Accrued social security contributions	9,602	9,241
Accrued royalties	222,460	159,543
Other accrued expenses	18,158	31,905
	328,077	270,575
Parent company		
Accrued holiday pay	742	760
Other accrued expenses	1,722	182
	2,464	942

**Note 30 Adjustments for non-cash items
Group**

	31 December 2019	31 December 2018
Depreciation and amortisation	67,345	64,588
Provisions	3,217	5,685
Profit from participations in associates	-79	-165
Capital gains	1,407	313
Exchange rate effects and other non-cash items	2,343	2,764
	74,233	73,184

Parent company

	31 December 2019	31 December 2018
Impairment	21,506	37
Loss on sale of non-current assets	0	84
	21,506	121

**Note 31 Business acquisitions and group restructuring
Group**

2019

In January 2019, Ztorylabs AB acquired a subscription service for primarily magazines and weekly newspapers at a purchase price of TSEK 4,229. The cash flow effect for the Group amounted to TSEK -2,412. In October 2019, Finland's XX-largest imprint Gummerus Kustannus Oy was acquired at a purchase price of TSEK 52,605, which included both shares in Storytel and cash payment. The cash flow effect for the Group amounted to TSEK -25,090.

During the year Earbooks AB has been merged up into Storyside AB and Printz Publishing AB have been merged up into Norstedts AB. Kartcentrum i Stockholm AB, Böckernas Klubb med Journalen BKJ AB and Gammafon Barnmedia AB have been liquidated during 2019. Omega Film AB has been sold for liquidation by another part. Mofibo Sweden AB has changed the company name to Storytel Production AB.

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 were merged into Storyside AB: Barnbolaget i Örebro AB (CIN 556677-2611) and Telegram Bokförlag AB (CIN 556782-9303) Disclosures pursuant to BFNAR 1999:1 have not been provided as these mergers are not assessed as having a material impact on the Group.

**Note 32 Cash and cash equivalents
Group**

	31 December 2019	31 December 2018
Cash and cash equivalents		
Bank balance	365,900	582,585
	365,900	582,585

Of the Group's bank balance, TSEK 20,000 (TSEK 20,000) is held in escrow.

Parent company

	31 December 2019	31 December 2018
Cash and cash equivalents		
Bank balance	140,745	427,569
	140,745	427,569

Of the Parent Company's bank balance, TSEK 20,000 (TSEK 20,000) is held in escrow.

**Note 33 Purchases and sales between Group companies and other related parties
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. All transactions with these counterparties also occurred at market terms.

Purchases from group companies amounts to 0 % (0 %) of total expenses, and sales to group companies amounts to 100 % (100 %) of total sales.

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

Note 34 Participations in Group companies
Parent company

	31 December 2019	31 December 2018
Opening cost	1,030,260	867,119
Purchases	52,605	0
Sales/disposals	-116	-6,859
Shareholder contributions	440,000	170,000
Employee stock option program	1,727	0
Closing accumulated cost	1,524,477	1,030,260
Opening balance, impairment	-37	0
Impairment for the year	-21,506	-37
Closing accumulated impairment	-21,543	-37
Closing carrying amount	1,502,934	1,030,223

Note 35 Specification of participations in Group companies
Parent company

Name	Capital share	Voting share	Book value
Storytel AG	100%	100%	1,218,244
Storytel Publishing AB	100%	100%	5,586
Norstedts Förlagsgrupp AB	100%	100%	142,982
People's Press A/S	100%	100%	83,516
Gummerus Kustannus OY	100%	100%	52,605
			1,502,934

	CIN	Domicile
Storytel AG	2803008746-7	Switzerland
Storytel Publishing AB	556676-0046	Stockholm
Norstedts Förlagsgrupp AB	556045-0297	Stockholm
People's Press A/S	556240-5059	Danmark
Gummerus Kustannus OY	2803008746-7	Finland

Not 36 Indirect owned subsidiaries
Parent company

Name and domicile	Capital share	CIN
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
Mofibo Books ApS, Copenhagen	100%	35228691
Storytel Production 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
Norstedts Kartor AB, Stockholm	100%	556532-7540
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, United Arab Emirates	100%	
Storyside India LLP, India	100%	AAH-6929
Storytel Italy S.rl, Italy	100%	10127220969
Kontentan Förlags AB, Stockholm	100%	556502-7447
Storytel S.L, 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, SLA180523RI3
Storytel Pte Ltd, Singapore	100%	UEN: 201842070G
Storytel Services UK Limited, England	100%	11708468
Storytel Brasil Distribuição de Audiolivros Ltda, Brazil	100%	-
Ztorylabs AB, Karlstad	100%	556928-7641
Ztorylabs Spain, Spain	100%	B66231481
Storytel South Korea, South Korea	100%	110114-0238631
Storytel Thailand, Thailand	100%	0105562091258

The consolidated financial statements include the results of all subsidiaries owned by Storytel AB (publ) as listed in note 34 and 35. Storytel Services UK Limited, has taken the exemption from an audit for the year ended 31 December 2019 permitted by s479A of Companies Act 2006. In order to allow this subsidiary to take the audit exemption, the parent company Storytel AB (publ) has given a statutory guarantee, in line with s479C of Companies Act 2006.

Note 37 Number of shares and quota value
Parent company

Name	Number of shares	Quotavalue
Number of A shares	635	0.5
Number of B shares	56,108,775	0.5
	56,109,410	

Note 38 Appropriation of profit or loss
Parent company

	31 December 2019
Proposed appropriation of profits	
The Board of Directors proposes that the profit available for disposition:	
accumulated deficit	-11,235
share premium reserve	1,457,966
profit/loss for the year	-18,622
To be carried forwars	1,428,108

Note 39 Significant events after the end of the financial year
Parent company

Following the authorisation for a new share issue from the Annual General Meeting on 15 May 2019, the company undertook a targeted share issue on 20 February 2020 using accelerated book building. 5,963,152 shares were issued a subscription rate of SEK 159 per share. This provided the company with MSEK 948 before issue costs. Roughly fifty investors subscribed to the issue, of which a number of large institutions investors that already are shareholders.

During the first quarter of 2020, the business was affected by the Covid-19 pandemic as all offices - in line with recommendations from the respective local authorities - cancelled all international travel and prescribed work from home for the employees. Since Storytel has a strict travel policy for sustainability reasons, and since Storytel employees have a great deal of experience in working daily with digital tools in the company's solid infrastructure, this has affected the company only in a minimal manner. The part of the business affected by the recent events is our audiobook production, yet the impact has not been significant until this date.

Depending on whether the impact that Covid-19 has on the global economy will last for a longer period of time, the demand for the service could decline over time. We do however see a compensating force presented by the human need to consume stories, which due to the limited ability to move freely and the increased use of digital services at home provides a possibility for increased consumption of our services.

The undersigned hereby confirm 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 1st of April 2020

Rustan Panday
Chairman

Morten Qvist Strunge

Jonas Sjögren

Nils Janse

Helen Fasth Gillstedt

Eva Swartz Grimaldi

Jonas Tellander

Our auditor's report has been submitted 1st of April 2020

Ernst & Young AB

Alexander Hagberg

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 2019-01-01 – 2019-12-31 with exception to the statutory sustainability report. The annual accounts and consolidated accounts of the company are included on pages 68-114 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.

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises of pages 1-35 and 118 (but does not include the annual accounts, consolidated accounts and our auditor's report thereon).

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

Conclude on the appropriateness of the Board of Directors'

and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Storytel AB (Publ) for the year 2019-01-01 – 2019-12-31 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 ac-

cepted 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 1st of April 2020

Ernst & Young AB

Alexander Hagberg
Authorized Public Accountant

