

**REPORT OF THE STATUTORY AUDITOR
ON THE LIMITED STATUTORY EXAMINATION
OF THE FINANCIAL STATEMENTS FOR THE YEAR 2014
OF
STORYTEL LTD, REINACH**

Report of the statutory auditor on the limited statutory examination

to the general meeting of

Storytel Ltd.
4153 Reinach

As statutory auditor, we have examined the financial statements (balance sheet, income statement and notes) of Storytel Ltd. for the year ended December 31, 2014.

These financial statements are the responsibility of the board of directors. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements as well as the proposed appropriation of accumulated losses and the proposed repayment of legal reserves from capital contribution (agio) do not comply with Swiss law and the company's articles of incorporation.

Regarding the valuation of participations and receivables from affiliates but without qualifying our examination opinion we like to draw the attention to the respecting paragraph in the notes to the financial statements.

Santschi & Partner Treuhand AG



S. Wenk
Audit Expert
Auditor in charge



U. Santschi
Audit Expert

Reinach, March 11, 2015 / SW

Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of retained earnings
- Proposed repayment of legal reserves from capital contribution (agio)

BALANCE SHEET as at December 31,

	<u>2014</u>	<u>2013</u>
	CHF	CHF
ASSETS		
Current assets		
Liquid funds	57'461.19	266'745.19
Accounts receivable - affiliates	541'827.00	736'464.10
Prepaid expenses	0.00	4'000.00
Total current assets	<u>599'288.19</u>	<u>1'007'209.29</u>
Fixed assets		
Long term receivables - affiliates	462'208.00	0.00
Participations	2'312'484.81	583'911.26
Own shares	0.00	217'096.00
Intangible fixed assets	17'100.00	18'000.00
Share capital not paid in	50'000.00	50'000.00
Total fixed assets	<u>2'841'792.81</u>	<u>869'007.26</u>
TOTAL ASSETS	<u><u>3'441'081.00</u></u>	<u><u>1'876'216.55</u></u>

	<u>2014</u>	<u>2013</u>
	CHF	CHF
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable - affiliates	0.00	29'384.43
Other payables - affiliates	242'341.00	0.00
Long term payables - third	753'750.00	0.00
Accrued expenses	17'214.14	15'651.60
Total liabilities	<u>1'013'305.14</u>	<u>45'036.03</u>
Shareholders' equity		
Share capital	362'786.00	396'957.00
Legal reserves from capital contribution (Agio)	1'495'119.50	2'327'384.50
Legal reserves for own shares from capital contribution	0.00	217'096.00
Retained earnings / accumulated losses	569'870.36	-1'110'256.98
Total shareholders' equity	<u>2'427'775.86</u>	<u>1'831'180.52</u>
Total liabilities and shareholders' equity	<u><u>3'441'081.00</u></u>	<u><u>1'876'216.55</u></u>

PROFIT AND LOSS STATEMENT from January 1 to December 31

	<u>2014</u>	<u>2013</u>
	CHF	CHF
Revenues	1'881'390.00	1'044'757.00
Expenses		
Rent	1'296.00	1'296.00
Administration expenses	140'698.98	29'432.11
Operating expenses	141'994.98	30'728.11
Depreciation	5'382.05	4'817.53
Profit before interest and taxes	1'734'012.97	1'009'211.36
Financial income	12.57	60.95
Financial expenses	-44'683.90	-6'622.70
Extraordinary expenses	0.00	-30'000.00
Extraordinary income	0.00	161'110.00
Profit before taxes	1'689'341.64	1'133'759.61
Taxes	9'214.30	6'859.05
Net profit	1'680'127.34	1'126'900.56

NOTES TO THE FINANCIAL STATEMENTS as at December 31,

	<u>2014</u>	<u>2013</u>
	CHF	CHF
<u>Pledged Assets</u>		
Participations	CHF 382'847	CHF 0
 <u>Participations that are material for analysing correctly the financial situation of the company:</u>		
Participation in % and share capital of the following companies:		
Storytel AB, Lund-Sweden (100%) / Services	SEK 100'000	SEK 100'000
Storytel A/S, Copenhagen-DK (100%/70%) / Services	DKK 990'000	DKK 990'000
Storytel NL B.V., Amsterdam-NL (100%/75%) / Services	EUR 200'000	EUR 200'000
Storytel AS, Oslo-NO (50%) / Services	NOK 2'000'000	NOK 0

Own shares

On December 20, 2011 the company purchased from the shareholder Verdane Capital VII K/S 37'834 own shares at a price of SEK 42.29 (CHF 5.74) per share, in total SEK 1'600'000 (CHF 217'096). These shares represented 10.1 % of the company's outstanding shares.

On June 4, 2014 the company reduced its share capital by the amount of CHF 37'834.00 by cancelling all own shares.

Conditional share capital

The share capital may be increased, under exclusion of the preferential subscription rights of shareholders in favour of option holders by

CHF 10'937	CHF 14'600
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<u>2014</u>	<u>2013</u>
CHF	CHF

Risk assessment

The board of directors approved the risk assessment documentation on February 16, 2015.

Valuation of Participations and receivables from affiliates

Participations in subsidiaries and receivables from affiliates are valued at historical costs. Apart from the main operative company Storytel AB, Lund all subsidiaries have generated a net loss in 2014 and have an actual net asset value which is lower than the valuation disclosed in this financial statement. Regarding that these group companies are in state of start up the board of directors assumes that the valuation of participations and receivables from affiliates is appropriate.

Other notes according to article 663b CO:

None

None

	<u>2014</u>	<u>2013</u>
	CHF	CHF
<u>Proposed appropriation of retained earnings</u>		
Accumulated losses (carried forward from previous year)	-1'110'256.98	-2'237'157.54
Net profit	<u>1'680'127.34</u>	<u>1'126'900.56</u>
Profit available for distribution / accumulated losses	569'870.36	-1'110'256.98
Appropriation to legal reserves	<u>-181'393.00</u>	<u>0.00</u>
Retained earnings / accumulated losses (to be carried forward)	<u><u>388'477.36</u></u>	<u><u>-1'110'256.98</u></u>
<u>Proposed repayment of legal reserves from capital contribution (Agio)</u>		
Legal reserves from capital contribution available for repayment at January 1	1'422'696.50	2'226'084.50
Legal reserves from capital contribution (book profit from capital reduction)	37'834.00	0.00
Agio from issue of new shares	<u>34'589.00</u>	<u>101'300.00</u>
Legal reserves from capital contribution available for repayment at December 31	1'495'119.50	2'327'384.50
Repayment of legal reserves from capital contribution	<u>-1'200'000.00</u>	<u>-904'688.00</u>
Legal reserves from capital contribution after repayment	<u><u>295'119.50</u></u>	<u><u>1'422'696.50</u></u>