

Interim Report



January - September 2020
Storytel AB (publ)

Highlights in this report, third quarter

- Streaming sales up 23% from Q3 2019 to 490 (399) MSEK.
- Subscriber base up 34% from Q3 2019 to 1,360,300 (1,014,400) on average.
- Net turnover increased to 609 MSEK from 491 MSEK in Q3 2019.
- Earnings per share, after taxes amounted to -0.38 SEK, before and after dilution, compared to -1.37 SEK in Q3 2019.
- Entered into an agreement to acquire a 70 percent majority interest in Iceland's leading book publishing house Forlagið.
- Acquired Kitab Sawti, a leading audiobook streaming service in the Middle East
- Acquired an 80 percent majority interest in Earselect AB, a Nordic production company
- Entered into an agreement to acquire iCast Ltd ("iCast"), an audiobook streaming pioneer on the Israeli market.

Table 1: Key performance indicators for Streaming and Print Publishing

Currency: SEK 000's	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Streaming Total					Actual⁸	Forecast¹
Revenue	399,178	421,454	429,251	459,115	490,234	499,500
Contribution Profit ^{2,8}	53,043	58,977	92,611	100,493	113,663	
Contribution Margin	13.3%	14.0%	21.6%	21.9%	23.2%	
Avg. Paying Subscribers ³	1,014,400	1,083,400	1,154,800	1,257,000	1,360,300	1,435,000
ARPU ⁴ (SEK/Month)	131	130	124	122	120	116
Streaming Nordics⁵						
Revenue	340,315	352,222	349,768	366,322	394,453	396,000
Contribution Profit ^{2,8}	109,563	115,689	113,476	107,176	125,534	
Contribution Margin	32.2%	32.8%	32.4%	29.3%	31.8%	
Avg. Paying Subscribers ³	736,000	757,600	785,800	833,300	902,000	922,000
ARPU ⁴ (SEK/Month)	154	155	148	147	146	143
Streaming Non-Nordics						
Revenue	58,863	69,233	79,484	92,793	95,781	103,500
Contribution Profit ^{2,8}	-56,521	-56,713	-20,866	-6,684	-11,872	
Contribution Margin	-96.0%	-81.9%	-26.3%	-7.2%	-12.4%	
Avg. Paying Subscribers ³	278,400	325,800	369,000	423,700	458,300	513,000
ARPU ⁴ (SEK/Month)	70	71	72	73	70	67
Print Publishing⁶						
Revenue	116,371	179,562	114,737	126,743	150,391	
Contribution Profit ⁷	33,327	65,592	41,678	44,147	63,667	
Contribution Margin	28.6%	36.5%	36.3%	34.8%	42.3%	

¹ Forecast means an approximation based on information available at the time the report was prepared.

² Contribution Profit is defined as streaming revenue minus royalties to third-party publishers and rights holders, external production costs, transaction/payment costs and marketing costs. Storytel Reader and Ztory are not included in Streaming.

³ Avg. Paying Subscribers means the average number of paying Storytel subscribers during the quarter. Stand-alone customers from Ztory are not included. For Family subscriptions, each standard stream (not so-called Kids Mode) is considered one paying customer.

⁴ ARPU = Average Revenue Per User (Subscriber) per month.

⁵ Storytel Norway is included in the figures @ 100%. In the consolidated accounts, Norway is reported in accordance with the principle of proportional consolidation.

⁶ Print Publishing refers to physical books and digital sales through channels other than Storytel. Internal revenue from Storytel has been eliminated. All publishing houses both inside and outside of Sweden are included.

⁷ Contribution Profit is defined as revenue minus cost of goods sold, royalties to rights holders, distribution, sales and marketing costs.

⁸ Storytel has chosen to voluntarily apply the capitalisation model instead of the expensing model regarding internally developed intangible assets. In this table, the development of our digital catalogue will be capitalised and no longer treated as an expense as of Q1 2020.

Letter to our shareholders

Dear Shareholders,

I remember painting a rather bold scenario in 2016 at FutureBook, an event arranged by the renowned English trade newspaper The Bookseller, that audiobook sales would soon grow bigger than physical book sales in Sweden. According to a report by the Swedish Publishers' Association from 21 September, covering the first eight months of 2020, subscribed audiobook streaming services surpassed physical bookstore sales as the second biggest sales channel for books. It is my strong belief that audiobook sales will represent over 50% of the total fiction book sales in Sweden at the end of 2020.

This development, on one of the most mature audiobook markets, certainly indicates that there is opportunity and excellent potential for both Storytel and publishers with a digital mindset to grow the global book market fuelled by the increasing popularity of the audiobook. This spurs and motivates us even more in our global expansion. The audiobook journey has only just begun.

Revenues, subscribers and result

Storytel saw continued high demand for its service and an influx of customers that resulted in us exceeding our forecast for both subscriber and revenue growth for the third quarter – a period that historically is the strongest of the year in our industry. In a world where the COVID-19 pandemic is affecting the everyday life of the entire global community, Storytel continues to successfully create value for authors, publishers and its growing customer base, both in the Nordic and the Non-Nordic segments.

During the third quarter of 2020, Storytel had an average of 1,360,300 paying subscribers, which was an increase of 103,300 customers compared to the second quarter of 2020, exceeding our forecast of 1,345,000 paying subscribers. Streaming revenues for the third quarter of 2020 came in at 490 MSEK, compared to the forecast of 483 MSEK. There were on average 902,000 paying subscribers in the Nordic segment during the third quarter of 2020, which is 12,000 above forecast. Streaming revenues in the Nordics came in at 394 MSEK, which is 5 MSEK above forecast. The average number of subscribers in the Non-Nordic segment for the third quarter of 2020 totalled 458,300, an increase of 34,600 compared to the second quarter of 2020 and exceeding the communicated forecast of 455,000 for the second quarter of 2020. Streaming revenues for the Non-Nordic segment totalled 96 MSEK in the third quarter of 2020 corresponding to annual revenue growth of 63%.

Earnings before interest, taxes, depreciation & amortisation (EBITDA) in the Storytel Group total 7 MSEK for Q3 2020. For the first time since we embarked on our journey of global expansion in 2016, Storytel is showing a positive EBITDA margin. The positive Group EBITDA for the quarter is mainly explained by the fact that since Q1 2020 Storytel has applied the capitalisation model for internally developed intangible assets in the same way as comparable companies. Although exciting, we don't expect profitable quarters to be a frequently recurrent phenomenon, since Storytel's strong expansion focus with growth over profit remains firm. We will continue to build the global audiobook streaming market on our strong and long-term trajectory of profitable growth.

Forecast targets

For the fourth quarter of 2020, our forecast is total streaming revenues of 499.5 MSEK (+19% Y/Y) and 1,435,000 (+32% Y/Y) paying subscribers on average for the quarter. Hence our updated full-year 2020 forecast for total streaming revenues is 1,878 MSEK (1,436 MSEK in 2019) corresponding to approximately 31% growth rate Y/Y. The slightly decreased full year forecast (originally 1,900 MSEK) is explained in full by a strengthened Swedish Krona.

Looking at our long-term targets, we reiterate them as they were presented in our Q2 report and at our Capital Markets Day on 14 January 2020. We aim to keep a CAGR of 40% in subscriber base growth and 35% CAGR in revenue growth, which implies that we will reach more than 4 million subscribers and almost 5 BSEK in streaming revenue in 2023.

Acquisitions and Expansion

On 1 July, Storytel entered into an agreement to acquire a majority interest in Iceland's largest publishing house, Forlagið. I am confident that this deal will help expand the audience's access to great literature, strengthen the Icelandic voice in the world, and future-proof and amplify both the country's excellent authorships and Storytel's long-term commitment to investing in the production and distribution of Icelandic, and Nordic literature and storytelling in a digital era.

On 2 July, Storytel announced that it will be launching our service in Thailand in the fourth quarter of 2020, and in Indonesia in 2021. The launches will expand Storytel's presence in the Asia Pacific region, where the company already operates in India, Singapore and South Korea.

On 8 July, Storytel established a new geographic business region, Storytel MENA, following the acquisition of Kitab Sawti, a leading audiobook streaming service in the Middle East and the Arabic-speaking world. The combined line-up of Storytel Arabia and Kitab Sawti forms a unique offering of audio content production and distribution that will give local consumers

access to the biggest and richest Arabic audiobook library in the world in 2021.

On 10 July, Storytel announced that the company entered into an agreement to acquire an 80% share of the Nordic audiobook production company Earselect. With this acquisition Storytel will better meet consumers' accelerating regional and global demand for audiobooks, and benefit our industry by offering efficient technology for both traditional production and a remote workflow to provide high quality and cost-efficient productions to Storytel as well as external publishers with full business integrity.

On 31 August Storytel entered into an agreement to acquire iCast Ltd, an audiobook streaming pioneer on the Israeli market. The acquisition lays the foundations for Storytel's launch in Israel in the first quarter of 2021.

At the end of September, Norstedts Förlagsgrupp (SWE) acquired the acclaimed literary publisher Bromberg, which is the Swedish publisher of four Nobel Prize winners and also the publisher of Jonathan Franzén, Patti Smith and Ian McEwan, on the Swedish market.

On 14 October, Storytel Finland launched a new complementary time-limited subscription concept, Storytel Light, alongside the current Storytel Unlimited and Family products. The purpose of the new product launch is to make audiobooks and e-books accessible for an even wider group of consumers and thereby also increase the long-term profitability for both publishers and authors. We believe that this new subscription model adds flexibility for users and provides a lower entry threshold. The Finnish Storytel Light subscription includes 20 hours of monthly reading time for the price of 9.99 EUR.

On 28 October, Storytel went live in Belgium. The launch strengthens Storytel's presence in the Benelux region, and the Belgian operations are run by Storytel Netherlands. The app will be curated in Dutch. The wide range of Dutch and French titles available in the app will be augmented by a broad offering of Belgian content – fiction, thrillers, feelgood, children's books, self-development, business literature, and much more. English and German titles will also be available within the service.

Publishing

Storytel's streaming sales grew by 23% compared to Q3 2019, and our Print Publishing sales also showed an increase of 13%. This growth in our printed books segment was partly driven by the acquisition of Gummerus, which was conducted in September 2019 and thus positively affected the annual growth for print positively in Q3 2020.

Storytel's Nordic publishing houses, Norstedts Förlagsgrupp (SWE), People's Press (DEN) and Gummerus (FIN) saw decreased sales in physical bookstores due to coronavirus

restrictions, but strong growth in sales through online retailers and streaming services – and a continued acceleration of the digital transformation.

This strategy is clearly reflecting the development of the consumer behaviour on the Nordic markets, where the audiobook is continuing to grow fast in popularity. According to the Swedish Publishers' Association, the total Swedish bookmarket grew by 7.4% during the first eight months of 2020. This increase can be attributed to the subscription-based distribution of digital books. Consumption of digital audiobooks increased by 42.1% during this period compared to last year.

During the third quarter, Storytel Russia successfully launched the Storytel Original “Just Masa” by Boris Akunin. Akunin has been called “the undisputed champion of Russian crime fiction” and is without a doubt one of the leading authors of crime novels and historic novels in Russia. Boris Akunin, writing directly for audio and Storytel Original, is of course both an awesome confirmation of the emerging new “format agnostic” storytelling of today, and most certainly a cultural – and popular cultural – event of significance.

Crime novels were also a success factor on the Swedish market during the summer with notable sales for i.e the Norstedts Förlagsgrupp authors Anna Jansson and Hans Rosenfeldt.

In Q3, Storytel also conducted strong and innovative Harry Potter campaigns in Bulgaria and the Netherlands with great success and high engagement from the story-loving audience.

People and Sustainability

Storytel's Global Conference is our biggest annual event by far. Normally, our employees from 20+ markets gather in Stockholm to socialize, co-create and share experiences and ideas at numerous hacks, seminars and workshops. However, restricted mobility due to the COVID-19 pandemic meant new creative solutions. In the first week of September, Storytel's Management, Communications, Inhouse Creatives and HR moved in to one of Sweden's largest TV-studios to produce six full scale and interactive TV talk shows packed with live reporting from book markets all over the world, studio discussions, extreme home office makeovers, quarantine cooking shows, VIP interviews and much more. All broadcasted live to 630 employees in 30 countries on three continents during three intense and inspiring days. And between the daily morning and evening shows, over 50 hours of exciting workshops.

In September, Storytel and The Prince Carl Philip & Princess Sofia Foundation released the Storytel Original “Älskade dyslexi” (eng. Beloved dyslexia) – an audiobook narrated by H.R.H Prince Carl Philip of Sweden and the Swedish hiphop star Linda Pira, both of whom have been diagnosed with dyslexia. “Älskade dyslexi”/”Beloved dyslexia” was launched to positive media coverage upon its release at the Gothenburg Book Fair, where the release event was documented by the large Swedish public service broadcaster SVT.

Storytel's vision is to make the world a more empathetic and creative place with great stories to be shared and enjoyed by anyone, anywhere and anytime. A vision that I am very happy and proud to see heartfelt and creatively reflected in all these initiatives.

Jonas Tellander, founder and CEO

Financial performance, third quarter 2020

Consolidated net and total turnover, Q3 2020 (compared to Q3 2019)

Net turnover for the Group in Q3 2020 totalled 608,744 (491,338) TSEK. Storytel A.S in Norway is a joint venture with Cappelen Damm and is reported in accordance with the principle of proportional consolidation. Table 1 in this report includes all subscribers and revenue in Norway under Streaming, Nordic markets. As a result, the Streaming revenue listed in Table 1 is higher than in the consolidated statement of accounts in order to provide a more accurate figure for average revenue per subscriber. Table 1 does not include revenue from sales of Storytel Reader, Ztory, own work or other non-material operating income.

Total consolidated revenue amounted to 675,543 (503,088) TSEK, of which 59,017 (0) TSEK related to the capitalisation of internal development work. Streaming sales grew by 23% from Q3 2019 while Print Publishing sales increased by 29%, partly driven by the acquisition of Gummerus in September 2019. Consolidated revenue, excluding capitalised development work, grew by 22.5%. If the capitalisation of development work is included, revenue growth was 34.3%.

Consolidated expenses, Q3 2020 (compared to Q3 2019)

Unit-sale costs for the Group totalled 372,134 (299,932) TSEK in Q3 2020. Unit-sale costs include content costs to third-party publishers, royalties to rights holders, costs for producing digital books, and cost of goods sold for physical books, as well as warehouse, distribution, and transaction/payment costs. Unit-sale cost increased 24.1% Y/Y as a result of increased revenues.

Gross margin increased to approx. 44.9% in Q3 2020, compared to 40.4% in Q3 2019. If the effect of capitalising the internal development work would have been excluded, the gross margin would have been 39.6%.

Other external costs for the Group during Q3 2020 totalled 171,338 (173,374) TSEK, a decrease of 1.1% Y/Y. The largest cost item under Other external costs is marketing costs. Other significant costs included technology-related services and costs, consultant costs and office leases.

Staffing costs for the Group in Q3 2020 totalled 125,048 (95,549) TSEK, an increase of 30.9% Y/Y. The main increase relates to staffing costs for Streaming which increased in order to meet the pace of expansion for global functions and employees in new countries. There is also an increase in staffing cost for Print Publishing due to the acquisition of

Gummerus at the end of September 2019. Excluding Gummerus, staffing costs for the Print Publishing division declined.

EBITDA, Q3 2020 (compared to Q3 2019)

Earnings before interest, taxes, depreciation & amortisation (EBITDA) in the Group in Q3 2020 totalled 7,023 (-65,767) TSEK, equalling a positive EBITDA margin of 1.0% (-13.1%). If the effect of capitalising development cost related to the production of digital books and the technical platform were excluded, the EBITDA margin would have been -13.2%.

Earnings, Q3 2020 (compared to Q3 2019)

Earnings for the period amounted to -23,691 (-76,327) TSEK. Earnings per share after taxes in Q3 2020 totalled -0.38 SEK, before and after dilution, (-1.37 SEK) and were calculated as earnings for the period after taxes, divided by the average number of shares during the period.

Capital expenditure, depreciation and amortisation Q3 2020 (compared to Q3 2019)

At the end of Q3 2020, the company had intangible assets amounting to 533,441 (282,247) TSEK, whereas the largest items consisted of rights, licences & brands, capitalisation of the IT platform and recording of audiobooks and goodwill. During the period, intangible assets increased by 59,017 TSEK due to the additional capitalisation of expenses for development work of the technical

platform and the digital catalogue of audio- and e-books.

Depreciation and amortisation in the Group in Q3 2020 totalled -29,022 (-16,147) TSEK. Depreciation and amortisation primarily include depreciation attributable to goodwill and other excess value identified in connection with acquisitions. The largest asset items are connected to the acquisitions of Norstedts Förlagsgrupp, Mofibo, People's Press, and Gummerus. All goodwill and excess values are depreciated on a linear basis over five to ten years. Amortisation of goodwill pertaining to acquisitions in currency other than SEK is affected by FX fluctuations. Other depreciation primarily refers to the purchasing and development of IT systems from external parties. All tech costs related to the development of Storytel's technical platform are recorded as expenses. From Q1 2020, these expenses are capitalised through the revenue line item Capitalised work for own account to the extent the criteria for capitalisation are fulfilled.

Taxes

In Q3 2020, taxes including deferred tax amounted to 690 TSEK. Storytel has made the assessment that deferred taxes on accumulated losses can be offset against future profits.

Group: Financial position as at 30 September 2020 (compared to 31 Dec 2019)

At the end of the period, the Group had 581,801 (365,900) TSEK in cash and cash equivalents.

Equity ratio at the end of the period was 67.4% (33%). Equity increased to 1,254,575 (342,200) TSEK, mainly due to the directed share issue and its contribution to equity (after share issue expenses) of 937 MSEK.

Non-current liabilities to lending institutions totalled 0 (196,134) TSEK. The company has a non-utilized revolving credit facility of 500 MSEK.

Cash flow, Q3 2020 (compared to Q3 2019)

Cash flow from operating activities before changes in working capital was 19,455 (-88,755) TSEK and had a positive effect from the reclassification of expenses for development of the technical platform and the digital catalogue of audio- and e-books to investing activities. Change in working capital is negative at -15,143 (3,897) TSEK. Cash flow from investing activities was -130,352 (-27,690) TSEK, and was mainly attributable to the capitalisation of

expenses for development of the technical platform and the digital catalogue of audio- and e-books as well as acquisitions of Earselect and Kitab Sawti. Cash flow from financing activities amounted to 62 (-7,495) TSEK.

Guidance for Q4 2020 and FY 2020 (Streaming segment)

Q4 2020 guidance

Avg. subscribers Nordics: 922,000

Avg. subscribers Non-Nordics: 513,000

Avg. subscribers Total: 1,435,000

Revenue Nordics: 396,000

Revenue Non-Nordics: 103,500

Revenue Total: 499,500

FY 2020 guidance

Subscribers EoY: 1,500,000

Streaming revenues: 1.9 BSEK

Revenue growth: 32%

EBITDA margin: negative 1–5%

(including the effect of capitalising development cost related to the production of digital books and the technical platform)

Consolidated Income Statement (TSEK)

	July-Sept 2020	July-Sept 2019	Jan - Sept 2020	Jan - Sept 2019	Jan - Dec 2019
Net turnover	608,744	491,338	1,675,521	1,278,230	1,843,267
Change in inventory during production	-979	1,594	3,875	5,042	-2,148
Capitalised work for own account	59,017	0	162,652	0	0
Other operating income	8,761	10,156	22,987	27,657	26,185
Total Group revenue	675,543	503,088	1,865,035	1,310,928	1,867,304
Operating expenses					
Unit-sale costs	-372,134	-299,932	-1,041,263	-806,022	-1,142,305
Other external costs	-171,338	-173,374	-514,474	-435,596	-615,678
Staffing costs	-125,048	-95,549	-371,211	-281,533	-402,622
Total operating expenses	-668,520	-568,855	-1,926,948	-1,523,151	-2,160,605
EBITDA	7,023	-65,767	-61,913	-212,223	-293,301
Depreciation and amortisation	-29,022	-16,147	-71,008	-49,257	-67,345
Profit/loss before financial items	-21,999	-81,914	-132,921	-261,580	-360,645
Profits from associated companies	28	-158	84	-98	55
Net financial items	-2,410	-4,705	-12,633	-14,110	-19,596
Profit/loss before taxes	-24,381	-86,777	-145,470	-275,788	-380,186
Taxes on profit for the year including deferred taxes	690	10,450	27,737	43,479	67,520
Profit/loss for the period	-23,691	-76,327	-117,733	-232,309	-312,666

Consolidated Balance Sheet (TSEK)

	30 Sept 2020	30 Sept 2019	31 Dec 2019
Assets			
Intangible assets	533,441	282,247	270,067
Tangible assets	24,064	11,050	15,309
Non-current financial assets	154,574	111,287	129,308
Inventory	76,689	88,747	71,873
Current receivables	489,544	532,773	453,444
Cash and cash equivalents	581,801	273,211	365,900
Total assets	1,860,113	1,299,315	1,305,901
Equity and liabilities			
Share capital	31,263	28,054	28,055
Other equity, including profit/loss for the year	1,223,312	400,640	314,145
Provisions	48,220	65,030	62,236
Non-current liabilities	-	178,457	196,134
Current liabilities	557,319	627,134	705,331
Total Equity and liabilities	1,860,113	1,299,315	1,305,901

Consolidated Statement of Changes in Equity (TSEK)

	Share capital	Reserves	Equity including net profit	Consolidated equity
Amount as at 1 January 2019	27,933	15,356	580,790	634,079
Share issue	122		28,780	28,902
Exchange differences		1,885		1,885
Profit/loss for the current period			-312,666	-312,666
Amount as at 31 Dec 2019	28,055	17,241	296,904	342,200
Share issue	3,208		1,018,965	1,022,173
Employee stock option			6,618	6,618
Warrant premium			11,212	11,212
Exchange differences		-9,895		-9,895
Profit/loss for the current period			-117,733	-117,733
Amount as at 30 September 2020	31,263	7,346	1,215,966	1,254,575

Condensed Consolidated Cash-Flow Statement (TSEK)

	July - Sept 2020	July - Sept 2019	Jan - Sept 2020	Jan - Sept 2019	Full Year 2019
Net profit/loss after financial items	-24,381	-86,776	-145,470	-275,788	-380,186
Adjustments for non-cash items	46,780	24,469	64,606	49,997	72,443
Taxes, paid	-2,944	-26,449	-7,558	-30,344	-26,317
Cash flow from operations before changes in working capital	19,455	-88,755	-88,422	-256,134	-334,061
Change in working capital	-15,143	3,897	16,805	4,154	-6,316
Cash flow from operating activities	4,312	-84,859	-71,617	-251,982	-340,377
Cash flow from investing activities	-130,352	-27,690	-252,414	-38,984	-46,672
Cash flow from financing activities	62	-7,495	548,130	-23,652	168,922
Cash flow for the period	-125,978	-120,044	224,099	-314,618	-218,127
Available funds at beginning of period	710,303	390,463	365,900	582,585	582,585
Translation differences in available funds	-2,524	2,792	-8,197	5,244	1,442
Available funds at end of period	581,801	273,211	581,801	273,211	365,900

Earnings Per Share

	July - Sept 2020	July - Sept 2019	Jan - Sept 2020	Jan - Sept 2019	Jan - Dec 2019
Average number of shares	62,512,108	55,865,307	61,050,067	55,865,307	55,927,503
Number of shares at end of period	62,526,025	56,109,410	62,526,025	56,109,410	56,109,410
Earnings per share before and after dilution (SEK)	-0.38	-1.37	-1.93	-4.16	-5.59

Parent Company Income Statement (TSEK)

	July - Sept 2020	July - Sept 2019	Jan - Sept 2020	Jan - Sept 2019	Jan - Dec 2019
Net Turnover	1,632	870	5,077	2,654	3,788
Total Group revenue	1,632	870	5,077	2,654	3,788
Operating expenses					
Other external costs	-1,951	-2,469	-7,423	-5,222	-5,983
Staffing costs	-1,274	-1,482	-4,463	-4,729	-6,761
Total operating expenses	-3,225	-3,950	-11,886	-9,951	-12,744
EBITDA	-1,593	-3,080	-6,809	-7,297	-8,956
Depreciation and amortisation	-	-	-	-	-
Profit/loss before financial items	-1,593	-3,080	-6,809	-7,297	-8,956
Net financial items	2,511	1,952	2,691	-20	-9,151
Profit/loss before taxes	918	-1,128	-4,118	-7,317	-18,106
Taxes on profit for the year including deferred taxes	-1,078	0	0	0	-400
Profit/loss for period	-160	-1,128	-4,118	-7,317	-18,506

Parent Company Balance Sheet (TSEK)

	30 Sept 2020	30 Sept 2019	31 Dec 2019
Assets			
Non-current financial assets	1,713,202	1,225,186	1,505,654
Current receivables	584,306	363,612	221,031
Cash and cash equivalents	198,275	43,343	140,745
Total assets	2,495,783	1,632,141	1,867,430
Equity and liabilities			
Share capital	31,263	28,088	28,055
Other equity, including profit/loss for the year	2,461,722	1,445,073	1,435,663
Non-current liabilities	0	156,809	399,882
Current liabilities	2,798	2,204	3,830
Total Equity and liabilities	2,495,783	1,632,141	1,867,430

Accounting and valuation principles

This Interim Report has been prepared in accordance with the Swedish Annual Accounts Act. The accounting and valuation policies applied are consistent with the Swedish Accounting Standards Board's BFNAR 2012:1 (K3) and are unchanged since the latest published Annual Accounts apart from the voluntary application of the capitalisation model instead of the expensing model regarding internally developed intangible assets. The accounting and valuation principle is described below.

Amounts are reported in Swedish kronor and rounded to the nearest thousand unless otherwise stated. Rounding to the nearest thousand may mean that amounts are not consistent when added. Amounts and figures stated in brackets are comparatives for the corresponding period of the previous year, unless otherwise stated.

The registered Parent Company is Storytel AB (publicly traded). Fifty percent of Storytel A.S. (Norway) is owned by Cappelen Damm and is reported here in accordance with the principle of proportional consolidation. Wholly owned subsidiaries are included in the financial statement from their time of registration or acquisition.

Starting in Q1 2020, Storytel has chosen to voluntarily apply the capitalisation model instead of the expensing model regarding internally developed intangible assets. The internally developed intangible assets for the Storytel Group consist of capitalised expenses for development of the technical platform and the digital catalogue of audio- and e-books. The change in accounting principles will provide a more reliable and relevant result and financial position, providing better visibility into the development work that is performed.

The Group capitalises development expenses only when the following criteria are fulfilled:

- It is technically feasible to complete the intangible asset
- The intention is to complete and use or sell the asset
- There is an ability to use or sell the asset
- It is probable that the asset will generate future economic benefits
- There are technical, financial and other resources to complete and use or sell the asset
- The expenses incurred during the development phase can be measured reliably

The intangible assets are recorded at cost less accumulated amortisation and impairment, if any. The assets are amortised on a straight-line basis over the expected useful life, which is 3–5 years. When there is an indication that the value of the asset is impaired, an impairment

test is performed and if the impairment is expected to be permanent the value of the asset is written down to the recoverable amount. The Group reassesses the useful life and amortisation method on a regular basis.

Related expenses are capitalised by recording the corresponding amount as income under “Capitalised work for own account”. In the third quarter, the change in accounting principles affected the revenues of the Group by +59.1 MSEK, amortisations by -8.9 MSEK and the internally developed intangible assets by +50.2 MSEK. The EBITDA-margin is 1 % compared to -13.2 % if there had been no change in accounting principles. In accordance with K3, the change has not been applied retrospectively.

Auditor’s review

This Interim Report has not been reviewed by the auditors of the company.

Number of shares and share capital as at 30 September 2020 (compared to 30 September 2019)

There were 62,526,025 (56,109,410) registered shares in issuance at the end of the period, divided between 635 A-shares and 62,525,390 B-shares. Share capital totalled 31,263,012 (28,054,705) SEK as at 30 September 2020. On average in Q3 2020 there were 62,512,108 registered shares divided between 635 A-shares and 62,511,473 B-shares. The shareholder structure is presented at investors.storytel.com

Information about Nasdaq First North Growth Market

Nasdaq First North Growth Market (“First North”) is an alternative marketplace operated by the constituent exchanges of Nasdaq Stockholm. It does not have the same legal status as a regulated marketplace. Companies quoted on First North are subject to First North’s rules rather than the legal requirements set for trading on a regulated marketplace. An investment in a company trading on First North implies higher risk than an investment in a listed company. Companies must apply to the exchange and gain approval before trading on First North may commence. A Certified Adviser guides the company through the listing process and ensures that the company continuously satisfies First North’s standards.

Risks and uncertainty factors

Storytel is exposed to risks, particularly associated to Storytel’s international expansion, ability to acquire new customers, ability to innovate, and ability to maintain and develop its content catalogue. A comprehensive risk analysis is available in the company’s most recent annual report and company description.

Post-period activity

Expansion

On 28 October 2020, Storytel went live in Belgium. The launch strengthened Storytel's presence in the Benelux region and will include extensive marketing initiatives in Belgium, including TV advertisements as well as social media and online campaigns. Belgian subscribers will have access from day one to more than 250,000 audiobooks and e-books in a catalogue featuring both international bestsellers and strong local authorships.

Forthcoming reports

Year-End Report 2020	19 Feb 2021
Annual Report 2020	1 April 2021
Interim Report Jan - Mar 2021	7 May 2021
Interim Report Jan - June 2021	6 Aug 2021
Interim Report Jan - Sept 2021	5 Nov 2021

Annual general meeting of shareholders

The annual general meeting of shareholders will be held in Stockholm on 6 May, 2021. More details about time and location will be published on Storytel's website closer to the event.

Signatures and assurance

The Board of Directors and the Chief Executive Officer offer their assurance that this Interim Report provides a true and fair view of the Group's and the Parent Company's operations, financial position and operational performance.

FNCA Sweden AB is the company's certified adviser. FNCA can be reached at info@fnca.se or +46 8 528 00 399.

Stockholm, 10 November 2020

Rustan Panday
Chairman of the Board

Jonas Tellander
Board Member and CEO

Jonas Sjögren
Board Member

Nils Janse
Board Member

Stefan Blom
Board Member

Malin Holmberg
Board Member

Helen Fasth Gillstedt
Board Member

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