

# Interim Report



January-June 2020  
Storytel AB (publ)

## Highlights in this report, second quarter

- Streaming sales up 43% from Q2 2019 to 459 (320) MSEK
- Subscriber base up 42% from Q2 2019 to 1,257,000 (897,500) on average
- Net turnover increased to 554 MSEK from 402 MSEK in Q2 2019
- Earnings per share, after taxes amounted to -0.91 SEK, before and after dilution, compared to -1.20 SEK in Q2 2019
- Renegotiated Term Loan from Swedbank, expanding the Revolving Credit Facility to 500 MSEK
- Issued a stock option programme for all employees together with a warrant programme for select Key Employees and Directors

**Table 1: Key performance indicators for Streaming and Print Publishing**

Currency: SEK 000's	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
<b>Streaming Total</b>					<b>Actual<sup>8</sup></b>	<b>Forecast<sup>1</sup></b>
Revenue	320,034	399,178	421,454	429,251	459,115	483,500
Contribution Profit <sup>2,8</sup>	29,407	53,043	58,977	92,611	100,493	
Contribution Margin	9.2%	13.3%	14.0%	21.6%	21.9%	
Avg. Paying Subscribers <sup>3</sup>	887,500	1,014,400	1,083,400	1,154,800	1,257,000	1,345,000
ARPU <sup>4</sup> (SEK/Month)	120	131	130	124	122	120
<b>Streaming Nordics<sup>5</sup></b>						
Revenue	276,347	340,315	352,222	349,768	366,322	389,000
Contribution Profit <sup>2,8</sup>	70,443	109,563	115,689	113,476	107,176	
Contribution Margin	25.5%	32.2%	32.8%	32.4%	29.3%	
Avg. Paying Subscribers <sup>3</sup>	669,200	736,000	757,600	785,800	833,300	890,000
ARPU <sup>4</sup> (SEK/Month)	138	154	155	148	147	146
<b>Streaming Non-Nordics</b>						
Revenue	43,687	58,863	69,233	79,484	92,793	94,500
Contribution Profit <sup>2,8</sup>	-41,036	-56,521	-56,713	-20,866	-6,684	
Contribution Margin	-93.9%	-96.0%	-81.9%	-26.3%	-7.2%	
Avg. Paying Subscribers <sup>3</sup>	218,300	278,400	325,800	369,000	423,700	455,000
ARPU <sup>4</sup> (SEK/Month)	67	70	71	72	73	69
<b>Print Publishing<sup>6</sup></b>						
Revenue	109,053	116,371	179,562	114,737	126,743	
Contribution Profit <sup>7</sup>	28,830	33,327	65,592	41,678	44,147	
Contribution Margin	26.4%	28.6%	36.5%	36.3%	34.8%	

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

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> ARPU = Average Revenue Per User (Subscriber) per month.

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

<sup>6</sup> 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.

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

<sup>8</sup> 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,

First of all I would like to extend to you my sincere welcome. In a world with restricted liberty of action due to the effects of the COVID-19 pandemic, reality may sometimes seem gated, distant or even unreachable. In times like these, it is essential for Storytel, and our leading offering of storytelling, to be a safe haven in daily life.

Given the exceptional circumstances, I am happy to note that Storytel's development, strong growth pace and strategic offensive during the second quarter of 2020 have allowed us the pleasure of welcoming an unprecedented number of talented, passionate and driven individuals and businesses on our amazing and expansive audiobook journey.

### **Revenues and subscribers**

During the second quarter of 2020, Storytel had an average of 1,257k paying subscribers, which was an increase of 102k customers compared to the first quarter of 2020, exceeding our forecast of 1,250k paying subscribers. Streaming revenues for the second quarter of 2020 came in at 459 MSEK, compared to the forecast of 458 MSEK. There were on average 833k paying subscribers in the Nordic segment during the second quarter of 2020, which is 7k above the forecast. Streaming revenues in the Nordics came in at 366 MSEK, which is in line with the forecast. The average number of subscribers in the Non-Nordic segment for the second quarter of 2020 totalled 424k, an increase of 55k compared to the first quarter of 2020 and in line with the communicated forecast of 424k for the second quarter of 2020. Streaming revenues for the Non-Nordic segment totalled 93 MSEK in the second quarter of 2020 corresponding to annual revenue growth of 112%.

Storytel saw a continued strong influx of customers during the quarter, not least in the Nordic markets, where the number of streaming subscriptions for entertainment per household is higher and the audiobook wave originally started. This, in combination with the triple-digit growth we are seeing in the Non-Nordic segment, clearly indicates the benefits of Storytel's expansion strategy to have strong local presence and a targeted focus on the local consumer and local product market fit. We apply this strategy regardless of whether we enter a new market that we build from the ground up or a more technologically mature market where we need to apply aggressive and forward-leaning strategic investments in content, the user experience and production to consolidate and strengthen our position.

## **Forecast targets**

For the third quarter of 2020, our forecast is total streaming revenues of 483,5 MSEK (+21% Y/Y) and 1,345k (+33% Y/Y) paying subscribers on average for the quarter. Our current full-year 2020 forecast for total streaming revenues is 1,900 MSEK (1,436 MSEK in 2019) corresponding to approximately 32% growth rate Y/Y.

Our exceptional growth in the second quarter on some Non-Nordic markets like Russia, Turkey, India and Italy has rendered a large share of subscribers who have yet to develop their long term loyalty to the brand that comes with continuous usage of Storytel. With a challenging economic outlook and downward pressure on GDP in these countries recovering from lockdowns, forecasting subscriber base developments is more complex.

Looking at the Nordic region we see strong growth during the summer season boosted by not only seasonality effects, but also advantageous market-product fit and strong market positions. On many Non-Nordic markets we do not yet benefit as strongly from these effects leading to higher churn when onboarding new customers, but we expect to see concrete improvements from our optimised subscription offerings in the coming year.

Looking at our long-term targets, we reiterate them as they were presented 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.

Our plan to take a couple of more markets to profitability this year remains. At the start of 2020 four Storytel markets (Sweden, Denmark, Norway, Iceland) were profitable on a local level (excluding global costs). In Q1/20 we added The Netherlands to this group, in Q3/20 or latest Q4/20 we expect Finland to turn profitable and in Q4/20 or latest Q1/21 we anticipate that Russia will also turn profitable.

## **Publishing**

Our Storytel Originals, which tap into our customers interests, moods and need for new perspectives, relaxation or angles on current events, continue to gain a considerable amount of appreciation from consumers and a lot of positive attention from the media – both traditional and social. The True Crime trend is still strong and seems to work on practically all markets, as do dystopian stories like the big Storytel Original success Virus by Daniel Åberg, which launched its seventh and final season on the Swedish market in May. The first seasons are available in English on multi-markets, and Indian and Dutch spinoffs are in the making. Other Original trends include Norwegian long-stories, a genre with narratives stretching over generations that is winning supporters and new interpretations such as the Swedish Storytel Original Loviseholm by Veronica Almer.

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Storytel currently has well over 60 Original series translated into at least one additional language, and this number grows steadily by the week. Storytel also continues to offer stories with concrete coronavirus guidance and support and quarantine podcasts in, for example, Spain and Italy.

Sören Olsson and Anders Jakobsson's popular children's fiction characters, such as Bert, Sune, Håkan Bråkan, Tuva-Lisa, Emanuel, and Storasyster & Lillebror have featured on TV, in films and in over 150 books that have sold over 10 million copies all over the world – from Iceland to China. In May, Storytel's audiobook publisher StorySide acquired the exclusive publishing rights for the renowned duo's backlist and future publications from Egmont Publishing, which almost immediately resulted in the launch of Storytel Original Berts Desperata Dagbok, which already in June was climbing fast on Storytel's toplists.

As the popularity of Storytel Originals increases among consumers, so does the interest from the film and TV industries. Storytel's Global Rights Team sold over ten options to Swedish production companies during the second quarter of 2020 and more discussions are ongoing - both in the Nordics and internationally. These operations and initiatives are at an early stage and may certainly pave the road for additional opportunities to win new audiences for conceptual and platform-agnostic authors and stories.

## **People**

During the spring, Storytel also had the privilege of onboarding its 500th employee. The fact that half of Storytel's current workforce in its 20 markets started in the company within the past two years, is an indisputable token of the company's unique entrepreneurial culture that embraces new talent and skills and is leveraged in both its professional and business growth. The Annual General Meeting's decision to approve a stock option programme for all employees alongside a warrant programme for select Key Employees and Directors was certainly well motivated.

In May, Storytel welcomed two new members to its Board of Directors, Malin Holmberg and Stefan Blom. Stefan has extensive experience from his roles as Chief Content Officer and Chief Strategy Officer at Spotify, and Malin has a background as CEO of Tele2 Holland, Central Europe and Croatia, product manager at Vodafone in London and Tele2 in Stockholm, and partner in the German venture capital company Target Global in London. I am confident that they will be valuable additions to Storytel. Malin and Stefan replaced Eva Swartz Grimaldi and Mårten Qvist Strunge, who declined re-election, and we would like to thank them for their invaluable efforts and contributions to Storytel over the years.

I was really pleased to see Helena Gustafsson assume the role as Chief Content Strategy Officer and join Storytel AB's management team in June. Since she joined the company in 2013 as CEO of Storytel's fully owned audiobook publisher StorySide, Helena has been a key

player in establishing Storytel's industry-leading presence, strategic acquisitions and partnerships and building the company's original production of audiobooks.

### **Acquisitions**

The days immediately following the end of the quarter, also featured several significant new arrivals on the business development side. Storytel's acquisition of the majority interest in Forlagið, Iceland's largest publishing house, further reinforced Storytel's publishing business area which comprises the renowned publishers Norstedts Förlagsgrupp (SWE), People's Press (DEN), Gummerus Publishers (FIN) and, now, Forlagið (ISL).

On 1 July, Storytel acquired Iceland's largest publishing house, Forlagið. I am excited to welcome Forlagið to the Storytel family and our publishing business area, which also features renowned and respected Nordic brands such as Norstedts Förlagsgrupp (SWE), Gummerus Publishers (FIN), and People's Press (DEN). I am confident that this deal, as with our previous acquisitions of Nordic publishers, will contribute to expand the audience's access to great literature, strengthen the Nordic voice in the world, and future-proof and amplify both the region's excellent publishing and Storytel's long-term commitment to investing in production and distribution of Icelandic literature and storytelling in a digital era.

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. I am really thrilled and excited about the great opportunities the combination of Storytel and Kitab Sawti will offer Arabic consumers, publishers and authorships. Online media consumption is booming in the Middle East, as is the confidence local consumers are showing in digital products and payment solutions. The positive trend in customer interest for audiobooks that we presently see in the region, indicates good potential.

On July 10 Storytel acquired 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.

***Jonas Tellander, founder and CEO***

## *Financial performance, second quarter 2020*

### Consolidated net and total turnover, Q2 2020 (compared to Q2 2019)

Net turnover for the Group in Q2 2020 totalled 553,559 (401,875) 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 617,555 (414,080) TSEK, of which 56,815 (0) TSEK related to the capitalisation of internal development work. Streaming sales grew by 43% from Q2 2019 while Print Publishing sales increased by 13%, driven by the acquisition of Gummerus in September 2019. Consolidated revenue, excluding capitalised development work, grew by 35.4%. If the capitalisation of development work is included, revenue growth was 49.1%.

### Consolidated expenses, Q2 2020 (compared to Q2 2019)

Unit-sale costs for the Group totalled 352,526 (261,441) TSEK in Q2 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 34.8% Y/Y as a result of increased revenues.

Gross margin increased to approx. 42.9% in Q2 2020, compared to 36.9% in Q2 2019. If the effect of capitalising production costs for digital books were excluded, the gross margin would have been 37.1%.

Other external costs for the Group during Q2 2020 totalled 174,052 (135,277) TSEK, an increase of 28.7% Y/Y. The largest cost item under Other external costs is marketing costs. By the end of June 2020, Storytel had launched its service in 20 markets, which required greater investments in marketing than during the same period last year. Other significant costs included technology related services and costs, consultant costs and office leases. Storytel's HQ is being renovated and some teams are hence located at Convendum at Slussen, which increases the office lease costs. At the end of September 2019, Storytel acquired Gummerus, which increased Other external costs thereafter.

Staffing costs for the Group in Q2 2020 totalled 128,804 (95,962) TSEK, an increase of 34.2% Y/Y. At the end of September 2019, Storytel acquired Gummerus, which lead to an increase in staffing costs. Excluding Gummerus,

staffing costs for the Print Publishing division were stable. Staffing costs for Streaming increased in order to meet the pace of expansion for global functions and employees in new countries.

#### EBITDA, Q2 2020 (compared to Q2 2019)

Earnings before interest, taxes, depreciation & amortisation (EBITDA) in the Group in Q2 2020 totalled -37,827 (-78,599) TSEK, equalling a negative EBITDA margin of -6.1%. 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 -15.9%.

#### Earnings, Q2 2020 (compared to Q2 2019)

Earnings for the period amounted to -56,450 (-66,866) TSEK. Earnings per share after taxes in Q2 2020 totalled -0.91 SEK, before and after dilution, (-1.20SEK) 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 Q2 2020 (compared to Q2 2019)

At the end of Q2 2020, the company had intangible assets amounting to 343,657 (253,279) 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 53,363 TSEK due to the 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 Q2 2020 totalled -22,130 (-16,670) TSEK. Depreciation and amortisation primarily includes 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 Q2 2020, taxes including deferred tax amounted to 16,170 TSEK. Storytel has made the assessment that deferred taxes on accumulated losses can be offset against future profits.

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

At the end of the period, the Group had 710,303 (365,900) TSEK in cash and cash equivalents. During the period the company repaid all loans to Swedbank, in total 400 MSEK following the share issue that was conducted in February that



increased cash and cash equivalents by 948 MSEK.

Equity ratio at the end of the period was 67.7% (26.2%). Equity increased to 1,202,647 (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, Q2 2020 (compared to Q2 2019)

Cash flow from operating activities before changes in working capital was -63,486 (-89,583) 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 positive at 31,261 (7,430) TSEK. Cash flow from investing activities was -69,474 (-4,734) 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 investments related to the renovation at Riddarholmen. Cash flow from financing activities amounted to -288,920 (-7,476) TSEK, and is mainly attributable to the repayment of the liabilities to credit institutions.

#### Guidance for Q3 2020 and FY 2020 (Streaming segment)

##### *Q3 2020 guidance*

Avg. subscribers Nordics: 890,000

Avg. subscribers Non-Nordics: 455,000

**Avg. subscribers Total: 1,345,000**

Revenue Nordics: 389,000

Revenue Non-Nordics: 94,500

**Revenue Total: 483,500**

##### *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)

	Apr - June 2020	Apr - June 2019	Jan - June 2020	Jan - June 2019	Jan - Dec 2019
Net turnover	553,559	401,875	1,066,777	786,891	1,843,267
Change in inventory during production	513	2,009	4,854	3,448	-2,148
Capitalised work for own account	56,815	0	103,635	0	0
Other operating income	6,668	10,196	14,226	17,501	26,185
<b>Total Group revenue</b>	<b>617,555</b>	<b>414,080</b>	<b>1,189,492</b>	<b>807,840</b>	<b>1,867,304</b>
<b>Operating expenses</b>					
Unit-sale costs	-352,526	-261,441	-669,129	-506,090	-1,142,305
Other external costs	-174,052	-135,277	-343,136	-262,223	-615,678
Staffing costs	-128,804	-95,962	-246,163	-185,984	-402,622
<b>Total operating expenses</b>	<b>-655,382</b>	<b>-492,679</b>	<b>-1,258,428</b>	<b>-954,297</b>	<b>-2,160,605</b>
<b>EBITDA</b>	<b>-37,827</b>	<b>-78,599</b>	<b>-68,936</b>	<b>-146,457</b>	<b>-293,301</b>
Depreciation and amortisation	-22,130	-16,670	-41,986	-33,210	-67,345
<b>Profit/loss before financial items</b>	<b>-59,957</b>	<b>-95,269</b>	<b>-110,922</b>	<b>-179,667</b>	<b>-360,645</b>
Profits from associated companies	28	30	56	60	55
Net financial items	-12,692	-3,102	-10,224	-9,405	-19,596
<b>Profit/loss before taxes</b>	<b>-72,620</b>	<b>-98,341</b>	<b>-121,089</b>	<b>-189,012</b>	<b>-380,186</b>
Taxes on profit for the year including deferred taxes	16,170	31,475	27,047	33,030	67,520
<b>Profit/loss for the period</b>	<b>-56,450</b>	<b>-66,866</b>	<b>-94,042</b>	<b>-155,982</b>	<b>-312,666</b>

## Consolidated Balance Sheet (TSEK)

	30 June 2020	30 June 2019	31 Dec 2019
<b>Assets</b>			
Intangible assets	343,657	253,279	270,067
Tangible assets	21,491	9,782	15,309
Non-current financial assets	151,338	101,921	129,308
Inventory	73,316	83,667	71,873
Current receivables	475,094	381,457	453,444
Cash and cash equivalents	710,303	390,463	365,900
<b>Total assets</b>	<b>1,775,199</b>	<b>1,220,569</b>	<b>1,305,901</b>
<b>Equity and liabilities</b>			
Share capital	31,068	27,933	28,055
Other equity, including profit/loss for the year	1,171,578	448,138	314,145
Provisions	31,544	54,349	62,236
Non-current liabilities	-	187,471	196,134
Current liabilities	541,008	502,678	705,331
<b>Total Equity and liabilities</b>	<b>1,775,199</b>	<b>1,220,569</b>	<b>1,305,901</b>

## Consolidated Statement of Changes in Equity (TSEK)

	Share capital	Reserves	Equity including net profit	Consolidated equity
<b>Amount as at 1 January 2019</b>	<b>27,933</b>	<b>15,356</b>	<b>580,790</b>	<b>634,079</b>
Share issue	122		28,780	28,902
Exchange differences		1,885		1,885
Profit/loss for the current period			-312,666	-312,666
<b>Amount as at 31 Dec 2019</b>	<b>28,055</b>	<b>17,241</b>	<b>296,904</b>	<b>342,200</b>
Share issue	3,013		944,162	947,175
Employee stock option			3,248	3,248
Warrant premium			11,212	11,212
Exchange differences		-7,146		-7,146
Profit/loss for the current period			-94,042	-94,042
<b>Amount as at 30 June 2020</b>	<b>31,068</b>	<b>10,095</b>	<b>1,161,484</b>	<b>1,202,647</b>

## Condensed Consolidated Cash-Flow Statement (TSEK)

	Apr - June 2020	Apr - June 2019	Jan - June 2020	Jan - June 2019	Full Year 2019
<b>Net profit/loss after financial items</b>	<b>-72,620</b>	<b>-98,342</b>	<b>-121,089</b>	<b>-189,012</b>	<b>-380,186</b>
Adjustments for non-cash items	10,822	10,119	17,826	25,529	72,443
Taxes, paid	-1,688	-1,361	-4,614	-3,895	-26,317
<b>Cash flow from operations before changes in working capital</b>	<b>-63,486</b>	<b>-89,583</b>	<b>-107,877</b>	<b>-167,377</b>	<b>-334,061</b>
Change in working capital	31,261	7,430	31,948	256	-6,316
<b>Cash flow from operating activities</b>	<b>-32,226</b>	<b>-82,153</b>	<b>-75,929</b>	<b>-167,121</b>	<b>-340,377</b>
<b>Cash flow from investing activities</b>	<b>-69,474</b>	<b>-4,734</b>	<b>-122,062</b>	<b>-11,296</b>	<b>-46,672</b>
<b>Cash flow from financing activities</b>	<b>-288,920</b>	<b>-7,476</b>	<b>548,068</b>	<b>-16,156</b>	<b>168,922</b>
<b>Cash flow for the period</b>	<b>-390,620</b>	<b>-94,363</b>	<b>350,077</b>	<b>-194,573</b>	<b>-218,127</b>
Available funds at beginning of period	1,110,247	483,754	365,900	582,585	582,585
Translation differences in available funds	-9,324	1,072	-5,673	2,451	1,442
<b>Available funds at end of period</b>	<b>710,303</b>	<b>390,463</b>	<b>710,303</b>	<b>391,463</b>	<b>365,900</b>

## Earnings per share

	Apr - June 2020	Apr - June 2019	Jan - June 2020	Jan - June 2019	Jan - Dec 2019
Average number of shares	62,088,038	55,865,307	60,311,013	55,865,307	55,927,503
Number of shares at end of period	62,136,576	55,865,307	62,136,576	55,865,307	56,109,410
Earnings per share before and after dilution (SEK)	-0.91	-1.20	-1.56	-2.79	-5.59

## Parent Company Income Statement (TSEK)

	Apr - June 2020	Apr - June 2019	Jan - June 2020	Jan - June 2019	Jan - Dec 2019
Net Turnover	1,645	940	3,445	1,783	3,788
<b>Total Group revenue</b>	<b>1,645</b>	<b>940</b>	<b>3,445</b>	<b>1,783</b>	<b>3,788</b>
<b>Operating expenses</b>					
Other external costs	-3,524	-1,227	-5,472	-2,753	-5,983
Staffing costs	-1,589	-1,779	-3,189	-3,247	-6,761
<b>Total operating expenses</b>	<b>-5,113</b>	<b>-3,006</b>	<b>-8,661</b>	<b>-6,000</b>	<b>-12,744</b>
<b>EBITDA</b>	<b>-3,468</b>	<b>-2,066</b>	<b>-5,216</b>	<b>-4,217</b>	<b>-8,956</b>
Depreciation and amortisation	-	-	-	-	-
<b>Profit/loss before financial items</b>	<b>-3,468</b>	<b>-2,066</b>	<b>-5,216</b>	<b>-4,217</b>	<b>-8,956</b>
Net financial items	-4,652	-1,378	180	-1,972	-9,151
<b>Profit/loss before taxes</b>	<b>-8,120</b>	<b>-3,444</b>	<b>-5,036</b>	<b>-6,189</b>	<b>-18,106</b>
Taxes on profit for the year including deferred taxes	1,078	1,275	1,078	1,275	-400
<b>Profit/loss for period</b>	<b>-7,042</b>	<b>-2,169</b>	<b>-3,958</b>	<b>-4,914</b>	<b>-18,506</b>

## Parent Company Balance Sheet (TSEK)

	30 June 2020	30 June 2019	31 Dec 2019
<b>Assets</b>			
Non-current financial assets	1,566,222	1,088,343	1,505,654
Current receivables	455,023	326,986	221,031
Cash and cash equivalents	400,551	197,952	140,745
<b>Total assets</b>	<b>2,421,796</b>	<b>1,613,281</b>	<b>1,867,430</b>
<b>Equity and liabilities</b>			
Share capital	31,068	27,933	28,055
Other equity, including profit/loss for the year	2,387,079	1,420,405	1,435,663
Non-current liabilities	-	136,881	399,882
Current liabilities	3,648	28,062	3,830
<b>Total Equity and liabilities</b>	<b>2,421,796</b>	<b>1,613,281</b>	<b>1,867,430</b>

### 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 second quarter, the change in accounting principles affected the revenues of the Group by +56,8 MSEK, amortisations by -3.5 MSEK and the internally developed intangible assets by +53,3 MSEK. The EBITDA-margin is -6.1 % compared to -15.9 % 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 June 2020 (compared to 30 June 2019)

There were 62,136,576 (55,865,307) registered shares in issuance at the end of the period, divided between 635 A-shares and 62,135,941 B-shares. Share capital totalled 31,068,278 (27,932,653.5) SEK as at 30 June 2020. On average in Q2 2020 there were 62,088,038 registered shares divided between 635 A-shares and 62,087,403 B-shares. The shareholder structure is presented at [investors.storytel.com](http://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*

### Acquisitions

On 1 July 2020, Storytel acquired a 70 percent majority interest in Iceland's leading book publishing house Forlagið. The majority seller, Mál og menning Literary Society, will remain a 30 percent minority owner, and Forlagið will operate independently from Storytel Iceland's streaming operations on the local market. Forlagið had a turnover of approximately 8 MEUR in 2019 and an EBIT of approximately 460,000 EUR. The parties involved have agreed not to disclose the purchase price which will not have a substantial impact on the Storytel Group's finances. The purchase price will be paid in cash. The closing is subject to approval from the Icelandic Competition Authority.

On 7 July 2020, Storytel announced that it will be launching its service in Thailand in the fourth quarter of 2020 and 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 2020, Storytel acquired Kitab Sawti, a leading audiobook streaming service in the Middle East and the Arabic speaking world. The parties have agreed not to disclose the purchase price which will not have a substantial impact on the Storytel Group's finances. The purchase price will be paid partly in cash and partly through the issuance of shares in Storytel AB (publ).

On 10 July 2020, Storytel announced that it is acquiring an 80 percent majority interest in Earselect AB, a Nordic production company offering a dynamic, flexible and scalable cloud based platform specialised in remote audiobook production. The parties have agreed not to disclose the purchase price which will not have a substantial impact on the Storytel Group's finances. The purchase price will be paid partly in cash and partly through the issuance of shares in Storytel AB (publ). The closing is expected to take place on 19 August 2020.

### Forthcoming reports

Interim Report Jan – Sept 2020

10 Nov 2020



### 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](mailto:info@fnca.se) or +46 8 528 00 399.

**Stockholm, 11 August 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

## *Get in touch with us at:*

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