



Interim Report

January - March 2019
Storytel AB (publ)

Highlights in this report

Click [here](#) to watch the quarterly video with CEO Jonas Tellander and CFO Sofie Zettergren.

- Streaming sales up 33% Y/Y to 296 (222) MSEK
- Net turnover increased to 385,016 (312,163) TSEK
- Earning per share, after taxes amounted to -1.60 (-1.00) SEK
- Subscriber base up 44% Y/Y to 834,300 (577,900) on average
- Storytel launched its sixteenth market, Singapore
- Acquired Ztory, a streaming service for newspapers and magazines

Table 1¹: Key performance indicators for Streaming and Print Publishing - starting in the next quarter the segmentation will change to that of Table 2

Currency: SEK 000's	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Streaming Total					
Revenue	222,133	239,139	279,979	291,315	295,994
Contribution Profit ²	24,079	25,045	22,063	30,444	31,372
Contribution Margin	10.8%	10.5%	7.9%	10.5%	10.6%
Paying Subscribers	577,900	621,200	720,900	768,700	834,300
ARPU ³ (SEK/Month)	128	128	129	126	118
Streaming Sweden					
Revenue	122,046	125,759	135,986	139,977	136,861
Contribution Profit ²	43,067	35,763	40,888	49,190	44,797
Contribution Margin	35.3%	28.4%	30.1%	35.1%	32.7%
Paying Subscribers	305,100	314,700	336,200	345,200	363,200
ARPU ³ (SEK/Month)	133	133	135	135	126
Streaming International⁴					
Revenue	100,087	113,380	143,993	151,338	159,133
Contribution Profit ²	-18,988	-10,718	-18,826	-18,746	-13,425
Contribution Margin	-19.0%	-9.5%	-13.1%	-12.4%	-8.4%
Paying Subscribers	272,800	306,500	384,700	423,500	471,100
ARPU ³ (SEK/Month)	122	123	125	119	113
Print Publishing⁵					
Revenue	106,312	115,898	116,252	170,435	107,316
Contribution Profit ⁶	39,223	41,889	40,140	54,681	32,775
Contribution Margin	36.9%	36.1%	34.5%	32.1%	30.5%

1 Starting in Q2 2019, a new segmentation will be implemented where reported key performance indicators for Streaming will be grouped into Nordics and Non-Nordic countries.

2 Contribution Profit is defined as streaming revenue minus royalties to third-party publishers and rights holders, in-house production costs, transactions costs and marketing costs. Storytel Reader or Ztory is not included in Streaming.

3 ARPU = Average Revenue Per User (Subscriber) per month. In Q1 2019, Storytel or Ztory released a Family subscription in the Nordic markets and ran a discounted campaign, which lowered ARPU. Fewer days in Q1 (90) and growth in low priced markets also contributed to the lower ARPU.

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

5 Print Publishing refers to physical books and digital sales through channels other than Storytel. Internal revenues from Storytel have been eliminated. All publishing houses in Sweden and outside of Sweden are included.

6 Contribution Profit is defined as revenue minus cost per sold unit, royalties to rights holders, distribution, sales and marketing costs.

Table 2: Key performance indicators for Streaming and Print Publishing - new segmentation. Starting with the Jan-June 2019 interim report, the following table will replace Table 1

Currency: SEK 000's	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Streaming Total						Forecast¹
<i>Revenue</i>	222,133	239,139	279,979	291,315	295,994	313,000
<i>Contribution Profit²</i>	24,079	25,045	22,063	30,444	31,372	
<i>Contribution Margin</i>	10.8%	10.5%	7.9%	10.5%	10.6%	
<i>Paying Subscribers</i>	577,900	621,200	720,900	768,700	834,300	880,000
<i>ARPU³ (SEK/Month)</i>	128	128	129	126	118	119
Streaming Nordics⁴						
<i>Revenue</i>	205,987	218,714	253,081	259,256	258,288	270,000
<i>Contribution Profit²</i>	56,584	57,986	62,327	82,645	75,329	
<i>Contribution Margin</i>	27.5%	26.5%	24.6%	31.9%	29.2%	
<i>Paying Subscribers</i>	503,200	530,200	595,400	616,300	645,500	660,000
<i>ARPU³ (SEK/Month)</i>	136	138	142	140	133	136
Streaming Non-Nordics						
<i>Revenue</i>	16,146	20,424	26,898	32,059	37,706	43,000
<i>Contribution Profit²</i>	-32,505	-32,941	-40,264	-52,200	-43,957	
<i>Contribution Margin</i>	-201.3%	-161.3%	-149.7%	-162.8%	-116.6%	
<i>Paying Subscribers</i>	74,700	91,000	125,500	152,400	188,800	220,000
<i>ARPU³ (SEK/Month)</i>	72	75	71	70	67	65
Print Publishing⁵						
<i>Revenue</i>	106,312	115,898	116,252	170,435	107,316	
<i>Contribution Profit⁶</i>	39,223	41,889	40,140	54,681	32,775	
<i>Contribution Margin</i>	36.9%	36.1%	34.5%	32.1%	30.5%	

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, in-house production costs, transactions costs and marketing costs. Storytel Reader or Ztory is not included in Streaming.

3 ARPU = Average Revenue Per User (Subscriber) per month. In Q1 2019, Storytel or Ztory released a Family subscription in the Nordic markets and ran a discounted campaign, which lowered ARPU. Fewer days in Q1 (90) and growth in low priced markets also contributed to the lower ARPU.

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

5 Print Publishing refers to physical books and digital sales through channels other than Storytel. Internal revenues from Storytel have been eliminated. All publishing houses in Sweden and outside of Sweden are included.

6 Contribution Profit is defined as revenue minus cost per sold unit, royalties to rights holders, distribution, sales and marketing costs.



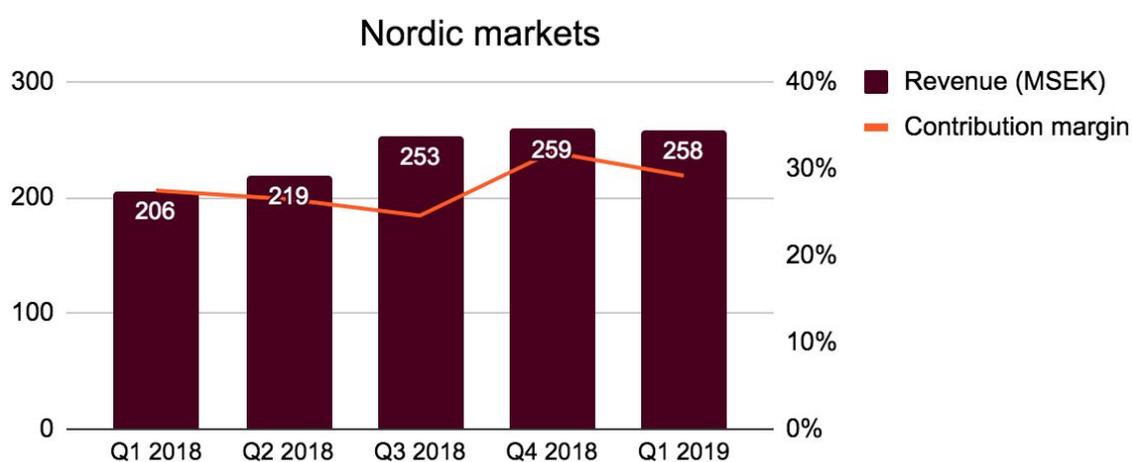
Comments from the CEO

Welcome to another quarter with Storytel and thank you for following the development of our company and business. Storytel is riding a global audio wave that started small with the iPod in the early years of the millennium and then took off

following the launch of the iPhone ten years ago. Recent developments in smart speakers from Amazon and Google are now driving audiobook sales in USA and Asia, and this trend is expected to hit the European markets in the next coming years. Audiobook sales were also boosted by the success of Bluetooth headsets, in particular the Airpods, which increase users' audio consumption. Wearables such as watches and the possible imminent rise of smart glasses will further boost audio consumption, in particular music, podcasts and audiobooks.

All these hardware trends are changing the behaviour of consumers globally and opening up the world of audio to more people, which benefits Storytel. Our 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. I hope you decide to continue to follow our story, as a consumer and investor.

Starting with this report, we will break out the Nordic countries (Sweden, Denmark, Norway, Finland and Iceland) Storytel has become a global company, where the Nordic countries represent a large part of total Streaming sales. The aim with the new segmentation is to give you a more transparent overview of the long-term profitability of the Nordic region. Our annualised Q1/19 sales in the Nordic region were above 1 BSEK, fast-growing (+25% Y/Y) and profitable (+29% contribution margin).



In Sweden specifically, we met our Q1/19 forecast, whilst ARPU was lower than in the previous quarter, much due to our introductory offer for new Family-subscribers, leading to flat revenue growth in Sweden and the Nordic markets in total We expect an increase in

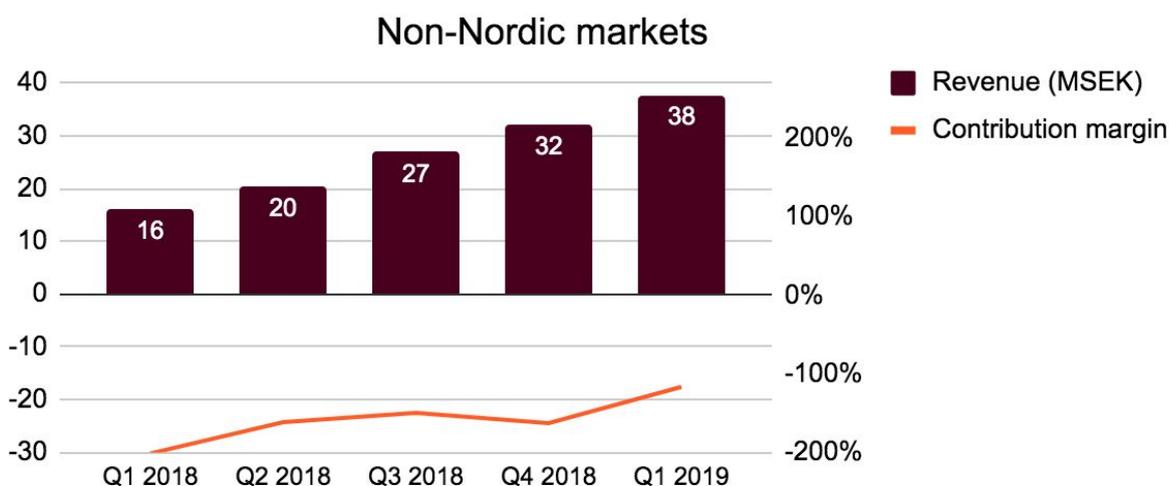
ARPU and revenue growth next quarter and even more of an increase in Q3 when the VAT-rate is normalised to 6% in Sweden (from 25% today) as of 1 July 2019. Our ambition is to maintain our standard price at 169 SEK/month in order to pass on as much of the VAT-change as possible to the authors.

The digitalisation process that the book market is currently experiencing is a source of concern for members of the book establishment (publishers, authors and press), as was the case for musicians some years ago. There is a concern that the average price per consumed book is dropping as the average Storytel customer increases his or her consumption. Hence, it is our intention not to pursue a customary price reduction in order to benefit all of the authors creating content for our service. Interestingly, our price in Sweden has been the same, 169 SEK/month, since Storytel's unlimited subscription was introduced in September 2006, more than 12 years ago. Back then, Storytel had less than 1,000 titles on its platform compared to 140,000 titles today available in the Swedish service.

On 1 April, the publisher Bonnier decided to withhold its new titles from Storytel in Sweden. Despite missing out on these titles, Storytel Sweden has seen its subscriber base increase and we forecast an overall sales increase for Sweden in Q2. We also expect a boost to the gross margin since the consumption of Bonnier's catalogue dropped significantly in April and is expected to continue to drop for as long as the conflict lasts. The consumption of books from other publishers and authors is booming instead as they become more visible to Storytel's approx. 370,000 Swedish subscribers.

In Denmark, we are currently in the process of migrating all customers to one technical platform under the Mofibo brand. In the long run this reduces our marketing investments on the Danish market and helps us streamline our technical platform.

Outside of the Nordics, our Q1 sales were 38 MSEK (+134% Y/Y) with a contribution margin that is notably less negative than one year ago. We expect to keep annual growth rate at above 100% for the non-Nordic markets throughout 2019.



Storytel launched its sixteenth market, Singapore in Q1 2019. One of the most important KPI:s for Storytel as a business is Customer Lifetime Value divided by Customer Acquisition Cost, which shows how much value one customer adds to Storytel compared to the cost of acquiring that customer. Since the investment is made immediately but value is created over time, high growth has a negative impact on our current EBITDA. We also expense all production costs related to audiobooks and e-books as they occur as well as all tech investments in our platform. In 2018, the EBITDA margin came in at -12.3%, and for 2019 we expect a negative EBITDA within the range 14-16%. Our target for Streaming revenue for 2019 corresponds to a growth rate of 36-41%.

14 May 2019

Jonas Tellander

CEO & Founder

About Storytel

Storytel was founded in 2005 by Jonas Tellander and Jon Hauksson. In 2009 Storytel participated in the television show [Draknästet](#) to ask for capital, and in 2016 Storytel acquired Norstedts Förlagsgrupp. These two events marked important milestones for the company, from the struggles of a start-up in the midst of a financial crisis to the successful acquisition of Sweden's perhaps most prestigious publishing house and the home of Astrid Lindgren and Stieg Larsson. Storytel's journey as a public company began in June 2015 on Spotlight stock market at a market capitalisation of 600 MSEK. In December 2018, Storytel moved its listing to Nasdaq First North at a market capitalisation of approximately 6 BSEK.

Storytel is Northern Europe's leading audiobook and e-book streaming service and offers unlimited listening and reading of more than 200,000 titles on a global scale. Our 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. 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 [MOI] business area is carried out through the publishing houses of Norstedts, Massolit, StorySide, Printz Publishing, People's Press, Rabén & Sjögren, B.Wahlströms and Norstedts Kartor. Ztory, a digital read-all-you-can streaming subscription service for newspapers and magazines, has been part of Storytel since January 2019. Storytel operates in 16 markets around the globe and is headquartered in Stockholm, Sweden.

Financial performance, first quarter 2019

Consolidated net and total turnover, Q1 2019 (compared to Q1 2018)

Net turnover for the Group in Q1 2019 totalled 385,016 (312,163) TSEK. Storytel A.S in Norway is a joint venture together with Cappelen Damm and is reported in accordance with the principle of proportional consolidation. Table 1 and Table 2 in this report include all subscribers and revenue in Norway under Streaming, International and Streaming, Nordic Markets. Hence, Streaming revenues listed in Table 1 and Table 2 are higher than in the consolidated statement of accounts in order to provide a more accurate average revenue per subscriber.

Total Group revenue amounted to 393,760 (320,402) TSEK. Streaming sales grew by 33% Y/Y while Print Publishing sales were quite stable.

Consolidated expenses, Q1 2019 (compared to Q1 2018)

Unit-sale costs for the Group totalled 244,649 (193,162) TSEK in Q1 2019. Unit-sale costs include content costs to third-party publishers, royalty to rights holders, costs for producing audiobooks, cost of goods sold of physical books, as well as warehouse, distribution, and transaction costs. The gross margin totalled approx. 37.9% (39.7%) in Q1 2019. The gross margin of Streaming is slightly lower, which explains the decline when Streaming represents a larger portion of total sales. In comparison figures for 2018,

a reclassification has been made from other external costs to unit-sale costs, hence reducing the gross margin slightly compared to the interim report for January - March 2018. The reclassification has no effect on profit/loss for the period.

Other external costs for the Group during Q1 2019 totalled 126,948 (101,074) TSEK. The largest cost item under Other external costs consists of marketing costs. At the end of March 2019, Storytel had launched its service in 16 markets (as compared to ten markets at the end of March 2018), which required greater investments in marketing. Other significant costs included office leases, IT-related services and costs, and consultant costs.

Staffing costs for the Group in Q1 2019 totalled 90,022 (60,986) TSEK. Staffing costs within the Print Publishing division are at a stable level, while Streaming has experienced increased costs in order to meet the needs of the pace of expansion of both global functions and employees in new countries.

EBITDA, Q1 2019 (compared to Q1 2018)

Earnings before interest, taxes, depreciation & amortisation (EBITDA) in the Group in Q1 2019 totalled -67,858 (-34,820) TSEK, equalling a negative EBITDA margin of -17.2%. The guided EBITDA margin for 2019 is negative and within the range of 14-16%, While Storytel has a positive EBITDA in four markets,

twelve markets have yet to become profitable, leading to an overall negative EBITDA margin.

Capital expenditures, depreciations and amortisation Q1 2019 (compared to Q1 2018)

At the end of Q1 2019, the company had intangible assets amounting to 266,868 (297,884) TSEK, whereas the largest items consisted of rights, licences & brands and goodwill. Depreciation in the Group in Q1 2019 totalled -16,540 (-15,451) TSEK. Depreciation 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 and People's Press. All goodwill and excess values are depreciated on a linear basis, over between five to ten years. Depreciation on goodwill pertaining to acquisitions in currency other than SEK is affected by FX fluctuations. Other depreciation primarily concerns the purchasing and development of IT systems from external parties. All tech costs related to developing Storytel's technical platform are expensed as staff costs as they occur.

In January 2019, Storytel acquired Ztory, an all-you-can read subscription service for primarily magazines and newspapers. A preliminary PPA has been conducted and the purchase price has been allocated between the technological platform, customer relationships and goodwill.

Earnings, Q1 2019 (compared to Q1 2018)

Earnings for the period amounted to -89,116 (-51,400) TSEK.

Earnings per share, after taxes, in Q1 2019 totalled -1.60 (-1.00) SEK and was calculated as earnings for the period after taxes, divided by the average number of shares during the period.

Group: Financial position and cash flow as at 31 March 2019 (compared to 31 Dec 2018)

Cash flow from operating activities before changes in working capital was -77,794 (-191,860) TSEK. Cash flow from investing activities was -6,562 (-23,718) TSEK, mainly attributable to the acquisition of Ztory. Cash flow from financing activities amounted to -8,680 (542,766) TSEK, mainly attributable to amortisation of bank loans. In comparison figures a share issue was performed amounting to approx. 500 MSEK.

At the end of the period, the Group had 483,754 (582,585) TSEK in cash and cash equivalents. Solvency was 42.6% (45.6%). Equity totalled 540,301 (624,079) TSEK. Non-current liabilities to lending institutions totalled 194,817 (200,649)

TSEK. The portion that will be amortised during the next twelve months is considered to constitute current liabilities and totals approx. 30 MSEK. Storytel has an overdraft facility amounting to 75 MSEK, which is currently not used. Storytel also has the possibility of

increasing non current loans by 100 MSEK, before 31 December 2019 to be used primarily for international expansion.

Consolidated Income Statement (TSEK)

	Jan – March 2019	Jan – March 2018	Full Year 2018
Net turnover	385,016	312,163	1,459,952
Change in inventory during production	1,439	2,398	2,311
Other operating income	7,305	5,841	23,744
Total Group revenue	393,760	320,402	1,486,007
Operating expenses			
Unit-sale costs	-244,649	-193,162	-892,904
Other external costs	-126,947	-101,074	-490,401
Staffing costs	-90,022	-60,986	-284,974
Total operating expenses	-461,618	-355,222	-1,668,279
EBITDA	-67,858	-34,820	-182,272
Depreciation and amortisation	-16,540	-15,451	-64,588
Profit/loss before financial items	-84,398	-50,272	-246,859
Profits from associated and Group companies	30	12	219
Net financial items	-6,302	-3,632	-14,322
Profit/loss before taxes	-90,670	-53,892	-260,962
Taxes on profit for the year including deferred taxes	1,554	2,492	48,764
Profit/loss for the period	-89,116	-51,400	-212,198

Consolidated Balance Sheet (TSEK)

	31 Mar 2019	31 Mar 2018	31 Dec 2018
Assets			
Intangible assets	266,868	297,884	266,182
Tangible assets	6,641	4,023	5,033
Non-current financial assets	70,175	25,016	67,722
Inventory	84,462	71,217	77,378
Current receivables	355,803	282,608	368,903
Cash and cash equivalent	483,754	209,300	582,585
Total assets	1,267,703	890,048	1,367,803
Equity and liabilities			
Share capital	27,933	25,759	27,933
Other equity, including profit/loss for the year	512,368	276,063	596,146
Provisions	59,509	56,788	61,648
Non-current liabilities	194,817	120,967	200,649
Current liabilities	473,077	410,471	481,427
Total Equity and liabilities	1,267,703	890,048	1,367,803

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	624,079
Translation differences	-	5,338	-	5,338
Profit/loss for the current period	-	-	-89,116	-89,116
Amount as at 31 March 2019	27,933	20,694	491,674	540,301

Condensed Consolidated Cash-Flow Statement (TSEK)

	Jan – March 2019	Jan – March 2018	Jan – Dec 2018
Net profit/loss after financial items	-90,670	-53,892	-260,962
Adjustments for non-cash items	15,410	12,006	73,184
Taxes, paid	-2,534	-2,382	-4,082
Cash-flow from operations before changes in working capital	-77,794	-44,267	-191,860
Change in working capital	-7,174	16,680	6,134
Cash-flow from operating activities	-84,968	-27,587	-185,727
Cash-flow from investing activities	-6,562	-2,019	-23,718
Cash-flow from financing activities	-8,680	-11,615	542,766
Cash-flow for the period	-100,210	-41,221	333,321
Available funds at beginning of period	582,585	249,132	249,132
Translation differences in available funds	1,379	1,389	132
Available funds at end of period	483,754	209,300	582,585

Parent Company Income Statement (TSEK)

	Jan – March 2019	Jan – March 2018	Full Year 2018
Net Turnover	843	767	3,278
Total Group revenue	843	767	3,278
Operating expenses			
Other external costs	-1,526	-619	-4,589
Staffing costs	-1,468	-1,029	-4,698
Total operating expenses	-2,994	-1,648	-9,287
EBITDA	-2,151	-881	-6,009
Depreciation and amortisation	-	-	-
Profit/loss before financial items	-2,151	-881	-6,009
Profits from associated and Group companies	-	-	-84
Net financial items	-593	-503	-2,592
Profit/loss before taxes	-2,744	-1,384	-8,685
Taxes on profit for the year	-	-	1,620
Profit/loss for period	-2,744	-1,384	-7,065

Parent Company Balance Sheet (TSEK)

	31 Mar 2019	31 Mar 2018	31 Dec 2018
Assets			
Intangible assets	-	-	-
Tangible assets	-	-	-
Non-current financial assets	1,033,343	868,619	1,033,343
Current receivables	273,683	130,334	172,302
Cash and cash equivalent	316,612	70,558	427,569
Total assets	1,623,638	1,069,511	1,633,214
Equity and liabilities			
Share capital	27,933	25,759	27,933
Other equity, including profit/loss for the year	1,423,849	946,635	1,426,710
Non-current liabilities	143,463	76,000	150,136
Current liabilities	28,393	21,117	28,435
Total Equity and liabilities	1,623,638	1,069,511	1,633,214

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 and are unchanged since the latest published Annual Accounts.

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, if not stated otherwise.

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.

Auditors review

This interim report has not been reviewed by the auditors of the company.

Number of shares and share capital as at 31 March 2019 (compared to 31 Dec 2018)

There were 55,865,307 (55,865,307) registered shares in issuance at the end of the period, divided between 635 A-shares and 55,864,672 B-shares. Share capital totalled 27,932,653.5 (27,932,653.5) SEK as at 31 March 2019.

The shareholder structure can be found in the company's most recent annual report.

Post-period activity

In April 2019, Storytel communicated that it will integrate the two technological platforms in Denmark. All new customers will sign up for Storytel's leading international digital platform under the brand name Mofibo and the next step is to merge existing customers on to one platform.

Forthcoming reports

Interim Report Jan - June 2019	13 August 2019
Interim Report Jan - Sep 2019	12 Nov 2019

Information about Nasdaq First North

Nasdaq First North (“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 with Storytel’s international expansion, ability to acquire new customers, ability to innovate and ability to maintain and develop its content catalogue. The complete risk analysis is found in the company’s most recent annual report and company description.

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 Parent Company’s operations, financial position and results of 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, 14 May 2019

Rustan Panday Chairman of the Board	Jonas Tellander Board Member and CEO
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Jonas Sjögren Board Member	Nils Janse Board Member
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Morten Strunge Board Member	Eva Swartz Grimaldi Board Member
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Karin Alexandersson
Board Member, staff representative

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