

Interim Report
January - March 2017
Storytel AB (publicly traded)



Summary of Q1 2017

Highlights from the past quarter (compared to Q1, 2016)

- ❑ Increased subscription base from 360,200 to 381,200 subscribers (268,300)
- ❑ Increased Streaming-revenue from 147.4 MSEK till 155.7 MSEK (99.7 MSEK)
- ❑ Increased share of international Streaming-revenue from 37.9% till 38.2% (29.9 %)
- ❑ Signaled preparations for launching service in Russia, Spain, India and the UAE
- ❑ Acquired Kontentan Förlag AB publishers and the Danish publishers People's Press

Key figures for the Streaming division (figures for each quarter include Mofibo) and Print Publishing

Currency: thousand SEK	Q1, 2016	Q2, 2016	Q3, 2016	Q4, 2016	Q1, 2017	Q2, 2017
Total: Streaming						Forecast
<i>Revenue</i>	99 668	111 339	135 703	147 399	155 660	164 000
<i>Contribution Profit**</i>	22 425	20 961	29 269	32 684	32 133	
<i>Contribution Margin</i>	22,5%	18,8%	21,6%	22,2%	20,6%	
<i>Paying subscribers</i>	268,3	291,6	341,5	360,2	381,2	414,0
<i>Subscriber-base change</i>	22,8	23,3	49,9	18,7	21,0	32,8
Streaming, Sweden						
<i>Revenue</i>	69 823	75 284	86 889	91 557	96 177	100 500
<i>Contribution Profit</i>	20 869	22 424	29 464	27 073	32 678	
<i>Contribution Margin</i>	29,9%	29,8%	33,9%	29,6%	34,0%	
<i>Paying subscribers</i>	180,3	193,7	219,9	230,8	241,4	252,0
<i>Subscriber-base change</i>	13,0	13,4	26,2	10,9	10,6	10,6
Streaming, other markets ***						
<i>Revenue</i>	29 844	36 055	48 814	55 842	59 483	63 500
<i>Contribution Profit</i>	1 556	-1 463	-195	5 611	-545	
<i>Contribution Margin</i>	5,2%	-4,1%	-0,4%	10,0%	-0,9%	
<i>Paying subscribers</i>	88,0	97,9	121,6	129,4	139,8	162,0
<i>Subscriber-base change</i>	9,9	9,9	23,7	7,8	10,4	22,2
Publishing, Sweden****						
<i>Revenue</i>	90 106	105 137	112 689	154 099	89 201	
<i>Contribution Profit*****</i>	33 106	42 722	41 576	64 038	33 246	
<i>Contribution Margin</i>	36,7%	40,6%	36,9%	41,6%	37,3%	

* Forecast based on information available at time of reporting

** Contribution Profit is defined as streaming revenue minus costs for content and marketing

*** Storytel Norway included in figures @ 100%. In the consolidated group accounts Norway is reported according to the principle of proportional consolidation.

**** In Publishing Sweden, Norstedts publishers is included for all quarters. In Group Accounts they are included from the acquisition date. Internal transactions have been redacted. Barnens bokklubb not included in table.

***** Contribution Profit is defined as revenue minus cost per sold unit, distribution costs, and sales and marketing costs



Comments from the CEO

During the first quarter of the year, Storytel's subscriber base and streaming revenues in Sweden grew about as much as all other markets combined. Holland was the most impressive non-Swedish market, with a subscriber-base increase of over 300% during the previous four quarters. In Denmark, we've concluded Mofibo's initial promotional mobile-phone-carrier plan, and we're now seeing strong growth in our subscriber base. Storytel's service in Denmark is itself also growing as planned.

In Sweden, Contribution Margin is at a steady 30%, which we believe is a sustainable level in a mature market such as Sweden. In Norway and Denmark, marketing costs are currently at 20-25% of turnover; in a few years, these costs will sink to the Swedish level of 10%. Investments in marketing and content for our current and new, non-Swedish markets are pushing down Contribution Profit, in line with our planned focus on foreign expansion. Staffing costs for Streaming, in proportion to turnover, were at about the same level in the first quarter of 2017 as during the first quarter of 2016, at just over 10%.

On March 2nd, we announced our purchase of the Danish publishers People's Press, which further increases our presence on the Danish market. The acquisition went into effect on April 4th. Our integration with Norstedts publishers is also progressing according to plan, and the whole staff is doing a fantastic job.

On March 21st all of our 200 employees gathered for a full day's event in Stockholm. Our impression is that together, the event served to solidify and strengthen our corporate culture of constant improvement — which Storytel is well-known for. Our employees currently speak a total of twelve different mother-tongues.

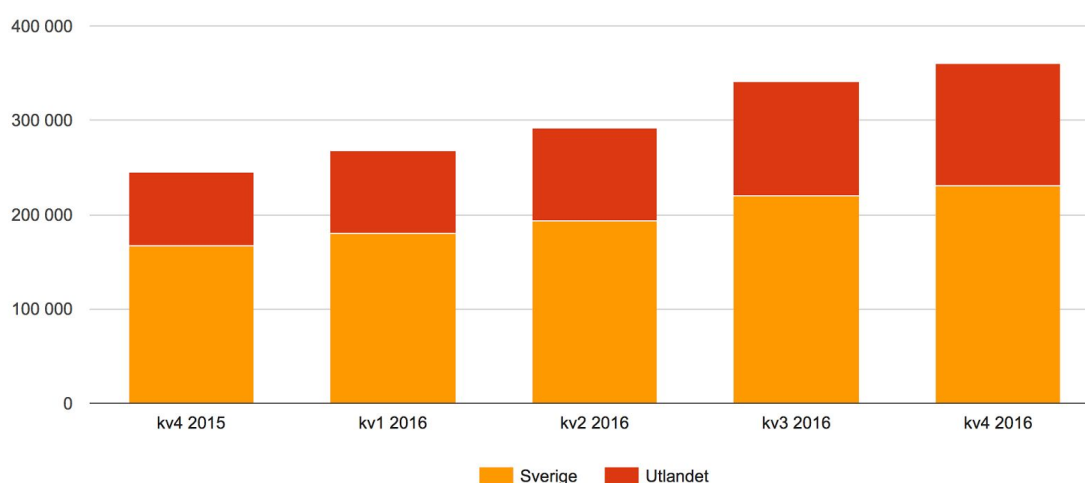
On March 24th, we announced our entrance into four new markets Russia, India, Spain and the United Arab Emirates, where we already have local teams up and running. In May Storytel went online on the Russian market, and our ambition is to go online in one or several other markets during the coming half-year.

We believe we're currently witnessing the start of an audio-book revolution, which we expect will increase globally during the coming decade. Our goal is to be in position to meet listeners' interests in listening to stories regardless of where they are and what language they speak. That's why we're working hard behind the scenes preparing our platform, our content

and our organization in order to launch Storytel in a number of larger markets during the coming years.

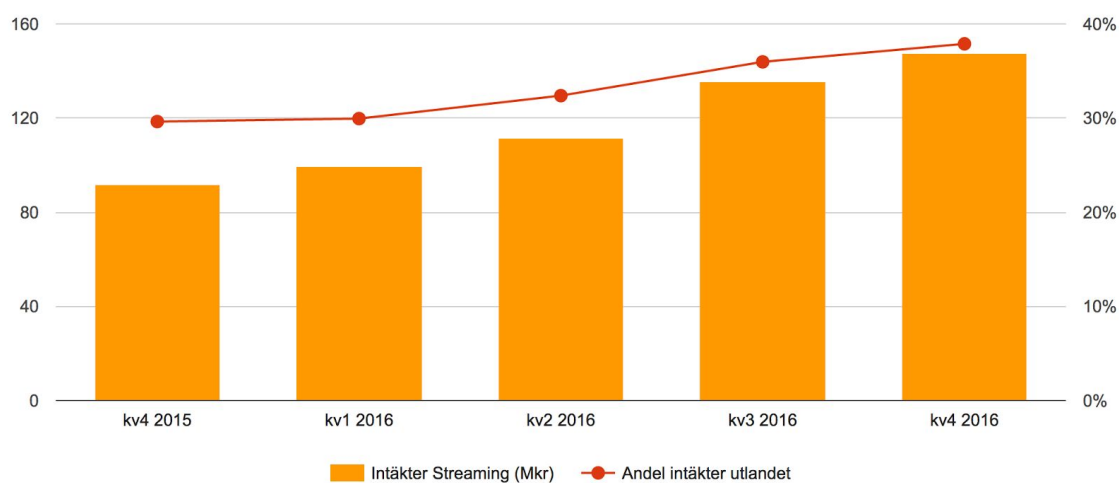
Average number of paying subscribers

We expect greater growth in Q2, 2017, which can be seen from our forecast. From Q2, 2017 and onwards, we expect our non-Swedish markets to account for the majority of our growth, and thus we expect that towards the end of this year, they will nearly account for half our paying subscribers and streaming revenue.



Streaming revenue from subscribers (MSEK)

Revenue for Streaming in Q1, 2017 totaled 155.7 MSEK, compared to 99.7 MSEK in Q1, 2016. Our Swedish division's revenue totaled 96.2 MSEK in Q1, 2017, while our non-Swedish divisions' revenues totaled 59.5 MSEK (38.2% of the total). A year ago, in Q1, 2016, Swedish revenue was 69.8 MSEK, compared to non-Swedish revenues totaling 29.8 MSEK (29.9% of the total).



Organizational overview

Storytel's organization is comprised of two divisions, Streaming and Publishing. The Streaming division offers a subscription service for audio books and e-books under the brand names Storytel and Mofibo in Sweden, Denmark, Norway, Finland, Holland and Poland. In May, Storytel launched in Russia. The Streaming division also publishes audio books, mainly through Storyside in Sweden, and Rubinstein Audio (Holland). The Publishing division is comprised of the publishers Norstedts and Massolit (adult trade), Rabén & Sjögren and B. Wahlströms (children's and young adult), Norstedts Kartor (maps), and Barnens Bokklubb (a book club for children and young adults).

Storytel AB (publ) is the group's parent company, and the only publicly traded company in the Swedish book industry.

Storytel Sweden AB, Storytel NL BV, Storytel A/S, Storytel A.S., Storytel sp. z.o.o., Storytel Oy, Mofibo Books ApS, Mofibo NL BV, and Mofibo Sweden AB are the consumer-oriented companies which comprise the Streaming division.

StorySide AB is an audio-book publisher which publishes the majority of the works produced by the Storytel group. Earbooks AB owns audio-book rights, but releases no new titles. Barnbolaget i Örebro AB owns audio-book rights connected to the *Sune* book series and *Bert* book series. Rubinstein Audio NL BV is an audio-book publisher in Holland and releases all its titles for the Dutch market. Audio-book titles are also released by Massolit, Norstedts, B. Wahlströms, and Rabén & Sjögren. Kontenten, a member of the group since February 2017, offers books on management and business, which will be made available to Storytel's subscribers during the year.

Norstedts Förlagsgrupp AB is a trade-book publisher with fiction and non-fiction titles and books for children and young adults, and which owns the brands Norstedts and Rabén & Sjögren. Massolit Förlagsgrupp AB is organized similarly to Norstedts Förlagsgrupp AB, and owns the brands Massolit Förlag och B. Wahlströms Bokförlag. Norstedts Förlagsgrupp AB also owns Norstedts Kartor (which sells maps in various formats as well as other products through physical and online retailers), as well as Barnens Bokklubb, a wholly owned subsidiary since November 2016.

Financial information

Accounting principles

Storytel Group and its parent company comply with the Swedish law regarding yearly statements of accounts, as well as BFNAR 2012:1 (Swedish Accounting Standards Board standard 2012:1) concerning annual statements of accounts and group accounts at the K3 tier.

The registered parent company is Storytel AB (publicly traded). Storytel A.S. (Norway) is 50% owned by Cappelen Damm and is reported here according to the principle of proportional consolidation. Wholly owned subsidiaries are included in the yearly statement of accounts from their time of registration or acquisition.

This report has not been audited by the company's accountants.

Statements of Accounts (TSEK)

	Jan - March Group		Jan - March Parent Company	
	2017	2016	2017	2016
Operating Revenue				
Net Turnover	231 129	99 024	647	368
Change in inventory during production	-3 367	-	-	-
Sum of profits/losses from associated companies	-672	-	-	-
Other revenue	3 718	291	95	-
Total Group revenue	230 808	99 315	742	368
Operating expenses				
Unit-sale costs	-133 979	-59 060	-	-
Other external costs	-55 727	-19 735	-430	-153
Staffing costs	-43 148	-13 311	-679	-334
Earnings before depreciation	-2 046	7 209	-367	-119
Depreciation	-10 909	-510	-	-
Earnings before financial items	-12 955	6 699	-367	-119
Profits from associated companies	3 776		-	
Net financial items	-3 057	-637	-650	-269
Earnings before taxes	-12 236	6 062	-1 017	-388
Deferred taxes	789	-	-	-
Taxes on year's profits	-253	-1 338	-	-
Earnings/losses for period	-11 700	4 724	-1 017	-388

Balance Sheet (TSEK)

	Group		Parent Company	
	31 March 2017	31 Dec 2016	31 March 2017	31 Dec 2016
Assets				
Intangible assets	230 875	236 201	-	-
Tangible assets	2 812	2 834	-	-
Non-current financial assets	26 416	32 399	752 659	752 659
Inventory	60 734	65 470	-	-
Current receivables	229 926	257 828	26 975	26 487
Liquid assets and short-term investments	124 685	129 561	50 355	33 365
Total assets	675 448	724 293	829 989	812 511
Equity and liabilities				
Share-capital	23 924	23 924	23 924	23 924
Other Equity, including current year's profit	136 440	148 548	709 443	710 459
Provisions	47 278	54 629	-	-
Long-term liabilities	150 132	155 161	80 000	65 280
Short-term liabilities	317 674	342 031	16 622	12 848
Total Equity and liabilities	675 448	724 293	829 989	812 511

Revenues and profits for period (compared to Q1, 2016)

The group's total turnover for Q1, 2017 was 231,129 (99,024) TSEK. Within the Streaming division, Sweden accounted for app. 61.8% and other markets for app. 38.2%. Cappelen Damm owns 50% of Storytel A.S. in Norway, which is reported here according to the principle of proportional consolidation. The table on page two includes all subscribers and revenue in Norway, and is included under Streaming, other markets — which is why reported revenue for the table on page two is higher than in the statement of accounts, in order to give a truer indication of revenue per subscriber.

The group's production costs during Q1, 2017 totaled 133,979 (59,060) TSEK. Production costs include costs for the actual production of audio books, Cost of Goods Sold of physical books, warehousing and distribution costs, and royalties.

Other external costs for the group during Q1, 2017 totaled 55,727 (19,735) TSEK. The greatest external costs included marketing, rental payments, tech services, and consultants.

Staffing costs for the group in Q1, 2017 totaled till 43,148 (13,311) TSEK. Publishing requires a greater concentration of staff, which explains the relative increase in staffing costs compared to Q1, 2016, before Norstedts publishers joined the group.

Profits before depreciation for the group for Q1, 2017 totaled -2,046 (7,209) TSEK. Depreciation primarily involves depreciation attributable to goodwill and other extra value identified in connection with acquisitions. The largest asset items are connected to the

acquisition of Norstedts and Mofibo, where depreciation total app. 8 MSEK per quarter. Other depreciation primarily concern the purchasing and development of IT-systems.

EBIT (Earnings Before Interest and Taxes) includes both interest income and interest expenses, as well as realized and unrealized exchange differences. Interest costs from bank loans total app. 2MSEK.

During the period, Norstedts publishers has divested its minority stake in Månadens Bok/MånPocket publishers as well as Elib/Axiell Media AB. These divestments have had a positive, one-time effect of app. 3.8 MSEK.

Earnings per share, after taxes, in Q1, 2017 totaled -0.24SEK, 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 of March 31st, 2017 (compared to Dec. 31st, 2016)

At the end of the period, the group had 124,685 (129,561) TSEK in liquid assets. Solvency was 23.7% (23.8%). Equity totaled 160,364 (172,472) TSEK. Non-current liabilities to loaning institutions totaled 150,132 (155,161) TSEK. We started to amortize these loans during Q1, 2017; the portion that will be amortized during the next twelve months is considered short-term liabilities and totals app. 41 MSEK.

Number of shares and Share-Capital (as of March 31st, 2017)

There were 47,847,183 registered shares in issuance at the end of the period, divided between 635 A-shares and 47,846,548 B-shares. Share-capital totaled 23,923,591.5 SEK as of March 31st, 2017.

Post-period activity

On April 4th, 2017 Storytel AB (publicly traded) announced its acquisition of People's Press A/S, which will enter the group's statement of accounts from April 1st, 2017. After the completion of the acquisition, 662, 857 new B-shares were offered, in accordance with an extra annual meeting held on March 20th, 2017. This new stock offering resulted in a dilution of app. 1.37%, based upon the number of outstanding shares and votes in the company on the day of the extra annual meeting.

On May 12th, 2017, Storytel AB (publicly traded) held its regular annual meeting. All board members, as well as the company's auditor, were re-elected. The board was also given the authority to order one or more new stock offerings of share warrants and/or convertible bonds, in accordance with or not deviating from the rights of the shareholders. This authority may be used to dilute the company's share-capital by at most ten percent.

Date of next report

The interim report for January–June 2017 will be released on August 15th, 2017.

Stockholm, May 15th, 2017

Rustan Panday
Chair of the Board of Directors

Jonas Tellander
Board Member and CEO

Jonas Sjögren
Board Member

Nils Janse
Board Member

Stefan Tegenfalk
Board Member

Ingrid Bojner
Board Member

Karin Alexandersson
Board Member, staff representative

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