

# *Storytel Interim Report*

*January-September 2016  
Storytel AB (publicly traded)*



## Summary of quarter 3, 2016

### Highlights from the past quarter (compared to Q3, 2015)

- ❑ Increased subscription base from 291,600 to 341,500 subscribers (229,400)
- ❑ Increased streaming revenues from 111.3 MSEK to 135.7 MSEK (84.0 MSEK)
- ❑ Increased percentage of foreign sales from 32.4% to 36.0% (29.5 %)
- ❑ Delivered a positive EBITDA of 19.7 MSEK (1.2 MSEK)

### Key numbers for the Streaming division (figures for each quarter include Mofibo)

(KSEK)	Q3, 2015	Q4, 2015	Q1, 2016	Q2, 2016	Q3, 2016	Q4, 2016
Total Streaming						Forecast.*
Revenue	84 043	91 665	99 668	111 339	135 703	143 000
Contribution profit**	19,161	19,313	22,425	20,961	29,269	-
Contribution margin	22,8%	21,1%	22,5%	18,8%	21,6%	-
Paying subscribers	229,4	245,4	268,3	291,6	341,5	354,0
New subscriptions	48.3	16.1	22.8	23.3	49.9	12.5
Streaming, Sweden						
Revenue	59 217	64 505	69 823	75 284	86 889	89 000
Contribution profit	18 281	16 080	20 869	22 424	29 464	-
Contribution margin	30,9%	24,9%	29,9%	29,8%	33,9%	-
Paying subscribers	155.4	167.3	180.3	193.7	219.9	225.0
New subscriptions	29.4	12.0	13.0	13.4	26.2	5.1
Streaming, International **						
Revenue	24 826	27 160	29 844	36 055	48 814	54 000
Contribution profit	879	3 234	1 556	-1 463	-195	-
Contribution margin	3,5%	11,9%	5,2%	-4,1%	-0,4%	-
Paying subscribers	74,0	78,1	88,0	97,9	121,6	129,0
Subscriber-base change	18,9	4,1	9,9	9,9	23,7	7,4

\* Estimate based on information available at time of reporting

\*\* Storytel Norway is included in the table at 100%. Group Accounts are reported in accordance with the format of proportional consolidation.

\*\*\* Revenue after recurring costs is defined as streaming revenue minus costs for content and marketing



## *CEO's Comments*

On the first day of the quarter, we finalized our purchase of the publishing group Norstedts. Since then, we have been working to increase integration between the two companies' leadership and employees. We have made strong headway, and have also started a number of cooperative projects, for example within sales, audio-book production, administration, and on Management-level.

Our integration of the Danish streaming service Mofibo has also progressed smoothly, and we are currently developing a shared digital platform (which will pave the way for Storytel's international expansion) to be phased in during 2017. As we announced several weeks ago, we have also started producing audio books in the Arabic language.

During the past quarter, our non-Swedish markets have shown strong growth, particularly in Norway, Denmark and The Netherlands. Our annual international revenue growth is currently 97%, which is in accordance with the goals we developed at the beginning of the year. Through this summer's Danish price increase, from 99 Danish crowns per month to 129 Danish crowns, we are now operating at a profit in Denmark.

Our operations in Sweden, a market rife with competition, have also grown steadily during Q3, with 47% annual revenue growth. This domestic figure has been enabled by reaching out to the population with information on the benefits of audio books, which has resulted in more trial users subscribing to their new pastime after their short trial period. And our latest iOS app was a hit with customers, who rated it at 4.7 stars (out of a possible five).

Our Q3, 2016 earnings before depreciation were 19.7 MSEK (1.2 MSEK), fairly evenly balanced between Streaming and Publishing. Our Swedish Streaming division has been profitable, and Norway och Denmark have also contributed positive. Elena Ferrante's books, published by Norstedts, have been a boon to our positive earnings within Publishing.

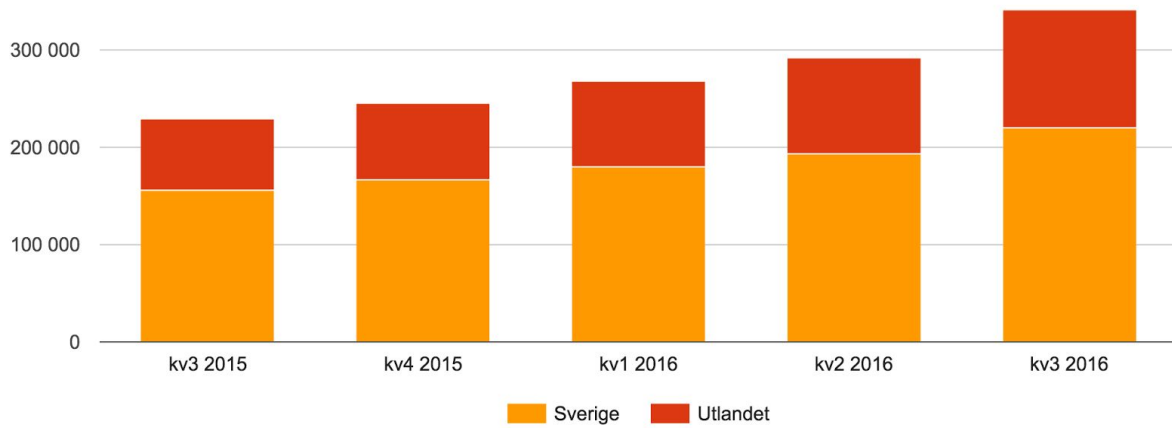
Thanks to our purchase of Norstedts, our publishing activities have contributed significantly to Storytel's operations. Our hope is that the solid Norstedts-reputation for quality books, together with Storytel's role as the leading digital audio-book company, will be an attractive combination for both aspiring and well-known authors.

In October, we made a secondary stock offering directed at five institutional funds with a focus on smaller Northern European companies — an offering which was met with a great

deal of interest. In Q4, this will add 100 MSEK (minus emission costs) to our cash reserves, which will increase our quarterly liquidity. 40 MSEK will be used for a gap-loan to cover Storytel's purchase of Norstedts.

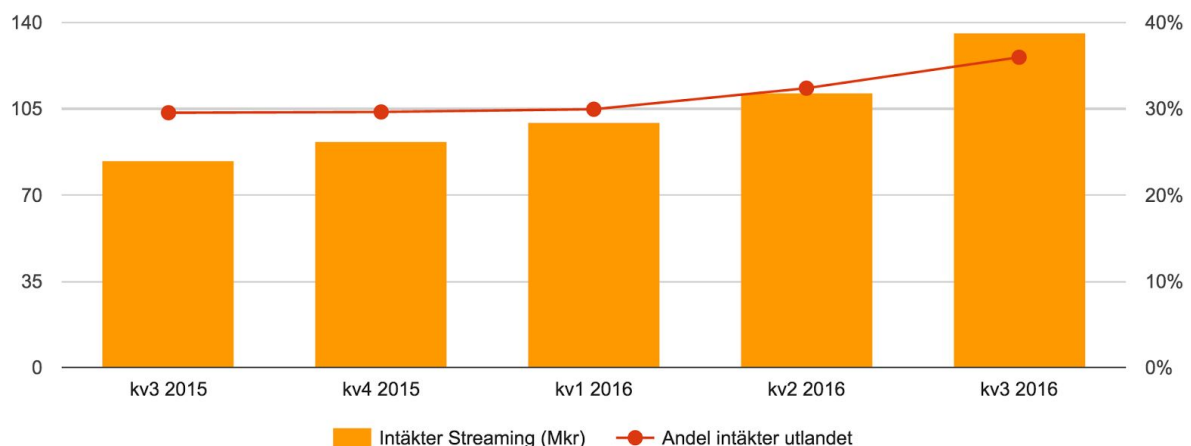
Storytel Original has had a flying start, with thirteen Swedish productions – we have also released our first titles in Denmark and The Netherlands. During 2017, we plan to release more than 100 Storytel Original productions in our various markets.

### Average number of paying subscribers



During Q3, revenue from Streaming was 136 MSEK (as compared to 84 MSEK in Q3, 2015). Our Swedish operations generated 87 MSEK in Q3, 2016, while other markets generated 49 MSEK (36% of total revenue). During Q3 in 2015, Swedish revenue totalled 59 MSEK, while other markets generated 25 MSEK (29% of total revenue).

### Streaming revenue from subscriptions (MSEK)



We expect Streaming to continue growing during the coming quarter (Q4), although at a slower pace than Q3. As for Publishing, Q4 is when the year's sales figures peak, thanks to

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the holiday shopping rush and the fact that books make popular presents. Norstedts is releasing Elena Ferrante's third novel, while its imprint Rabén & Sjögren is releasing the 8th *Harry Potter* book; together this will spurn energetic quarterly sales, leading us to expect strong Q4 profitability from our Publishing operations.

## *Organizational Overview*

Storytel's operations are 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. The Streaming division also publishes audio books through StorySide in Sweden, and Rubinstein Audio in the Netherlands. The Publishing division is comprised of the publishers Norstedts and Massolit (adult trade), Rabén & Sjögren and B. Wahlströms (children's and young adult), as well as Norstedts Maps.

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

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

StorySide AB runs the Swedish portion of the Streaming division, as regards the release of audio books. Earbooks AB owns audio-book rights, but no new titles are released through this company. Barnbolaget i Örebro AB owns audio-book rights connected to both the *Sune*-book series and *Bert*-book series. Rubinstein Audio NL BV is a Netherlands-based audio-book publisher, which releases all its titles on the Dutch market.

Norstedts Förlagsgrupp AB is a mass-market publisher which releases titles in adult, children's and young-adult fiction under the imprints Norstedts och Rabén & Sjögren. Massolit Förlagsgrupp AB have an equivalent business as Norstedts Förlagsgrupp AB under the imprints Massolit and B. Wahlströms. Norstedts Förlagsgrupp AB also owns Norstedts Kartor, a cartographic imprint which sells maps in various formats, and other products, through sales agents, in-store sales, and online.

# Financial information

## Accounting principles

This group of companies 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 acquisition of Storytel AG by Storytel AB (publicly traded) (formerly Massolit Media (publicly traded)), is accounted for according to applicable accountancy regulations for reverse acquisition. According to the group's statement of accounts, this reverse acquisition means that Storytel AG is the parent company and Massolit is included in accounts from the time of acquisition. The registered parent company is Storytel AB (publicly traded). Mofibo Books ApS and Norstedts Förlagsgrupp AB including its wholly owned subsidiaries are included in the yearly statement of accounts from their time of acquisition

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

## Statement of accounts (KSEK)

	July-Sept Group		Jan-Sept Group		July-Sept Parent Company		Jan-Sept Parent Company	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Operating revenues</b>								
Net turnover	237,216	81,045	456,602	194,489	353	369	1,072	868
Changes in inventory during production	-3,462	-	-3,462	-	-	-	-	-
Share of associates' profits or losses	-215	-	-215	-	-	-	-	-
Other revenue	694	-	3 115	120	-	-	-	-
<b>Total Revenue</b>	<b>234,233</b>	<b>81,045</b>	<b>456,040</b>	<b>194,609</b>	<b>353</b>	<b>369</b>	<b>1,072</b>	<b>868</b>
<b>Group costs</b>								
Cost of goods sold	-139,276	-54,709	-275,964	-124,414	-	-	-	-
Other external costs	-41,773	-14,612	-83,511	-45,037	-1,193	-843	-1,947	-2,088
Staffing costs	-33,490	-10,540	-62,538	-21,042	-300	-271	-989	-803
<b>EBITDA</b>	<b>19,694</b>	<b>1,184</b>	<b>34,027</b>	<b>4,116</b>	<b>-1,140</b>	<b>-745</b>	<b>-1,864</b>	<b>-2,023</b>
Depreciation	-9 491	-453	-12 285	-1 143	-	-	-	-
<b>EBIT</b>	<b>10,203</b>	<b>731</b>	<b>21,742</b>	<b>2,973</b>	<b>-1,140</b>	<b>-745</b>	<b>-1,864</b>	<b>-2,023</b>
Financial items	-2,978	12,810	-3,672	12,278	-966	14,721	-1,235	15,036
<b>Net earnings/losses, after financial items</b>	<b>7,225</b>	<b>13,541</b>	<b>18,070</b>	<b>15,251</b>	<b>-2,106</b>	<b>13,976</b>	<b>-3,099</b>	<b>13,013</b>
Taxes	-1,206	-1,286	-3,673	-1,714	-	-3,471	-8	-3,682
<b>Earnings/losses</b>	<b>6,019</b>	<b>12,255</b>	<b>14,397</b>	<b>13,537</b>	<b>-2,106</b>	<b>10,505</b>	<b>-3,107</b>	<b>9,331</b>

## Balance Sheet (KSEK)

	Group		Parent Company	
	30 Sept 2016	31 Dec 2015	30 Sept 2016	31 Dec 2015
<b>Assets</b>				
Intangible assets	219,616	12,948	-	-
Tangible assets	4,476	1,008	-	-
Non-current financial assets	27,945	1,023	752,659	615,634
Inventory	69,602	26,482	-	-
Current receivables	261,916	79,078	21,537	764
Liquid assets and short-term investments	83,131	41,495	669	112
<b>Total assets</b>	<b>666,686</b>	<b>162,033</b>	<b>774,865</b>	<b>616,510</b>
<b>Equities and liabilities</b>				
Share-capital	22,674	21,909	22,674	21,909
Equity, including net income	43,214	-14,101	610,886	573,862
Provisions	28,291	6,168	-	-
Long-term liabilities	233,778	14,951	116,600	-
Short-term liabilities	338,729	133,106	24,705	20,739
<b>Total equities and liabilities</b>	<b>666,686</b>	<b>162,033</b>	<b>774,865</b>	<b>616,510</b>

### Interim period revenue and profit

Total Q3 net turnover for the group was 237,216 (81,045) KSEK. The streaming division accounted for 124,665 KSEK while Publishing accounted for 112,551 KSEK. Within Streaming, the Swedish market accounted for 64% of turnover, and other markets for ca. 36%. In Norway, Cappelen Damm owns a 50% stake in Storytel A.S, so its figures are reported on in accordance with the format of proportional consolidation. The table on page two includes all Norwegian subscribers and revenue under Streaming, Other Markets. Furthermore, for the page-two table, the accrual principle was disregarded.

The group's Q3, 2016 EBIT totalled 10,203 (731) KSEK. During Q3, goodwill-related amortisation negatively impacted profits by ca. 5 MSEK. Other depreciation is primarily due to depreciation of systems purchased and developed by Mofibo and Norstedts. Together with the purchase of Mofibo and Norstedts, the group has increasingly relied upon loans, which has necessitated higher interest payments than previously.

Q3, 2016 after-tax profits per share of stock were 0.13SEK.

### Parent company – Revenue and profits for interim period

Parent-company revenue during Q3, 2016, totalled 353 (369) KSEK. Parent-company EBIT for Q3, 2016 totalled –1,140 (–745) KSEK.

**Group: Financial position and cash-flow (as of 30 September, 2016)**

At the end of the period, the group had 83,131 (41,495) KSEK in cash reserves. Solvency was 9,8 (4,8) %. Equity totalled 65,888 (7,808) KSEK. In connection with the purchase of Mofibo and Norstedts, which were primarily financed through bank loans, external liabilities have increased. These bank loans will begin to be paid down during 2017 at a rate of ca. 9 MSEK per quarter. The acquisition analysis performed in connection with the acquisition shows a goodwill value of ca. 200 MSEK, which will be written off during a ten-year period, thus adversely affecting profits by ca. 5 MSEK per quarter.

**Parent company: Financial position (as of 30 September, 2016)**

At the end of the interim period, the parent company had 669 (112) KSEK in cash reserves. The parent company's solvency was 81.7% (96.6%). Equity totalled 633,560 (595,771) KSEK.

**Number of shares and Share-capital (as of 30 September, 2016)**

The number of shares in issuance at the end of the interim period was 45,347,183, divided between 635 A-shares and 45,346,548 B-shares. As of 30 September, 2016, share-capital totalled 22,673,592 SEK.

## *Post End-of-Interim-Period Activity*

After the end of the interim period, Storytel followed through on a directed secondary stock offering totalling 2.5 million B-shares, which netted 100 MSEK. The issue price was determined through a so-called "Private placement" process led by ABG Sundal Collier, at an established market price of 40SEK. This offering was patronized by five large institutional investors such as Swedbank Robur Fonder AB and Handelsbanken Fonder, and the offering of 100 MSEK was divided between them.

**Date of next report**

The financial statement for 2016 will be published on February 28th, 2017.



**Stockholm, 14 November, 2016**

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  
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