

# Directors' Report

## Information about the operations

The Board of Directors and CEO hereby submit the annual report and consolidated financial statements for Storytel AB (publ), corporate registration number 556575-2960, for the 2023 financial year.

Storytel was founded in 2005 as a subscriber service for audiobooks. The Storytel Group currently comprises two business segments: Streaming and Books. The Streaming business segment offers a subscription-based service for audiobooks and e-books under the brands Storytel, Mofibo and Audiobooks.com in more than 25 markets, with focus on ten core markets: the five Nordic countries, the Netherlands, Turkey, Poland, Bulgaria, and the USA. The Nordics represent the largest proportion of revenue. The Streaming segment also includes audiobook publishing, which is through the audiobook publisher Storyside. The Books segment includes the publishers Norstedts Publishing Group AB and Lind & Co. in Sweden, People's in Denmark, Gummerus in Finland and Aula & Co. The company has its registered office in Stockholm.

## Financial performance

2023 saw significant improvement in the performance of Storytel with growth in revenues and more efficient operational performance, but the result was negatively impacted by write downs and restructuring charges of -671,572 TSEK following the further emphasis on profitability. Write downs of -465,385 TSEK relate to non-cash impairment charges on goodwill attributed to Audiobooks.com; -167,628 TSEK relate to non-cash write downs that are mainly concentrated on content assets in expansion markets; and the remaining -38,558 TSEK relate to restructuring charges in personnel and other operational expenditures.

## Multi-year overview

Group (TSEK)	2023	2022	2021	2020	2019	2018
Net sales	3,489,220	3,200,382	2,620,797	2,236,751	1,843,267	1,459,952
Profit before tax	-807,470	-395,156	-352,324	-191,700	-380,186	-260,962
Operating margin (%)	-21.3%	-12.5%	-13.4%	-7.4%	-19.6%	-16.9%
Profit margin (%)	-23.3%	-12.2%	-14.2%	-8.4%	-17.0%	-14.5%
Equity	1,273,182	2,131,785	1,860,922	955,607	342,200	624,079
Balance sheet total	3,140,651	4,327,314	2,959,039	1,889,963	1,305,901	1,367,803
Equity-to-assets ratio (%)	40.5%	49.3%	62.9%	50.1%	26.2%	45.6%
Average number of employees	629	766	830	685	539	383

Parent Company (TSEK)	2023	2022	2021	2020	2019	2018
Net sales	46,142	43,096	20,896	4,717	3,788	3,186
Profit after financial items	-15,089	-553	35,459	-14,241	-27,822	-8,685
Balance sheet total	5,060,213	5,443,161	3,835,947	2,534,087	1,867,313	1,633,214
Equity-to-assets ratio (%)	82.9%	77.4%	99.6%	99.4%	78.4%	89.1%

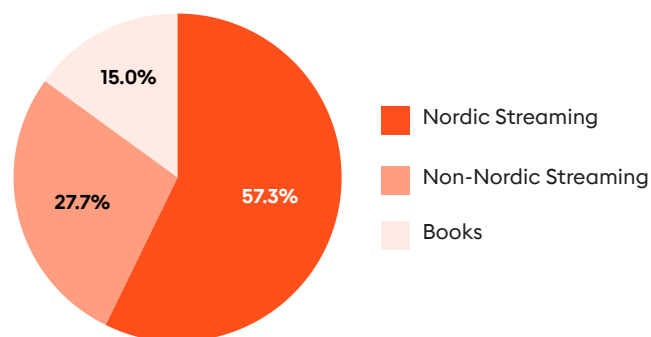
## Multi-year overview

Group net sales for the period increased by 9% from the comparative period to 3,489,220 (3,200,382) TSEK, and increased by 10% when excluding Russia which was discontinued in 2022. The increase is driven by a combination of solid growth of subscribers and higher average revenue per subscriber in the Streaming segment's top markets, especially the Nordics and the four non-Nordic growth markets, the Netherlands, Turkey, Poland, and Bulgaria. In the US, Audiobooks.com continued its focus on increased profitability rather than revenue growth.

At the same time the Books segment's sales declined due to weaker external digital sales and lower demand for physical books, caused by a general downturn in the Nordic book market. Importantly, the revenue does not account for internal sales from Books to Storytel, which grew by 28.2%.

Nordic Streaming was the most significant contributor to the group's net sales with 57.3% followed by Non-Nordic streaming with 27.7%. The Books segment contributed 14.9% to the group's net sales.

## Segments performance



Reported cost of sales for the period increased by 13% to -2,241,895 (-1,987,237) TSEK mostly due to 141,623 of TSEK of one offs in the form of write downs and higher consumption of content on the back of increased number of subscribers. Gross profit amounted to 1,247,326 (1,213,145) TSEK.

Profit before tax for the period amounted to -807,470 (-359,156) TSEK. Adjusted for write downs and restructuring charges, profit before tax for the period amounted to -135,898 (-190,101) TSEK.

## Items affecting comparability

In 2023, Storytel recognized IACs of -671.6 (-205.1) MSEK, following the further emphasis on profitability. Of the IACs, -465.4 MSEK relate to non-cash impairment charges on goodwill attributed to Audiobooks.com; -167.6 MSEK of the IACs relate to non-cash write downs that are mainly concentrated on content assets in expansion markets; and the remaining -38.6 MSEK of IACs relate to restructuring charges in personnel and other operational expenditures.

## Adjusted Group total

Amounts in mSEK	2023	2022
Net sales	3,489.2	3,200.4
Cost of sales	-2,100.3	-1,951.7
<b>Gross profit</b>	<b>1,389.0</b>	<b>1,248.7</b>
Selling and marketing expenses	-835.9	-916.0
Technology and development expenses	-268.8	-263.7
Administrative expenses	-383.5	-297.8
Other operating items	13.1	34.4
Profit from participation in associates	15.3	-1.1
<b>Operating profit/loss</b>	<b>-70.8</b>	<b>-195.5</b>
Net financial items	-65.1	5.3
<b>Profit before tax</b>	<b>-135.9</b>	<b>-190.1</b>

## IAC:s Year to Date

Amounts in mSEK	2023	2022
Net revenue	-	-
Cost of sales	-141.6	-35.6
<b>Gross profit/loss</b>	<b>-141.6</b>	<b>-35.6</b>
Sales and marketing expenses	-9.3	-38.3*
Tech and development	-34.2	-59
General and administrative	-485.8	-72.3
Other operating income	-	-
Profit from participation in as.	-0.7	0
<b>Operating profit/loss</b>	<b>-671.6</b>	<b>-205.1*</b>
Net financial items	-	-
<b>Profit before tax</b>	<b>-671.6</b>	<b>-205.1*</b>

\* Restated amount, see Note 1.

## Development in streaming

Streaming revenues reached 3,241,579 (2,887,763) TSEK in 2023, a growth of 12.3 percent or 9.3 percent with constant exchange rates. The increase is driven by solid growth in the Streaming segment's top markets, especially the Nordics and the four non-Nordic growth markets. Together with the US, these 10 markets represent more than 90 percent of Storytel's average subscriber base and revenues in 2023. During the year the Nordic market reached more than two billion SEK in revenues and the Non-Nordic segment passed one million paying subscribers.

## Development in Books

Books revenue totalled 569,667 (646,572) TSEK, a decrease of 11.9 percent. The revenue excludes internal sales from Storytel to Books. The main reasons for the decrease are a general downturn in the Nordic book market and lower external digital sales, while internal sales increased by 28.2 percent.

Approximately 50 percent of Storytel Book's revenues come from digital books, reflecting the continued growth in the market for subscription services.

## Significant events during the year

During the period, the interpretation and the previously applied accounting of Storytel's agreements with certain publishers have been reviewed. This review has induced a change, meaning that any related cost will no longer be recognized based on the length of Storytel's customer contracts but instead will be reported in the period the cost is incurred. The change does not affect Storytel's earnings or cash flows over time. Comparative figures have been recalculated to reflect the new treatment. In the consolidated income statement, operating expenses in the comparative year 2022, have been adjusted by -11,484 TSEK. Furthermore, the opening equity for 2022 has been adjusted by -49,681 TSEK. For further information, see note 1.

The Annual General Meeting was held on May 4, 2023. Hans-Holger Albrecht, Lina Bruneus, Lutz Finger, Joakim Rubin and Jonas Tellander were re-elected as directors of the Board. Adine Grate, Jonas Sjögren and Alexander Lindholm were elected as new directors of the Board. Hans-Holger Albrecht was re-elected as Chairman of the Board of Directors and Jonas Tellander was re-elected as vice Chairman of the Board of Directors.

Storytel held a Capital Markets Day on June 13, 2023 to outline the strategy and focus and to set mid term financial targets for 2026. Storytel is adapting its strategy to the current global conditions and focusing on profitable growth that is driven by its profitable core markets in the Nordics as well as Poland, the Netherlands, Turkey, Bulgaria and the USA.

During the first half of 2023 Peter Messner was appointed as Chief Financial Officer and Luis Duran as President of Steaming. Anna Etzler assumed the role of Senior Vice President of Operations, while Oleg Nesterenko was appointed as the Chief Marketing Officer.

Following the summer, Malin Lindborn took on the position of Head of Communications, Ana Julia Ghirello was appointed as the General Manager of Expansion Markets and Senior Vice President of Global Partnerships, and Mattias Frithiof entered the role of Head of Investor Relations.

In the fall, Tobias Andersson was appointed as General Counsel, Carolina Corsello was appointed as the Senior Vice President of Data and Insights, and Line Miller was named the new CEO of People's, the Danish publishing house within Storytel Books.

In March, Storytel acquired the audiobook operations of the large Finnish book store chain Suomalainen Kirjakauppa from the Otava Group, resulting in their subscriber base being merged with Storytel Finland.

Storytel Awards surpassed the milestone of 200,000 votes during the spring with audiobook fan engagement reaching record levels, resulting in over 50 awards being distributed to authors, narrators and creators across the Nordics, the Netherlands and Belgium.

In July, Storytel introduced the first version of VoiceSwitcher, made possible by a unique technology for generating AI voices developed in collaboration with ElevenLabs. The Voice Switcher was launched in Poland in late

2023, following the beta test on selected Storytel Original titles in English in July, the feature was launched in Poland in late 2023.

Throughout 2023 Storytel made significant progress in entering new partnerships. In April, a significant multi-year deal with AI Bulgaria was entered, the country's largest telco. Through the partnership Storytel has been included in an exclusive selection of premium services on AI Bulgaria's platform, reaching more than 4 million potential customers. In Denmark, Storytel formed a strategic partnership with CBB Mobil in July, aiming to accelerate growth and market penetration in the country.

September saw the launch of a partnership with Yettel in Bulgaria, which has shown positive signs of substantial paybase growth. It was also the launch of LG Uplus South Korea, one of the largest telcos in the country, which has opened new opportunities in one of the expansion markets. Additionally, Storytel's partnership with the Dutch telecom operator KPN in November has already been driving notable subscriber acquisition in the Netherlands, one of Storytel's primary growth markets outside the Nordics.

### Significant events after the end of the year

Storytel announced on January 24th updated mid term financial targets, and an efficiency optimization initiative that will be implemented during the first quarter of 2024, including a 13% reduction in workforce.

Storytel Books and Nextory reached an agreement to distribute Storytel Books' titles on Nextory's platform as of 1 February 2024.

Storytel extended the existing revolving credit facility (RCF) until 2 April 2025 and reduced the facility to 750 MSEK, at otherwise unchanged terms.

On February 22nd Storytel entered a partnership with Dutch telco VodafoneZiggo, a leading Dutch telecom company in one of Storytel's core markets.

### Anticipated future development

Storytel's strategic ambition is driven by profitable growth with a focus on ten core markets, the Nordics, the Netherlands, Poland, Bulgaria, and the USA. Storytel's remain-

ing presence are markets where the audiobook is less developed but the company intends to grow to the market leader in the long term. Storytel will continuously develop its service and content to continue to be one of the world's largest audiobook and e-book streaming services. The anticipated future development is subject to risks, which are described in further detail in the corporate governance section on page 36.

### Commitments within the Group

Storytel Group has lodged a security of MSEK 20 to PRI (Pension egen regi) in the form of funds held in an escrow account. Storytel AB (publ) has also acted as a guarantor for its fully owned subsidiary Norstedts Förlagsgrupp AB. The security and parent company guarantee are related to the Norstedts Förlagsgrupp pension obligation to its employees, which takes the form of a pension fund.

### The share

The closing price on December 29, 2023, the final trading day of 2023, was SEK 40.26. During the financial year 2023, the lowest share price was SEK 21.80 and the highest SEK 60.78. The average price was SEK 38.81 during the financial year. An average of 214,432 shares were traded per day, with a high of 1,712,242 shares on a single day.

	2023	2022	2021
Number of shares at the end of the year	77,108,125	77,073,120	68,281,911
Where of A-shares:	635	635	635
Earnings per share after tax, SEK	-10.63	-5.68*	-5.68

\* Restated amount, see Note 1.

## Largest shareholders as of 31 December 2023

Shareholder	Capital, %	Votes, %
Shareholder group represented by Jonas Tellander*	16.1%	16.1%
EQT	14.4%	14.4%
Roxette Photo SA	9.3%	9.3%
Vitruvian Partners	4.5%	4.5%
AMF Pension & Fonder	3.6%	3.6%
Otava Ltd	3.6%	3.6%
Avanza Pension	3.5%	3.5%
Swedbank Robur Fonder	3.2%	3.2%
Rustan Panday	3.2%	3.2%
C WorldWide Asset Management	3.0%	3.0%
<b>Total ten largest shareholders</b>	<b>64.4%</b>	<b>64.4%</b>
Others	35.6%	35.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

\* The shareholder group consists of Jonas Tellander, Annamaria Tellander, Paul Svedrup, Dimitra AB, Jon Hauksson and Kristoffer Lind AB.

## Sustainability Report

A Sustainability report has been prepared and is presented on pages 21-35 as a separate document from the annual report. The aim of this sustainability report is to clarify our sustainability goals and explain how we are working to achieve them. This report covers the operations of the entire Storytel Group.

## Use of financial instruments

Further information on use of financial instruments is found in Note 18.

## Corporate governance report

A corporate governance report has been prepared as a separate document from the annual report. The corporate governance report can be found on pages 36-53 and covers all of Storytel Group's operations.

## Proposed appropriation of profits

The following profits are available to the Annual General Meeting, Amounts in TSEK

	12/31/2023
Retained earnings	36,016
Share premium reserve	4,128,701
Profit for the year	-15,089
<b>Total</b>	<b>4,149,629</b>

The Board proposes that profits be distributed such that:

To shareholders (SEK 0 per share)	-
To be carried forward	4,149,629
<b>Total</b>	<b>4,149,629</b>

## Financial statements and notes

Storytel Group's performance and financial position in general are presented in the following statements of comprehensive income, financial position, cash flows, and changes in equity, as well as the notes. The performance and financial position of the Parent Company Storytel AB (publ) are presented in the following income statement, statement of comprehensive income, balance sheet and changes in equity, as well as the cash flow statement and notes.