Interim Report

January - September 2019
Storytel AB (publ)

storytel

Highlights in this report

Click here to watch the quarterly video with CEO Jonas Tellander and CFO Sofie Zettergren.

- Streaming sales up 43% from Q3 2018, to 399 (280) MSEK
- Subscriber base up 41% from Q3 2018 to 1,014,400 (720,900) on average
- Net turnover increased to 491 from Q3 2018, (373) MSEK
- Earnings per share, after taxes amounted to -1.37 (-1.19) SEK
- Launched in Brazil and entered Colombia from the Mexico hub
- Entered into a new long term agreement with Bonnierförlagen in Sweden
- Acquired Finland's third largest Publishing house, Gummerus and made a share issue in conjunction with Closing

Table 1: Key performance indicators for Streaming and Print Publishing

Currency: SEK 000's	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Streaming Total					**Actual**	**Forecast**[1]
Revenue	279,979	291,315	295,994	320,034	399,178	417,000
Contribution Profit[2]	22,063	30,444	31,372	29,407	53,043	
Contribution Margin	7.9%	10.5%	10.6%	9.2%	13.3%	
Avg. Paying Subscribers[3]	720,900	768,700	834,300	887,500	1,014,400	1,079,000
ARPU[4] *(SEK/Month)*	129	126	118	120	131	129
Streaming Nordics[5]						
Revenue	253,081	259,256	258,288	276,347	340,315	349,000
Contribution Profit[2]	62,327	82,645	75,329	70,443	109,563	
Contribution Margin	24.6%	31.9%	29.2%	25.5%	32.2%	
Avg. Paying Subscribers[3]	595,400	616,300	645,500	669,200	736,000	756,000
ARPU[4] *(SEK/Month)*	142	140	133	138	154	154
Streaming Non-Nordics						
Revenue	26,898	32,059	37,706	43,687	58,863	68,000
Contribution Profit[2]	−40,264	−52,200	−43,957	-41,036	-56,521	
Contribution Margin	−149.7%	−162.8%	−116.6%	-93.9%	-96.0%	
Avg. Paying Subscribers[3]	125,500	152,400	188,800	218,300	278,400	323,000
ARPU[4] *(SEK/Month)*	71	70	67	67	70	70
Print Publishing[6]						
Revenue	116,252	170,435	107,316	109,053	116,371	
Contribution Profit[7]	40,140	54,681	32,775	28,830	33,327	
Contribution Margin	34.5%	32.1%	30.5%	26.4%	28.6%	

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, transaction/payment costs and marketing costs. Storytel Reader and Ztory are not included in Streaming.
3 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.
4 ARPU = Average Revenue Per User (Subscriber) per month.
5 Storytel Norway is included in the figures @ 100%. In the consolidated group accounts, Norway is reported in accordance with the principle of proportional consolidation.
6 Print Publishing refers to physical books and digital sales through channels other than Storytel. Internal revenue from Storytel has been eliminated. All publishing houses in Sweden and outside of Sweden are included.
7 Contribution Profit is defined as revenue minus cost per unit sold, royalties to rights holders, distribution, sales and marketing costs.

Letter to our shareholders

Dear Shareholder,

Our streaming segment exceeded our own forecast in Q3/19 driven by strong paying subscriber base growth and an ARPU increase resulting from VAT-reductions in Sweden, Norway and Finland. Streaming revenues grew 43% Y/Y and paying subscribers grew 41% Y/Y. Contribution margin increased to 13% and the EBITDA-margin came in at -13%.

Q3/19 was a strong quarter across our markets when it comes to usage, engagement and growth of our subscriber base. We had a positive relaunch of the magazine subscription Ztory bundled with the Storytel subscription in Sweden, with more than 10 000 paying subscribers. Our Family subscription has now been launched on nine markets and is continuing to grow. The Storytel Reader is now being sold via electronics retailer Elgiganten and continues to receive positive user reviews. We can see from our analyses that both our Family subscription and Storytel Reader contribute significantly to increasing customer lifetime value.

Subscribers

In Q3/19 Storytel exceeded the forecast for subscriber growth, with strong customer intake that lifted us past yet another fantastic milestone. For the first time in our history, Storytel recorded a quarter with an average of more than one million paying subscribers. Subscriber-intake for the service was strong during the quarter in both the Nordic markets and the Non-Nordic segment. Storytel added 126,900 subscribers to its paying base in Q3/19, leading to an average of 1,014,400 paying subscribers during the period (+41% Y/Y). Subscriber intake for the service was strong in both the Nordic markets and the Non-Nordic segment. The average number of paying subscribers in Q3/019 in the Nordic region amounted to 736,000 (+24% Y/Y) and 278,400 subscribers in the Non-Nordic region (+122% Y/Y).

Revenues

Streaming revenue growth was +43% Y/Y in Q3/19. In the Nordics, sales were 340 MSEK (+34% Y/Y) and in our Non-Nordic markets sales were 59 MSEK (+119% Y/Y). Total ARPU was 131 SEK (up from 120 SEK in Q2/19). The increase in revenue is attributable to strong subscriber growth during the summer but also largely to greater ARPU of 154 SEK in Q3/19 (up from 138 SEK in Q2/19) in the Nordics segment, driven by a combination of relatively stable consumer prices and VAT-reductions in Sweden, Norway and Finland in July. The VAT reduction has given us the momentum to sharpen our customer offering and at the same time, thanks to our revenue-sharing model with the publishers, improve earnings for authors. ARPU in the Non-Nordic markets also contributed to the revenue increase during the quarter and amounted to 70 SEK (up from 67 SEK in Q2/19), boosted by a 20% price increase in the Netherlands on 1 July.

Guidance Q4/19 and FY2019

We are maintaining the Streaming revenue growth target for 2019 at 36-41%, and expect to come in at 39%, due to strong growth and increased ARPU. We are also investing in marketing to reach this growth target and expect to come in at around -16% EBITDA margin. We expect to reach the target of 1 100 000 subscribers by the end of the year.

Market development

In recent years the entertainment and audiobook industry has undergone a transformation from a product and marketing centric business to a consumer-centric business super-serving a passionate audience of story lovers 24-7 with inspiration and recommendations. In the USA 77% of the population currently owns a smartphone, compared to 35% in 2011, and this device and the flexibility it creates in daily life are constantly conquering new territories. The accessibility that the smartphone creates has also redefined the concept of ownership. Does the consumer want to own a world of things - or is the wish merely to access them as needed? Is access the new ownership? The booming audiobook market and Storytel's offering of unlimited access to a catalogue with over 340,000 titles could certainly be regarded as indications that this is the case. And so is also the fact that around 85-90% of the audiobook consumption on the +20 languages Storytel platform is in the local language of the markets where we currently operate. These Storytellers are curious about new stories: 93% of the audiobooks in each local language have been listened to fully at least once during 2019 (1 January - 30 September 2019), indicating that Storytel promotes long-tail consumption, which in turn is considered to be correlated with greater demand.

This is why Storytel has local representation in practically all of the 18 markets in which we are present, and this is why we soon will launch a new dynamic market: South Korea.

We live in a world where 95% of the population doesn't live in the USA. Most of these consumers do not speak English. They are growing faster, wealthier and even more curious about the world, and they are getting larger mobile phone screens and faster access. The world is indeed going "glocal".

Business development

On 21 August Storytel and Bonnierförlagen in Sweden signed a new agreement granting Storytel access to Bonnierförlagen's full catalogue of audiobooks and e-books starting on 1 September 2019 and ending earliest 31 December 2022. The agreement gives Storytel a reasonable margin on Bonnierförlagen's books and where the big winners are the customers and the authors.

On 10 September, Storytel launched in Brazil, its 18th market and the world's 9th largest economy with approximately 210 million inhabitants. The launch is expanding Storytel's footprint and strengthening our presence in Latin America where our local office in Mexico (launched in December 2018) also operates in the Colombian market since Q3/2019. Storytel's ambition is to be a dynamic force and a leading enabler as Brazil's audiobook market expands alongside other services for streamed content. Streamed audio is on the cusp of a listener-revolution in Brazil, the vast market of which has been increasingly interested in subscription services for film and music.

Storytel's previously announced intention to launch in South Korea will soon go live. Upon opening our office in Seoul, Korea, in February of 2019, Storytel signed agreements with leading Korean publishers and initiated a large strategic project to produce audiobooks in Korean, in order to compile a rich catalogue and a stable platform for the launch in the country.

In Q3/19 Storytel successfully launched its modernised brand visuals, which were very well received by both our customers and the brand & marketing community. This will further strengthen the way we express our exciting and growing global brand. Storytel was also declared the most popular entertainment brand in Iceland according to MMR.IS.

Publishing

The biggest Storytel Original in Q3/19 was Dimitriy Glukhovsky´s *The Outpost* in Russia. This highly acclaimed post-apocalyptic writer decided to finalise the universe he started with Metro 2033 in an audio first series exclusively for the Storytel audience. After quarter end we released Outpost simultaneously in five languages, and six new markets/languages will be added soon. In August, Norstedts released the 6th Millennium book by David Lagercrantz and it became the top selling book in Sweden with strong audio sales, including earlier releases of the Millennium series. The children series *Handbok för Superhjältar* by Elias and Agnes Wåhlund, continued its success story with the release of the 4th book in the series.

The Nordic book markets are undergoing a shift from physical to digital with a decline in physical book sales across both internet bookstores and physical bookstores. This poses profitability challenges for book publishers in the region despite strong growth in the audiobook segment. However, we still expect our Nordic book publishing houses (Norstedts Förlagsgrupp, People's Press and newly acquired Gummerus) to deliver a consolidated EBITDA margin of 3-5% this year with steady sales.

On 17 September, Storytel acquired Finland's third-largest book publishing house, Gummerus Kustannus Oy. This acquisition substantially strengthens Storytel's position as both a distributor and a publisher on the Finnish book and streaming market. The acquisition of Gummerus Kustannus shows Storytel's ambition to invest in content and the digitalisation of the Finnish book market. Having both print and digital presence in Sweden, Denmark and Finland presents us with a great opportunity to also leverage our rights catalogue in a broader sense across markets that are similar.

About Storytel

Storytel was founded in 2005 by Jonas Tellander and Jon Hauksson. In 2009 Storytel participated in the television show Draknästet (Eng.: The Dragon's Den) 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 the Spotlight stock market at a market capitalisation of 600 MSEK. In December 2018, Storytel moved its listing to Nasdaq First North Growth Market 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 340,000 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 business area is carried out through the publishing houses of Norstedts, Massolit, StorySide, Printz Publishing, People's Press, Rabén & Sjögren, B.Wahlströms, Gummerus Kustannus and Norstedts Kartor. Ztory, a digital all-you-can-read streaming subscription service for newspapers and magazines, has been part of Storytel since January 2019. Storytel operates in 18 markets around the globe and is headquartered in Stockholm, Sweden,

Financial performance, third quarter 2019

Consolidated net and total turnover, Q3 2019 (compared to Q3 2018)

Net turnover for the Group in Q3 2019 totalled 419,338 (373,242) 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 average revenue per subscriber. Table 1 includes neither revenue from sales of Storytel Reader and Ztory nor some other non -material other operating income.

Total Group revenue amounted to 503,088 (372,955) TSEK. Streaming sales grew by 43% Y/Y while Print Publishing sales remained stable compared to the same quarter prior year. Total Group revenue grew by 35% from Q3 2018.

Consolidated expenses, Q3 2019 (compared to Q3 2018)

Unit-sale costs for the Group totalled 299,932 (223,560)[1] TSEK in Q3 2019. Unit-sale costs include content costs to third-party publishers, royalty to rights holders, costs for producing audiobooks, and cost of goods sold for physical books, as well as warehouse, distribution, and transaction/payment costs. Unit-sale cost increased 34% Y/Y, which was mainly driven by Streaming becoming a larger part of total sales and follows increased revenues.

Gross margin totalled approx. 40.4% in Q3 2019, compared to 40.1% in Q3 2018. The gross margin of Streaming has increased in the quarter due to lower content costs relative to sales.

Other external costs for the Group during Q3 2019 totalled 173,374 (128,241) TSEK, an increase of 35% Y/Y. The largest cost item under Other external costs consists of marketing costs. At the end of September 2019, Storytel had launched its service in 18 markets, which requires greater investments in marketing than during the same period last year. As a percentage of streaming sales marketing costs in the streaming segment was lower in Q3 2019 compared to Q3 2018 leading to an improved contribution margin. Other significant costs included office leases, IT-related services and costs, and consultant costs. Storytel's HQ is currently being renovated and some teams had to move to Convendum in Slussen, which resulted in an increase in office lease costs. Storytel has also increased its office space in Stockholm and in Copenhagen.

Staffing costs for the Group in Q3 2019 totalled 95,549 (64,649) TSEK, an increase of 48% Y/Y. Staffing costs within the Print

[1] 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 - Sep 2018. The reclassification has no effect on profit/loss for the period.

Publishing division are at a stable level, while Streaming has experienced increased costs in order to meet the pace of expansion for both global functions and employees in new countries. Most recruitment is within the R&D department and all costs associated with R&D are expensed as staff costs as they occur.

Storytel Stock Option Program

In late Q2 2019, Storytel launched its Employee Stock Option Program. Costs amounting to around 2 MSEK for the stock options as well as related social charges were recorded in Q3 2019, as staffing costs. For more information (released in connection to the Annual General Shareholder's meeting), visit the investor relations page on Storytel's website.

EBITDA, Q3 2019 (compared to Q3 2018)

Earnings before interest, taxes, depreciation & amortisation (EBITDA) in the Group in Q3 2019 totalled -65,765 (-43,495) TSEK, equalling a negative EBITDA margin of -13.1% The guided EBITDA margin for 2019 is negative at -16%.

Earnings, Q3 2019 (compared to Q3 2018)

Earnings for the period amounted to -76,327 (-62,111) TSEK. Earnings per share after taxes in Q3 2019 totalled -1.37 (-1.19) SEK 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 Q3 2019 (compared to Q3 2018)

At the end of Q3 2019, the company had intangible assets amounting to 282,247 (270,533) TSEK, whereas the largest items consisted of rights, licences & brands, and goodwill. At the end of the quarter Storytel acquired the third-largest publishing house in Finland, Gummerus. A preliminary PPA was performed and recorded as of 30 September 2019.

Depreciation in the Group in Q3 2019 totalled -16,147 (-17,615) 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. Gummerus will start to be depreciated in Q4 2019. All goodwill and excess values are depreciated on a linear basis over 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 the development of Storytel's technical platform are expensed as staff costs as they occur.

Taxes

In Q3 2019, taxes including deferred tax amounted to 10,450 TSEK. Storytel has made the assessment that deferred taxes on accumulated losses can be offset against future profits.

Group: Financial position as at 30 Sep 2019 (compared to 31 Dec 2018)

At the end of the period, the Group had 273,211 (582,585) TSEK in cash and cash equivalents. After the end of the quarter, Storytel entered into a new financing agreement with Swedbank, further improving the cash position of the company.

Solvency at the end of the period was 33.0% (45.6%). Equity totalled 428,694 (624,079) TSEK. Share capital increased due to a share issue in conjunction with the acquisition of Gummerus in Finland.

Non-current liabilities to lending institutions totalled 178,457 (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. After the end of the quarter, Storytel entered into a new financing agreement with Swedbank, which extended Storytel's existing long-term loans to a total of 500 MSEK and removed the annual repayment. As of Q4 2019, the entire loan amount will be recorded as a non-current liability.

Cash flow, Q3 2019 (compared to Q3 2018)

Cash flow from operating activities before changes in working capital was -88,755 (-45,995) TSEK. During Q3 2019, a payment of approx. 25 MSEK was made to the Danish tax authorities. The payment concerns the valuation of an internal transaction made in 2016, but Storytel has filed an appeal. If the Danish tax authorities are successful, Storytel believes there will be an equivalent tax asset in Sweden.

Change in working capital is positive at 3,897 (-48,905) TSEK. In Q3 2018 we built up an inventory of Readers. Streaming is also a larger part of the overall business and Streaming has a positive working capital profile compared to Print.

Cash flow from investing activities was -27,690 (-1,881) TSEK, mainly attributable to the acquisition of Gummerus. Cash flow from financing activities amounted to -7,495 (474,817) TSEK, mainly attributable to the amortisation of bank loans. Comparison figures contain a share issue of 500 MSEK.

Guidance for Q4 2019 and FY 2019 (Streaming segment)

Q4 2019 guidance

Avg. subscribers Nordics: 756,000

Avg. subscribers Non-Nordics: 323,000

Avg. subscribers Total: 1,079,000

Revenue Nordics: 349,000

Revenue Non-Nordics: 323,000

Revenue Total: 417,000

FY 2019 guidance

Subscribers EoY: 1,100,000

Revenue growth: 39%

EBITDA margin: -16%

Consolidated Income Statement (TSEK)

	July – Sep 2019	July – Sep 2018	Jan - Sep 2019	Jan - Sep 2018
Net turnover	491,338	373,242	1,278,230	1,023,332
Change in inventory during production	1,594	−3,865	5,042	−2,502
Other operating income	10,156	3,578	27,657	16,055
Total Group revenue	**503,088**	**372,955**	**1,310,928**	**1,036,885**
Operating expenses				
Unit-sale costs	−299,932	−223,560	−806,022	−616,774
Other external costs	−173,374	−128,241	−435,596	−342,816
Staffing costs	−95,549	−64,649	−281,533	−199,676
Total operating expenses	**−568,854**	**−416,449**	**−1,523,151**	**−1,159,266**
EBITDA	**−65,765**	**−43,495**	**−212,223**	**−122,381**
Depreciation and amortisation	−16,147	−17,615	−49,357	−49,115
Profit/loss before financial items	**−81,913**	**−61,110**	**−261,580**	**−171,497**
Profits from associated and Group companies	−158	58	−98	44
Net financial items	−4,705	−2,263	−14,110	−10,148
Profit/loss before taxes	**−86,776**	**−63,315**	**−275,788**	**−181,601**
Taxes on profit for the year including deferred taxes	10,450	1,203	43,479	3,733
Profit/loss for the period	**−76,327**	**−62,111**	**−232,309**	**−177,868**

Consolidated Balance Sheet (TSEK)

	30 Sep 2019	30 Sep 2018	31 Dec 2018
Assets			
Intangible assets	282,247	270,533	266,182
Tangible assets	11,050	4,927	5,033
Non-current financial assets	111,287	23,243	67,722
Inventory	88,747	78,162	77,378
Current receivables	532,773	354,098	368,903
Cash and cash equivalents	273,211	652,445	582,585
Total assets	**1,299,314**	**1,383,408**	**1,367,803**
Equity and liabilities			
Share capital	28,054	27,933	27,933
Other equity, including profit/loss for the year	400,640	634,168	596,146
Provisions	65,030	53,802	61,648
Non-current liabilities	178,457	211,002	200,649
Current liabilities	627,134	456,504	481,427
Total Equity and liabilities	**1,299,314**	**1,383,408**	**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**
Share issue	122		25,769	25,919
Translation differences		11,006		11,006
Profit/loss for the current period			-232,309	-232,309
Amount as at 30 Sep 2019	**28,055**	**26,362**	**374,277**	**428,695**

Condensed Consolidated Cash-Flow Statement (TSEK)

	July – Sep 2019	July – Sep 2018	Jan – Sep 2019	Jan – sep 2018	Full Year 2018
Net profit/loss after financial items	**-86,776**	**-63,315**	**-275,788**	**-181,601**	**-260,962**
Adjustments for non-cash items	24,469	22,952	49,997	47,600	73,184
Taxes, paid	-26,449	-5,632	-30,344	-9,898	-4,082
Cash flow from operations before changes in working capital	**-88,755**	**-45,995**	**-256,136**	**-143,899**	**-191,860**
Change in working capital	3,897	-48,905	4,154	-901	6,134
Cash flow from operating activities	**-84,859**	**-94,900**	**-251,982**	**-144,800**	**-185,727**
Cash flow from investing activities	**-27,690**	**-1,881**	**-38,984**	**-6020**	**-23,718**
Cash flow from financing activities	**-7,495**	**474,817**	**-23,652**	**554,436**	**542,766**
Cash flow for the period	**-120,044**	**378,036**	**-314,618**	**403,616**	**333,321**
Available funds at beginning of period	390,463	276,552	582,585	249,130	249,132
Translation differences in available funds	2,792	-2,143	5,244	-301	132
Available funds at end of period	**273,211**	**652,445**	**273,211**	**652,445**	**582,585**

Earnings per share

	July – Sep 2019	July – Sep 2018	Jan - Sep 2019	Jan - Sep 2018
Average number of shares	55,865,307	51,517,307	55,865,307	51,517,307
Number of shares at end of period	56,109,410	55,865,307	56,109,410	55,865,307
Earnings per share before and after dilution (SEK)	-1.37	-1.19	-4.16	-3.43

Parent Company Income Statement (TSEK)

	July – Sep 2019	July – Sep 2018	Jan - Sep 2019	Jan - Sep 2018
Net Turnover	870	804	2,654	2,393
Total Group revenue	**870**	**804**	**2,654**	**2,393**
Operating expenses				
Other external costs	-2,469	-1,005	-5,222	-2,864
Staffing costs	-1,482	-1,112	-4,729	-3,341
Total operating expenses	**-3,951**	**-2,117**	**-9,950**	**-6,205**
EBITDA	**-3,080**	**-1,313**	**-7,297**	**-3,812**
Depreciation and amortisation	-	-	-	-
Profit/loss before financial items	**-3,080**	**-1,313**	**-7,297**	**-3,812**
Net financial items	1,952	5,051	-20	4,406
Profit/loss before taxes	**-1,128**	**3,738**	**-7,317**	**594**
Taxes on profit for the year including deferred taxes	-	-	-	-
Profit/loss for period	**-1,128**	**3,738**	**-7,317**	**594**

Parent Company Balance Sheet (TSEK)

	30 Sep 2019	30 Sep 2018	31 Dec 2018
Assets			
Non-current financial assets	1,225,186	918,619	1,033,343
Current receivables	363,612	199,888	172,302
Cash and cash equivalents	43,343	528,563	427,569
Total assets	**1,632,141**	**1,647,070**	**1,633,214**
Equity and liabilities			
Share capital	28,055	27,933	27,933
Other equity, including profit/loss for the year	1,445,073	1,434,459	1,426,710
Non-current liabilities	156,809	156,809	150,136
Current liabilities	2,205	27,869	28,435
Total Equity and liabilities	**1,632,142**	**1,647,070**	**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, 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.

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 Sep 2019 (compared to 31 Dec 2018)

There were 56,109,410 (55,865,307) registered shares in issuance at the end of the period, divided between 635 A-shares and 56,108,775 B-shares. Share capital totalled 28,054,387.5 (27,932,653.5) SEK as at 30 September 2019. On average in Q3 2019 there were 55,867,960 registered shares divided between 635 A-shares and 55,867,325 B-shares.

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

Post-period activity

On 9 October Storytel refinanced its bank loans with Swedbank. The refinancing means that Storytel extends its existing long-term loans to a total of 500 MSEK and removes the annual repayment of currently approximately 30 MSEK. The refinancing strengthens Storytel's financial position and creates a robust base for the continuation of aggressive investments in the digitalization of the book market and the Company's strategic expansion journey.

On 1 November, after the end of quarter, Poland lowered its VAT rate from 23% to 5%. Just like in Sweden, Finland and Norway in Q2 2019, Storytel decided not to pursue a general and customary price reduction following the VAT reduction. This gives us the momentum to sharpen our customer offering and at the same time, thanks to our revenue-sharing model with the publishers, improve earnings for authors. We are now anticipating the coming VAT reduction in the Netherlands in January 2020.

On 14 October the independent growth equity firm Vitruvian Partners purchased a block of shares from the Company's largest shareholder Roxette Photo NV, which is closely related to early investor and Storytel Board member Jonas Sjögren. The acquisition corresponded to approximately 3% of the shares in the Company. Following the transaction Roxette Photo NV remains the largest shareholder in Storytel AB retaining a holding of approximately 17% of the Company's shares.

Forthcoming reports

Year-End Report 2019	20 Feb 2020
Annual Report 2019	2 April 2020
Interim Report Jan - Mar 2020	12 May 2020
Interim Report Jan - June 2020	11 Aug 2020
Interim Report Jan - Sept 2020	10 Nov 2020

Annual General Meeting with Shareholders

The Annual General Meeting with shareholders will be held in Stockholm on 6 May 2020. More details about the time and location will be published on Storytel's website closer to the event.

Capital Markets Day

Storytel will hold a Capital Markets Day on 14 January 2020. The event will be held at Biograf Sture at 9.00 -12.30. Pre-registration is needed.

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. The comprehensive risk analysis is available 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 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 or +46 8 528 00 399.

Stockholm, 12 Nov 2019

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

Get in touch with us at:

Storytel AB (publicly traded)

- Mailing address: Box 24167, 104 51 Stockholm
- Office: Tryckerigatan 4/Norra Riddarholmshamnen 1, 111 28 Stockholm
- CIN: 556575-2960
- Phone: +46 70 261 61 36
- Email: investorrelations@storytel.com
- Website: www.storytel.com, https://investors.storytel.com/

For more information, please contact:
Jonas Tellander, CEO: +46 70 261 61 36
Sofie Zettergren, CFO: +46 70 509 98 08
Dan Panas, Head of Communications: +46 70 186 52 90

storytel