

Year-End Report

January-December 2020
Storytel AB (publ)



Highlights in this report, fourth quarter

- Streaming sales up 19% from Q4 2019 to 503 (421) MSEK, +26% with fixed Fx rates.
- Subscriber base up 33% from Q4 2019 to 1,442,000 (1,083,400) on average.
- Net turnover increased to 663 MSEK from 565 MSEK in Q4 2019.
- Earnings per share, after taxes amounted to -1.05 SEK, before and after dilution, compared to -1.43 SEK in Q4 2019.
- The Board of Directors proposes no dividend to be paid for FY 2020.
- Launched in Belgium and Thailand.
- Acquired iCast Ltd, an audiobook streaming pioneer on the Israeli market.

Table 1: Key performance indicators for Streaming and Print Publishing

Currency: SEK 000's	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Streaming Total						Forecast¹
Revenue	421,454	429,251	459,115	490,234	503,449	514,000
Contribution Profit ^{2,8}	58,977	92,611	100,493	113,663	107,074	
Contribution Margin	14.0%	21.6%	21.9%	23.2%	21.3%	
Avg. Paying Subscribers ³	1,083,400	1,154,800	1,257,000	1,360,300	1,442,000	1,542,000
ARPU ⁴ (SEK/Month)	130	124	122	120	116	111
Streaming Nordics⁵						
Revenue	352,222	349,768	366,322	394,453	399,639	399,000
Contribution Profit ^{2,8}	115,689	113,476	107,176	125,534	134,166	
Contribution Margin	32.8%	32.4%	29.3%	31.8%	33.6%	
Avg. Paying Subscribers ³	757,600	785,800	833,300	902,000	926,000	954,000
ARPU ⁴ (SEK/Month)	155	148	147	146	144	139
Streaming Non-Nordics						
Revenue	69,233	79,484	92,793	95,781	103,810	115,000
Contribution Profit ^{2,8}	-56,713	-20,866	-6,684	-11,872	-27,092	
Contribution Margin	-81.9%	-26.3%	-7.2%	-12.4%	-26.1%	
Avg. Paying Subscribers ³	325,800	369,000	423,700	458,300	516,000	588,000
ARPU ⁴ (SEK/Month)	71	72	73	70	67	65
Print Publishing⁶						
Revenue	179,562	114,737	126,743	150,391	197,346	
Contribution Profit ⁷	65,592	41,678	44,147	63,667	81,774	
Contribution Margin	36.5%	36.3%	34.8%	42.3%	41.4%	

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, external 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 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 both inside and outside of Sweden are included.

⁷ Contribution Profit is defined as revenue minus cost of goods sold, royalties to rights holders, distribution, sales and marketing costs.

⁸ Storytel has chosen to voluntarily apply the capitalisation model instead of the expensing model regarding internally developed intangible assets. In this table, the development of our digital catalogue has been capitalised and no longer treated as an expense as of Q1 2020.

Letter to our shareholders

Dear Shareholders,

On our Capital Markets Day in January 2020 we set the ambitious targets of reaching 1.5 million subscribers by year-end and increasing revenues to 1.9–2.0 BSEK. Our 2020 full-year streaming revenues came in at 1.9 BSEK despite a 60 MSEK headwind due to the strong Swedish krona. Furthermore, Storytel surpassed the milestone of 1.5 million subscribers on Monday 18 January 2021.

During the years 2010–2016, Storytel showed that it was profitable before it entered its strategic trajectory of global expansion to today’s 20+ markets – a number that will grow significantly as we extend our presence to a further 20+ markets in 2021–2023. Our target is to make each market profitable¹ within five years from launch. By 2020, all of the markets we had launched until 2015 were profitable. Sweden, Denmark, Norway and Iceland became profitable within five years, whereas the Netherlands took us 6.5 years. In 2021, we expect Finland and Poland, two markets launched in 2016, to become profitable. Of the three markets launched in 2017, we are optimistic that Russia will become profitable already in 2021.



The total global market for audiobooks is currently worth 40 BSEK and Storytel estimates that this figure will grow at a CAGR of 15% until 2030. We would want a good piece of the pie and aim to go from a turnover in Streaming revenue of 2 BSEK today to 30 BSEK by 2030.

¹ Profitability is defined as earnings on a local level, before allocation of global costs, such as R&D, global administrative expenses and centrally owned platform and software.

Revenue and subscribers

Storytel's strong customer intake continues in both our Nordic and our Non-Nordic operations, and as a result the company has exceeded its forecast for both subscriber and streaming revenue growth for Q4 2020. Storytel had an average of 1,442,000 paying subscribers, which was an increase of 82,000 customers compared to Q3 2020, and exceeded the forecast of 1,435,000 paying subscribers. Streaming revenues for the Q4 2020 came in at 503.4 MSEK, compared to the forecast of 499.5 MSEK. This corresponds to 19% growth in Streaming revenue, however with a headwind from exchange rates of 28 MSEK, compared to fx rates in Q4 2019. Using the fx rates as of Q4 2019, streaming revenue growth was 26% in Q4 2020.

There were on average 926,000 paying subscribers in the Nordic segment during the fourth quarter, which corresponds to an annual growth of 168,400 subscribers and 4,000 subscribers above forecast. Streaming revenues in the Nordics came in at 399.6 MSEK, which is 3.6 MSEK above forecast. The average number of subscribers in the Non-Nordic segment for Q4 2020 totalled 516,000, which corresponds to an annual growth of 190,200 paying subscribers and an increase of 57,700 customers compared to Q3 2020. This also meant that the previously communicated forecast of 513,000 subscribers for Q4 2020 was exceeded. Streaming revenues for the Non-Nordic segment totalled 103.8 MSEK in Q4 2020, corresponding to annual revenue growth of 49.9%, compared to Q4 2019.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) in the Storytel Group totalled -22.8 MSEK for Q4 2020, which corresponded to an EBITDA margin of -3.0%. The EBITDA margin for 2020 ended at -3.2% which is within the targeted range of a negative EBITDA of 1–5%. Since Q1 2020 Storytel has applied the capitalisation model for internally developed intangible assets in the same way as comparable companies, which has a positive effect on EBITDA. In total for 2020 Storytel has capitalised 240 MSEK.

Forecast targets

For the first quarter of 2021, we forecast total streaming revenues of 514 MSEK, corresponding to a growth rate of 20% Y/Y. Using the fx rates as of Q1 2020 and using a comparable number of days in the quarter (leap year 2020), the growth rate would have been 27% Y/Y. We forecast 1,542,000 (+34% Y/Y) paying subscribers on average for the quarter.

For 2021, our goal is to grow our streaming revenues to 2.4–2.5 BSEK, corresponding to a growth rate of 28–33%. In order to reach our ambitious revenue target, we aim to increase our paying subscriber base to 2.1–2.2 million subscribers, corresponding to a growth rate of 43–50%. The outcome within the range will depend on our mix of both geography and subscription type.

In terms of EBITDA, we expect it to be negative 0–5%. Storytel’s strong expansion focus with growth over profit on our long-term trajectory of profitable growth remains firm as long as we see satisfying CLV/SAC metrics and we can make more markets profitable on a local level. We expect Finland, Poland and Russia to become profitable in 2021.

Looking at our long-term targets, we reiterate them as they were presented at our Capital Markets Day on 14 January 2020. We aim to keep a CAGR of 35% in revenue growth and at least 40% in CAGR in subscriber base growth, which implies that we will reach more than four million subscribers and almost 5 BSEK in Streaming revenue in 2023.

Expansion

On October 28, Storytel went live in Belgium. This launch strengthens Storytel’s presence in the Benelux region, and the Belgian operations are run by Storytel Netherlands. The app is curated in Dutch. The wide range of Dutch, English and French titles available in the app will be augmented by a broad offering of Belgian content – fiction, thrillers, feel-good, children's books, self-development, business literature, and much more. German titles will also be available within the service.

On 2 December, Storytel went live in Thailand. This launch strengthens Storytel’s presence in the Asia Pacific region, where the company already has operations in India, Singapore and South Korea. Since 2019, Storytel has had a Thailand-based audiobook production unit running, and by launching the app we now open up for audiobooks and e-books in Thai to a population of almost 70 million people, strengthening Storytel’s position as the number one “glocal” player in the dynamic APAC region.

Publishing

Our Print Publishing business came out strong in 2020, despite the COVID-19 crisis. Due to a successful shift in selling more physical books through online sales channels and growing the streaming sale, revenue remained at a high level and amounted to 655 MSEK (620 MSEK if excluding revenue recorded as an effect of capitalising production costs for audiobooks) compared to 642 MSEK in 2019. Due to a strong improvement in cost efficiency as well as a somewhat changed cost structure resulting from the shift towards streaming and digital sales, EBITDA increased from 9 MSEK in 2019 to 42 MSEK (68 MSEK if including the positive effect of capitalising production cost for audiobooks) in 2020.

Under the strong leadership of Tine Smedegaard, our Danish publishing house People’s completed a strategic turnaround of the company in 2020 a year earlier than expected. Turnover fell as expected by 8% compared to 2019, but EBIT grew by 6.5 MDKK from -2.7 to 3.8 MDKK. Profit grew significantly due to workforce reduction, lower production and distribution costs, and lower marketing costs as a result of cancelled book fairs and travel and the shift from analogue to digital marketing.

Storytel Originals, our inhouse audio-first concept of producing attractive high-quality audiobooks tailored for the listening audience, is quickly gaining attention and appreciation – and climbing in our toplist. As Christmas preparations kicked off at the end of November, the #1 title in more than one-third of our markets was a Storytel Original.

Best-selling author Camilla Läckberg and the celebrated actor Alexander Karim have written an audiobook manuscript exclusively for Storytel Original. On February 11 Storytel announced that *Glacier* will be launched globally on Storytel starting 15 June. The epic love story follows two strangers who are separated in strict isolation in their hotel rooms at the same time as a deadly virus threatens to wipe out humanity. They break their isolation by mistake, and a dizzying, life-threatening love emerges.

People & Culture and Sustainability

In December, Storytel's Chief Development Officer (CDO) Stefan Tegenfalk chose to step down after six years with the company. Stefan has been a key player in Storytel's development from a local Swedish start-up to an expansive leader on the rapidly growing global audiobook market. Storytel's new CDO Jörgen Gullbrandson, previously the interim Chief Financial Officer at Storytel in 2020 while CFO Sofie Zettergren was on her parental leave, took over on 1 January 2021. With Jörgen, Storytel gains a highly skilled and market-oriented Chief Development Officer with considerable experience from executive roles in international technology-, data-, and innovation driven companies.

The Storytel Group currently has a workforce of over 700 employees. The streaming operation consists of 43 nationalities in over 20 markets, and has a gender distribution of 52 percent women and 48 percent men. Diversity and gender equality are both business critical and deeply rooted in the company, and I am happy that this is clearly manifested in Storytel's management team, which today consists of 60% women and 40% men. At Storytel, we strive to be a place where people thrive and excel as experts and innovators as well as key players in cross-functional teams super-serving and inspiring our rapidly growing customer base. This means that we actively support and endorse both collective and personal development.

Storytel's pronounced vision is to make the world a more empathetic and creative place with great stories to be shared and enjoyed by anyone, anywhere and anytime. I am determined to make our already rooted and sustainable mindset have a significantly larger impact on Storytel's powerful and goal-focused trajectory of expansion, our strong commitment to the personalisation of the user experience, and the ongoing transformation of both customer behaviour and the book market.

Jonas Tellander, founder and CEO

Financial performance, fourth quarter 2020

Consolidated net and total turnover, Q4 2020 (compared to Q4 2019)

Net turnover for the Group in Q4 2020 totalled 662,707 (565,037) 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 figure for average revenue per subscriber. Table 1 does not include revenue from sales of Storytel Reader, Ztory, own work or other non-material operating income.

Total consolidated revenue amounted to 751,467 (556,376) TSEK, of which 77,741 (0) TSEK is related to the capitalisation of internal development work. Streaming sales grew by 19% from Q4 2019. FX headwind had quite a large effect. Print Publishing sales increased by 10%. Net turnover grew by 17%. Total group revenue, including the capitalisation of grew by 35% from Q4 2019.

Consolidated expenses, Q4 2020 (compared to Q4 2019)

Unit-sale costs for the Group totalled 409,533 (336,283) TSEK in Q4 2020. Unit-sale costs include content costs to third-party publishers, royalties to rights holders, costs for producing digital books, and cost of goods sold for physical books,

as well as warehouse, distribution, and transaction/payment costs. Unit-sale cost increased 22% Y/Y as a result of increased revenues.

Gross margin increased to approx. 45.5% in Q4 2020, compared to 39.6% in Q4 2019. If the effect of capitalising the internal development work were excluded, the gross margin would have been 39.2%.

Other external costs for the Group during Q4 2020 totalled 204,452 (180,082) TSEK, an increase of 14% Y/Y. The largest cost item under Other external costs is marketing costs. Other significant costs included technology-related services and costs, consultant costs and office leases.

Staffing costs for the Group in Q4 2020 totalled 160,308 (121,089) TSEK, an increase of 32% Y/Y. The main increase relates to staffing costs for Streaming which increased in order to meet the pace of expansion for global functions and employees in new countries. The increase is also explained by staff joining Storytel as a result of the acquisition of Kitab Sawti, Earselect and iCast and costs related to the stock option program, partially because the stock price increased significantly at the end of the year and also that there are two programs running compared to one program in 2019.

EBITDA, Q4 2020 (compared to Q4 2019)

Earnings before interest, taxes, depreciation & amortisation (EBITDA) in the Group in Q4 2020 totalled -22,826 (-81,078) TSEK, equalling an EBITDA margin of -3% (-14.6%). If the effect of capitalising development cost related to the production of digital books and the technical platform were excluded, the EBITDA margin would have been -14.9%.

Earnings, Q4 2020 (compared to Q4 2019)

Earnings for the period amounted to -65,783 (-80,357) TSEK. Earnings per share after taxes in Q4 2020 totalled -1.05 (-1.43) SEK, before and after dilution, and were calculated as earnings for the period after taxes, divided by the average number of shares during the period. Earnings for the period were affected negatively by deferred taxes that were reversed in Q4 2020; see more details under section *Taxes*.

Capital expenditure, depreciation and amortisation Q4 2020 (compared to Q4 2019)

At the end of Q4 2020, the company had intangible assets amounting to 632,461 (270,067) TSEK, whereas the largest items consisted of rights, licences & brands, capitalisation of the IT platform and recording of audiobooks and goodwill. During the period, intangible assets increased by 362,394 TSEK, mainly due to the additional capitalisation of expenses for development work of the technical platform and the digital catalogue of audiobooks and e-books. The acquisitions made during the year contribute to the increase.

Depreciation and amortisation in the Group in Q4 2020 totalled -35,938 (-17,987) TSEK. Depreciation and amortisation primarily include depreciation attributable to goodwill and other excess value identified in connection with acquisitions and amortisation related to the capitalization of development work of the technical platform and the digital catalogue of audiobooks and e-books. All goodwill and excess values are depreciated on a linear basis over five to ten years. Amortisation of goodwill pertaining to acquisitions in currencies other than SEK is affected by FX fluctuations.

Taxes

In Q4 2020, taxes including deferred tax amounted to -951 TSEK. Storytel has made the assessment to record a deferred tax asset related to the main part of historical losses and losses incurred in 2020. An estimated amount has been recorded in previous quarters in 2020, hence the effect is close to zero in Q4 2020.

Group: Financial position as at 31 December 2020 (compared to 31 Dec 2019)

At the end of the period, the Group had 426,219 (365,900) TSEK in cash and cash equivalents.

The equity ratio at the end of the period was 61.9% (26.2%). Equity increased to 1,176,153 (342,200) TSEK, mainly due to the directed share issue and its contribution to equity (after share issue expenses) of 937 MSEK made in 2020.

Non-current liabilities to lending institutions totalled 0 (196,134) TSEK. During 2020 the loan agreement to external banks was amended and the term loan was terminated. The company has a non-utilized revolving credit facility of 500 MSEK.

Cash flow, Q4 2020 (compared to Q4 2019)

Cash flow from operating activities before changes in working capital was -20,853 (-77,924) TSEK and was positively impacted by the reclassification of expenses for development of the technical platform and the digital catalogue of audiobooks and e-books to investing activities. The change in working capital is positive at 9,618 (-10,470) TSEK. Cash flow from investing activities was -132,888 (-7,688) TSEK, and was mainly attributable to the capitalisation of

expenses for the development of the technical platform and the digital catalogue of audiobooks and e-books and the acquisition of iCast Ltd. Cash flow from financing activities amounted to 130 (192,574) TSEK.

Guidance for Q1 2021 and FY 2021

Q1 2021 guidance – Streaming segment

Avg. subscribers Nordics: 954,000

Avg. subscribers Non-Nordics: 588,000

Avg. subscribers Total: 1,542,000

Revenue Nordics: 399,000 MSEK

Revenue Non-Nordics: 115,000 MSEK

Revenue Total: 514,000 MSEK

FY 2021 guidance

Subscribers EoY: 2,100,000–2,200,000

Streaming revenues: 2.4–2.5 BSEK

Group EBITDA margin: negative 0–5%

Consolidated Income Statement (TSEK)

	Oct - Dec 2020	Oct - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Net turnover	662,707	565,037	2,338,228	1,843,267
Change in inventory during production	722	-7,189	4,597	-2,148
Capitalised work for own account	77,741	0	240,392	0
Other operating income	10,298	-1,472	33,285	26,185
Total Group revenue	751,467	556,376	2,616,502	1,867,304
Operating expenses				
Unit-sale costs	-409,533	-336,283	-1,450,796	-1,142,305
Other external costs	-204,452	-180,082	-718,925	-615,678
Staffing costs	-160,308	-121,089	-531,519	-402,622
Total operating expenses	-774,293	-637,454	-2,701,241	-2,160,605
EBITDA	-22,826	-81,078	-84,739	-293,301
Depreciation and amortisation	-35,938	-17,987	-106,946	-67,345
Profit/loss before financial items	-58,764	-99,065	-191,685	-360,645
Profits from associated companies	340	154	424	55
Net financial items	-6,409	-5,486	-19,042	-19,596
Profit/loss before taxes	-64,833	-104,397	-210,303	-380,186
Taxes on profit for the year including deferred taxes	-951	24,041	26,786	67,520
Profit/loss for the period	-65,783	-80,357	-183,516	-312,666

Consolidated Balance Sheet (TSEK)

	31 Dec 2020	31 Dec 2019
Assets		
Intangible assets	632,461	270,067
Tangible assets	24,640	15,309
Non-current financial assets	164,476	129,308
Inventory	53,207	71,873
Current receivables	598,427	453,444
Cash and cash equivalents	426,219	365,900
Total assets	1,899,430	1,305,901
Equity and liabilities		
Share capital	31,273	28,055
Other equity, including profit/loss for the year	1,144,880	314,145
Provisions	65,714	62,236
Non-current liabilities	0	196,134
Current liabilities	657,563	705,331
Total Equity and liabilities	1,899,430	1,305,901

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	634,079
Share issue	122		28,780	28,902
Exchange differences		1,885		1,885
Profit/loss for the current period			-312,666	-312,666
Amount as at 31 Dec 2019	28,055	17,241	296,904	342,200
Share issue	3,218		1,023,461	1,026,679
Employee stock option			11,229	11,229
Warrant premium			11,212	11,212
Exchange differences		-26,409		-26,409
Other changes			-5,243	-5,243
Profit/loss for the current period			-183,516	-183,516
Amount as at 31 December 2020	31,273	-9,168	1,154,048	1,176,153

Condensed Consolidated Cash-Flow Statement (TSEK)

	Oct - Dec 2020	Oct - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Net profit/loss after financial items	-64,833	-104,398	-210,303	-380,186
Adjustments for non-cash items	46,714	22,446	111,320	72,443
Taxes, paid	-2,734	4,027	-10,292	-26,317
Cash flow from operations before changes in working capital	-20,853	-77,924	-109,275	-334,061
Change in working capital	9,618	-10,470	26,423	-6,316
Cash flow from operating activities	-11,235	-88,396	-82,582	-340,377
Cash flow from investing activities	-132,888	-7,688	-385,302	-46,672
Cash flow from financing activities	130	192,574	548,260	168,922
Cash flow for the period	-143,993	96,490	80,106	-218,127
Available funds at beginning of period	581,801	273,211	365,900	582,585
Translation differences in available funds	-11,588	-3,803	-19,787	1,442
Available funds at end of period	426,219	365,900	426,219	365,900

Earnings Per Share

	Oct - Dec 2020	Oct - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Average number of shares	62,545,035	56,109,410	61,425,851	55,927,503
Number of shares at end of period	62,545,035	56,109,410	62,545,035	56,109,410
Earnings per share before and after dilution (SEK)	-1.05	-1.43	-2.99	-5.59

Parent Company Income Statement (TSEK)

	Oct - Dec 2020	Oct - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Net Turnover	-360	1,134	4,717	3,788
Total Group revenue	-360	1,134	4,717	3,788
Operating expenses				
Other external costs	-8,571	-761	-15,994	-5,983
Staffing costs	-1,693	-2,032	-6,156	-6,761
Total operating expenses	-10,263	-2,793	-22,149	-12,744
EBITDA	-10,263	-1,659	-17,433	-8,956
Depreciation and amortisation	-	-	-	-
Profit/loss before financial items	-10,263	-1,659	-17,433	-8,956
Net financial items	501	-9,131	3,192	-9,151
Profit/loss before taxes	-10,123	-10,789	-14,241	-18,106
Appropriations	20,926	-	20,926	-
Taxes on profit for the year including deferred taxes	0	-400	0	-400
Profit/loss for period	10,803	-11,189	6,685	-18,506

Parent Company Balance Sheet (TSEK)

	31 Dec 2020	31 Dec 2019
Assets		
Non-current financial assets	2,572,537	1,505,654
Current receivables	129,774	221,031
Cash and cash equivalents	82,302	140,745
Total assets	2,784,613	1,867,430
Equity and liabilities		
Share capital	31,273	28,055
Other equity, including profit/loss for the year	2,487,680	1,435,663
Non-current liabilities	0	399,882
Current liabilities	265,661	3,830
Total Equity and liabilities	2,784,613	1,867,430

Accounting and valuation principles

This Year-End 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 (K3) and are unchanged from the latest published Annual Accounts apart from the voluntary application of the capitalisation model instead of the expensing model regarding internally developed intangible assets. The accounting and valuation principle are described below.

Amounts are reported in Swedish krona 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.

Starting in Q1 2020, Storytel has chosen to voluntarily apply the capitalisation model instead of the expensing model regarding internally developed intangible assets. The internally developed intangible assets for the Storytel Group consist of capitalised expenses for development of the technical platform and the digital catalogue of audiobooks and e-books. The change in accounting principles will provide a more reliable and relevant result and financial position, providing better visibility into the development work that is performed.

The Group capitalises development expenses only when the following criteria are fulfilled:

- It is technically feasible to complete the intangible asset
- The intention is to complete and use or sell the asset
- There is an ability to use or sell the asset
- It is probable that the asset will generate future economic benefits
- There are technical, financial and other resources to complete and use or sell the asset
- The expenses incurred during the development phase can be measured reliably

The intangible assets are recorded at cost less accumulated amortisation and impairment, if any. The assets are amortised on a straight-line basis over the expected useful life, which is

3–5 years. When there is an indication that the value of the asset is impaired, an impairment test is performed and if the impairment is expected to be permanent the value of the asset is written down to the recoverable amount. The Group reassesses the useful life and amortisation method on a regular basis.

Related expenses are capitalised by recording the corresponding amount as income under “Capitalised work for own account”. In the fourth quarter, the change in accounting principles affected the revenues of the Group by +77.7 MSEK, amortisations by -7.8 MSEK and the internally developed intangible assets by +69.9 MSEK. The EBITDA-margin is -3.0% compared to -14.9% if there had been no change in accounting principles. In accordance with K3, the change has not been applied retrospectively.

Auditor’s review

This Year-End Report has not been reviewed by the auditors of the company.

Number of shares and share capital as at 31 December 2020 (compared to 31 December 2019)

There were 62,545,035 (56,109,410) registered shares in issuance at the end of the period, divided between 635 Class A shares and 62,544,400 Class B shares. Share capital totalled 31,272,517.5 (28,054,705) SEK as at 31 December 2020. On average in Q4 2020 there were 62,545,035 registered shares divided between 635 Class A shares and 62,544,400 Class B shares. The shareholder structure is presented at investors.storytel.com

Dividend

The Board of Directors proposes that no dividends be paid for the 2020 financial year.

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 with Storytel’s international expansion, ability to acquire new customers, ability to innovate, and ability to maintain and develop its content catalogue. A comprehensive risk analysis is available in the company’s most recent annual report and company description.

Post-period activity

No significant events have occurred after the end of the reporting period.

Forthcoming reports

Annual Report 2020	1 April 2021
Interim Report Jan – Mar 2021	7 May 2021
Interim Report Jan – June 2021	6 Aug 2021
Interim Report Jan – Sept 2021	5 Nov 2021

Annual general meeting of shareholders

The annual general meeting of shareholders will be held in Stockholm on 4 May, 2021. More details about time and location will be published on Storytels website closer to the event. The annual report will be published on the company's investor relations website on 1 April, 2021.

Signatures and assurance

The Board of Directors and the Chief Executive Officer offer their assurance that this Year-End 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, 19 February 2021

Rustan Panday
Chairman of the Board

Jonas Tellander
Board Member and CEO

Jonas Sjögren
Board Member

Nils Janse
Board Member

Stefan Blom
Board Member

Malin Holmberg
Board Member

Helen Fasth Gillstedt
Board Member

Get in touch with us at:

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