



Year-End Report

January - December 2017

Storytel AB (publ)



Summary of q4, 2017

Highlights from the past quarter (compared to Q4, 2016)

- ❑ Increased subscription base from 503,900 to 533,400 subscribers (360,200)
- ❑ Increased Streaming-revenue from 197.9 MSEK to 209.2 MSEK (147.4 MSEK)
- ❑ Increased share of international Streaming-revenue from 42.5% to 43.6% (37.9%)
- ❑ Launched Storytel in two new markets, Spain and India; launching on Iceland after end of quarter.
- ❑ Ended a strong year for Print Publishing. Norstedts Förlagsgrupp AB showed a positive operating profit for the third year in a row of ca. 32 MSEK (28 MSEK)

Key figures for the Streaming division and Print Publishing

currency: thousand SEK	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Total: Streaming						Forecast ¹
Revenue	147 399	155 660	167 008	197 881	209 225	220 000
Contribution Profit ²	32 684	32 133	27 847	27 784	30 277	
Contribution Margin	22,2%	20,6%	16,7%	14,0%	14,5%	
Paying subscribers	360,2	381,2	423,2	503,9	533,4	572,0
Subscriber-base change	18,7	21,0	42,0	80,7	29,5	38,6
Streaming, Sweden						
Revenue	91 557	96 177	101 365	113 709	118 038	122 000
Contribution Profit	27 073	32 678	31 257	32 872	38 501	
Contribution Margin	29,6%	34,0%	30,8%	28,9%	32,6%	
Paying subscribers	230,8	241,4	255,8	282,3	292,7	303,0
Subscriber-base change	10,9	10,6	14,4	26,5	10,4	10,3
Streaming, other markets³						
Revenue	55 842	59 483	65 643	84 172	91 187	98 000
Contribution Profit	5 611	-545	-3 410	-5 088	-8 224	
Contribution Margin	10,0%	-0,9%	-5,2%	-6,0%	-9,0%	
Paying subscribers	129,4	139,8	167,4	221,6	240,7	269,0
Subscriber-base change	7,8	10,4	27,6	54,2	19,1	28,3
Print Publishing⁴						
Revenue	189 258	104 137	111 969	132 619	173 832	
Contribution Profit ⁵	74 367	37 543	37 840	47 905	66 854	
Contribution Margin	39,3%	36,1%	33,8%	36,1%	38,5%	

1 Forecast is an approximation based on information available at time of reporting

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

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

4 Print Publishing refers to physical books. People's Press is included in the group from Q2, 2017 — in this table it is included in each quarter, in an attempt to show comparisons. In Group Accounts all acquisitions are included from the acquisition date. Internal transactions have been redacted. Barnens bokklubb not included in table.

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



Comments from the CEO

Storytel's fourth quarter was a strong finish to a strong year in 2017. During the year, our global streaming revenues increased 48% to 730 MSEK. Our global subscriber base also increased 48%, in comparison with the same period in 2016, to an average total of 533,400 subscribers in Q4 2017. All told, our global listeners enjoyed 136 million hours of audiobooks during 2017, of which 37 million hours were produced in-house, up from 28 million hours in 2016.

During the past few years, a number of audiobook streaming services have entered the Swedish market. Nonetheless Storytel has continued growing in Sweden with just over 60,000 subscribers a year, and we forecast the same absolute growth in Sweden during 2018, which is equivalent to a 20% growth rate in a relatively mature market — which demonstrates the potential of the audiobook. The Swedish book market (including physical books) has during recent years been showing healthy growth thanks to Storytel and other streaming services, and grew during 2017 by 4.2 %. The Streaming segment in Sweden grew by 50% during 2017 to 509 MSEK, of which Storytel accounted for 429 MSEK (84% market share). Total turnover for these digital subscription services increased during 2017 by about 170 MSEK, of which Storytel accounted for 106 MSEK.

Profitable, yet growing business in Sweden and Denmark

Our Swedish and Danish operations (including Print Publishing) increased their sales 11% to approximately 1 070 MSEK in 2017, with an EBITDA margin of around 9%. Our goal for Sweden and Denmark is to continue growing, and increase operating margins towards around 15%. During current applied accounting standards, K3, all costs related to production of audiobooks are expensed as they occur, hence not capitalized in the balance sheet.

We've been clear about our strategy of leading each market we establish our service in, and we currently hold this position in Sweden, Denmark, Norway and The Netherlands. We're in second place in Finland and Poland, but aim to lead these markets within a few years. Our new markets Spain, Russia, India and Iceland will together contribute a significant number of new subscribers in 2018. During 2018 we plan to launch our service in six new markets, with the intention of being the initiator in the fast-growth sector.

The accuracy of our economic forecasts in these reports shows we understand each country's markets, as well as how to increase our subscriber base while forging customer loyalty. This

knowledge helps us gauge the need to invest in advertising, according to the maturity stage of each market. In the past we've chosen to start new markets more cautiously, but for 2018 we've chosen a more aggressive strategy for winning new-market subscribers. This is possible due to the comprehensive data Storytel now have collected of which we have gained an understanding of how to scale our business with low or limited risk.

Our goal for streaming is to have 800,000 subscribers in fifteen markets by the end of 2018, as opposed to 550,000 subscribers in nine markets at the end of 2017, an increase of 250,000 subscribers, equivalent to 45% subscriber growth. Our global streaming revenues from 2017 totalled 730 MSEK and our goal for 2018 is 40% growth within this area.

2017 was another fantastic year for Norstedts Förlagsgrupp publishers, with success stories such as Elena Ferrante's highly popular *Naples Quartet* as well as the release of the fifth book about Lisbeth Salander, written by David Lagercrantz. In December Norstedts author Johannes Anyuru won the Swedish Augustpriset literary award for his book *De kommer att drunkna i sina mödrars tårar* (They Will Drown in their Mothers' Tears), which contributed to strong holiday sales. Children's and young-adult publisher Rabén & Sjögren had an excellent year, and contributed positively to the total operating profit of Norstedts Förlagsgrupp AB, approximately 32 MSEK for the publishing group. Digital sales also made an important contribution to profits, where the audiobook is the dominant driver and currently accounts for 12% of the publisher's revenue. Our 2018 goal for Print Publishing (Norstedts Förlagsgrupp publishers and People's Press) is stable revenues of about 500 MSEK, with an operating margin of 6-8%.

During Q4 we developed a plan for Streaming consisting of about twenty prioritized items which are now being implemented in their respective areas. Operations will be made more efficient through improved focus and a clearer division of responsibilities between local teams and our newly formed global units. Our goal is clear, to be the world's leading trademark for storytelling. To reach our goal, we will work in innovative ways while creating value for listeners, as well as Storytel and its shareholders.

With these comments, I've attempted to detail the profitable business we've built up in our home market Sweden, with its stable publishing operations and a streaming service that — thanks to our strong brand and our attractive subscription offer continues to grow despite competition. This proves we are doing things right. Our positive cash-flow from Sweden is re-invested in content and marketing, which benefits publishers, authors, listeners, and our shareholders.

Please continue joining us as an investor (ticker: STORY) and subscriber. Storytel's own story has many chapters left to be written.

Organizational Overview

Storytel consists of two divisions, Streaming and Publishing. The Streaming division offers a subscription service for audiobooks and e-books under the brand names Storytel and Mofibo in Sweden, Denmark, Norway, Finland, The Netherlands, Poland, Russia, Spain, India, and since Q1 2018 also in Iceland. The Streaming division also publishes audiobooks including Storytel Original, mainly through Storyside in Sweden. The Publishing division is comprised of the publishers Norstedts, Massolit, Kontentan, Telegram and Danish People's Press (adult trade); as well as Rabén & Sjögren and B. Wahlströms Bokförlag (children's and young adult) and Norstedts Kartor (maps).

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

StorySide AB is an audiobook publisher which publishes the majority of the works produced by the Storytel group. Earbooks AB owns audiobook rights, but releases no new titles. Barnbolaget i Örebro AB owns audiobook rights connected to the Sune book series and Bert book series. Rubinstein Audio NL BV is an audiobook publisher in The Netherlands and releases all its titles for the Dutch market. Audiobook titles are also released by Massolit, Norstedts, B. Wahlströms, Rabén & Sjögren, and People's Press. Kontenten, a member of the group since February 2017, offers books on management and business, available to Storytel's subscribers under the imprint Storytel Brief. Telegram Förlag publishers was acquired in April 2017, and included rights to 400 journalistic works which will expand Storytel's list of non-fiction and reference titles under the imprint Storytel Dox.

Norstedts Förlagsgrupp AB is a trade-book publisher with fiction and non-fiction titles and books for children and young adults, and which owns the brands Norstedts, Massolit and Rabén & Sjögren. Norstedts Förlagsgrupp AB also includes Barnens Bokklubb (a children's book club) and Norstedts Kartor (which sells maps in various formats, as well as other products, through physical and online retailers). Massolit Förlagsgrupp AB has changed name to Storytel Publishing AB. The only other company currently engaged in similar areas of business as Norstedts Förlagsgrupp AB is B. Wahlströms. People's Press publishes books in Denmark, with a focus on fiction and non-fiction titles.

Financial information

Accounting principles

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

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

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

Statements of Accounts (TSEK)

	Oct. – Dec. Group		Jan. – Dec. Group		Oct. – Dec. Parent Company		Jan. – Dec. Parent Company	
	2017	2016	2017	2016	2017	2016	2017	2016
Operating Revenue								
Net Turnover	365 055	287 298	1 170 861	743 900	698	534	2 748	1 606
Change in inventory during production	1 405	-2 048	-1 049	-5 510	-	-	-	-
Sum of profits/losses from associated companies	272	-736	-	-951	-	-	-	-
Other revenue	13 423	10 440	29 401	13 555	-	51	-	51
Total Group revenue	380 155	294 954	1 199 213	750 994	698	585	2 748	1 657
Operating expenses								
Unit-sale costs	-212 366	-155 974	-692 576	-431 937	-	-	-	-
Other external costs	-103 414	-66 435	-310 546	-149 946	-954	-996	-2 666	-2 943
Staffing costs	-62 889	-52 889	-207 378	-115 426	-1 291	-794	-3 387	-1 783
Earnings before depreciation	1 486	19 656	-11 287	53 685	-1 547	-1 205	-3 305	-3 069
Depreciation	-16 769	-15 901	-55 659	-28 186	-	-	-	-
Earnings before financial items	-15 283	3 755	-66 946	25 499	-1 547	-1 205	-3 305	-3 069
Profits from associated companies	289	-	-29	-	-	-	-	-
Profits from group companies	-	-	-	-	-	-	9 500	-
Net financial items	-5 054	-1 279	-15 988	-4 951	-859	-464	-3 953	-1 699
Earnings before taxes	-20 048	2 476	-82 963	20 548	-2 406	-1 669	2 242	-4 768
Group contributions	-	-	-	-	-	4 485	-	4 485
Deferred taxes	9 062	11 425	11 906	11 425	1 500	-	1 500	-
Taxes on year's profits	376	-4 815	-1 081	-8 489	-	8	-	-
Earnings/losses for period	-10 610	9 086	-72 138	23 484	-906	2 824	3 742	-283

Balance Sheet (TSEK)

	Group		Parent Company	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Assets				
Intangible assets	304 393	236 201	-	-
Tangible assets	3 588	2 834	-	-
Non-current financial assets	23 948	32 399	868 619	752 659
Inventory	65 631	65 470	-	-
Current receivables	300 887	257 828	95 974	26 487
Liquid assets and short-term investments	250 974	129 561	111 169	33 365
Total assets	949 421	724 293	1 075 762	812 511
Equity and liabilities				
Share-capital	25 759	23 924	25 759	23 924
Other Equity, including current year's profits/losses	317 814	148 548	948 019	710 459
Provisions	61 892	54 629	-	-
Long-term liabilities	127 962	155 161	101 000	65 280
Short-term liabilities	415 994	342 031	984	12 848
Total Equity and liabilities	949 421	724 293	1 075 762	812 511

Changes in Equity (TSEK), Group

	Share-capital	Reserves	Equity + current year's profit	Total Equity
Opening balance 2017-01-01	23 924	2 996	145 552	172 472
New stock offering	1 835	-	239 462	241 297
Costs, new stock offering	-	-	-5 645	-5 645
Translation differences	-	7 587	-	7 587
Current year's profit	-	-	-72 138	-72 138
Ending balance 2017-12-31	25 759	10 583	307 231	343 573

Cash-Flow analysis (TSEK), Group

	2017	2015
Net earning/losses after financial items	-82 963	20 548
Adjustments for items not included in cash-flow	65 076	31 601
Taxes, paid	-10 660	-1 481
Cash-flow from operations, before changes in working capital	-28 547	50 668
Cash-flow from changes in working capital	44 179	1 544
Cash-flow from operating business	15 632	52 212
Cash-flow from investment activities	-70 464	-209 809
Cash-flow from financial operations	176 028	246 116
Cash-flow, current year	121 196	88 519
Available funds, beginning of year	129 561	41 495
Translation differences in available funds	-1 625	-453
Available funds, end of year	249 132	129 561

Revenues and profits for the period (compared to Q4, 2016)

Net turnover for the group in Q4, 2017 totalled 365,055 (287,298) TSEK. Within the Streaming division, Sweden accounted for approximately 56.4% (62.1%) and foreign markets for approximately 43.6% (37.9%). Storytel A.S in Norway is a Joint Venture together with Cappelen Damm and is reported according to the principle of proportional consolidation. The table on page two includes all subscribers and revenue in Norway, listed under Streaming, other markets, which is why revenues listed in the table on page two are higher than for the group report, in order to provide a more accurate sense of revenue per subscriber.

Q4, 2017 unit-sale costs for the group totalled 212,366 (155,974) TSEK. Unit-sale costs include costs for producing audiobooks, the cost of goods sold of physical books, warehouse and distribution costs, as well as royalty payments to other publishers and rights owners. The contribution margin totalled app. 41.8% in Q4, 2017, compared to 40.9% during the entire year.

Other external costs for the group during Q4, 2017 totalled 103,414 (66,435) TSEK. The greatest cost under Other external costs consists of marketing costs. During Q4, 2017, Storytel had launched its service in nine markets (as compared to six markets during Q4, 2016) which required greater investments in marketing. Other significant costs included office leases, IT related services and costs, and consultants.

Staffing costs for the group in Q4, 2017 totalled 62,889 (52,889) TSEK. Staffing costs within the Publishing division are at a stable level, while Streaming has experienced increased costs in order to meet the needs of our pace of expansion.

Earnings before depreciation in the group in Q4, 2017 totalled 1,486 (19,656) TSEK. This dip in profits compared with Q4, 2016 can primarily be linked to higher marketing costs incurred in connection with the nine countries Storytel now operates in, and the fact that marketing costs are normally higher the first few years. Compared to other quarters in 2017 the group has performed better, largely due to Print Publishing, which has contributed with strong profits. This is primarily a result of Norstedts Förlagsgrupp AB, which contributed with an operating profit of circa 32 MSEK in 2017.

Depreciation primarily includes depreciation attributable to goodwill and other extra value identified in connection with acquisitions. The largest asset items are connected to the acquisition of Norstedts and Mofibo, and People's Press. Other depreciation primarily concern the purchasing and development of IT-systems.

Financial items includes both interest income and interest expenses, as well as realized and unrealized exchange differences. Interest costs from bank loans total app. 2 MSEK for Q4, 2017.

Earnings per share, after taxes, in Q4, 2017 totalled – 0.21 SEK, calculated as earnings for the period after taxes, divided by the average number of shares during the period. Earnings per share for the year as a whole totalled –1.46 SEK.

Group: Financial position and cash flow as of December 31st, 2017 (compared to Dec. 31st, 2016)

At the end of the period, the group had 250,974 (129,561) TSEK in liquid assets. Solvency was 36.2% (23.8%). Equity totaled 343,573 (172,472) TSEK. In September 2017, Storytel completed a targeted stock offering which added just over 200 MSEK in equity, before transactions fees.

Non-current liabilities to loaning institutions totaled 127,962 (155,161) TSEK. We started to amortize these loans during 2017; the portion that will be amortized during the next twelve months is considered short-term liabilities and totals app. 46 MSEK. Acquisition loans during 2017 totalled 20 MSEK, and were used to partially finance the purchase of People's Press.

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

There were 51,517,307 registered shares in issuance at the end of the period, divided between 635 A-shares and 51,516,672 B-shares. Share-capital totaled 25,758,653.5 SEK as of December 31st, 2017.

Post-period activity

On February 20th, 2018 Storytel went online in its tenth market, Iceland.

Date of next report

The interim report for January–March 2018 will be released on the 15th of May, 2018.

Årsstämma

The annual meeting of shareholders will be on May 15th, 2018, in Stockholm, Sweden. The annual accounts, and annual group accounts, will be made available on April 15th, 2018.

Dividends

The Board of Directors suggests no dividends be paid for the 2017 financial year.

Stockholm, February 26th, 2018

Rustan Panday
Chair of the Board of Directors

Jonas Tellander
Board Member and CEO

Jonas Sjögren
Board Member

Nils Janse
Board Member

Stefan Tegenfalk
Board Member

Ingrid Bojner
Board Member

Karin Alexandersson
Board Member, staff representative

Get in touch with us at:

Storytel AB (publicly traded)

- Mailing address: Box 24167, 104 51 Stockholm
- Offices: Tryckerigatan 4, 111 28 Stockholm
- Phone: +46 70 261 61 36
- E-post: investorrelations@storytel.com
- Webbplats: www.storytel.com, www.storytel.co

For more information, please contact:

Jonas Tellander, CEO: +46 70 261 61 36

Sofie Zettergren, CFO: +46 70 509 98 08