

Interim Report

January-March 2022
Storytel AB (publ)



Highlights

Financial Highlights

- Streaming revenue up 35% from Q1 2021 to 699 (517) MSEK, 33% with constant exchange rates
- Group Net sales increased by 27% from Q1 2021 to 747 (588) MSEK
- Gross profit of 288 (219) MSEK
- Gross profit excluding items affecting comparability of 300 (219) MSEK
- EBITDA of -149 (-28) MSEK equaling a -19.9% (-4.8%) margin
- EBITDA excluding items affecting comparability of -33 (-28) MSEK equaling a -4.4% (-4.8%) margin
- Basic and diluted earnings per share amounted to -3.43 (-1.01) SEK
- First quarterly report post transition to function-based income statement and IFRS

Other Highlights

- Jonas Tellander stepped down as CEO – replaced by Ingrid Bojner as Acting CEO
- Storytel completed the acquisition of U.S. streaming service Audiobooks.com
- Storytel announced decision to implement operational pause in Russia
- An Extra General Meeting was held at which Hans-Holger Albrecht was appointed Chair of the Board, replacing Stefan Blom who stepped down
- Claus Wamsler-Nielsen appointed COO, Åse Ericson appointed CBO Nordics and Susanne Ekblom appointed interim CFO – all joined the management team
- Storytel initiated a reorganization resulting in approximately 100 employees leaving the Company

Table 1: Key Performance Indicators

| TSEK | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------------------|
| Streaming Total¹ | | | | | | Forecast |
| Revenue | 517,075 | 545,451 | 583,084 | 605,128 | 698,599 | 698,000-705,000 |
| Gross Profit | 192,506 | 209,529 | 233,287 | 220,003 | 283,868 | |
| Gross Margin | 37.2% | 38.4% | 40.0% | 36.4% | 40.6% | |
| Avg. Paying Subscribers ² | 1,540,600 | 1,626,900 | 1,724,000 | 1,784,600 | 2,051,000 | |
| ARPU | 112 | 112 | 113 | 113 | 114 | |
| Streaming Nordics¹ | | | | | | |
| Revenue | 401,834 | 423,323 | 447,199 | 459,018 | 458,555 | 472,000-474,000 |
| Gross Profit | 151,715 | 161,457 | 179,074 | 171,791 | 165,788 | |
| Gross Margin | 37.8% | 38.1% | 40.0% | 37.4% | 36.2% | |
| Avg. Paying Subscribers | 957,500 | 983,600 | 1,024,000 | 1,047,900 | 1,061,000 | |
| ARPU | 140 | 143 | 146 | 146 | 144 | |
| Streaming Non-Nordics | | | | | | |
| Revenue | 115,240 | 122,128 | 135,885 | 146,110 | 240,044 | 226,000-231,000 |
| Gross Profit | 40,791 | 48,073 | 54,213 | 48,212 | 118,080 | |
| Gross Margin | 35.4% | 39.4% | 39.9% | 33.0% | 49.2% | |
| Avg. Paying Subscribers | 583,100 | 643,300 | 700,000 | 736,700 | 990,000 | |
| ARPU | 66 | 63 | 65 | 66 | 81 | |
| Books | | | | | | |
| Revenue | 125,189 | 149,962 | 180,116 | 204,316 | 149,305 | |
| Gross Profit | 65,551 | 85,866 | 119,054 | 128,737 | 84,399 | |
| Gross Margin | 52.4% | 57.3% | 66.1% | 63.0% | 56.5% | |
| Group total³ | | | | | | |
| Revenue | 587,936 | 611,202 | 680,855 | 740,805 | 747,170 | |
| Gross Profit | 219,113 | 232,135 | 279,882 | 281,977 | 288,498 | |
| Gross Margin | 37.3% | 38.0% | 41.1% | 38.1% | 38.6% | |
| Revenue Growth YoY | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 |
| Streaming Total¹ | | | | | | Forecast⁴ |
| Reported Revenue | 20.5% | 18.8% | 18.9% | 20.2% | 35.1% | 28.0%-29.3% |
| Revenue – CER | 26.5% | 22.2% | 19.6% | 19.8% | 32.6% | 24.7%-26.0% |
| Streaming Nordics¹ | | | | | | |
| Reported Revenue | 14.9% | 15.6% | 13.4% | 14.9% | 14.1% | 11.5%-12.0% |
| Revenue – CER | 18.0% | 16.5% | 13.3% | 13.7% | 11.0% | 8.2%-8.7% |
| Streaming Non-Nordics | | | | | | |
| Reported Revenue | 45.0% | 31.6% | 41.9% | 40.7% | 108.3% | 85.1%-89.1% |
| Revenue – CER | 63.6% | 45.1% | 46.0% | 43.3% | 107.9% | 81.8%-85.9% |
| Books | | | | | | |
| Reported Revenue | 9.1% | 18.3% | 19.8% | 3.5% | 19.3% | |
| Revenue – CER | 12.1% | 20.1% | 19.8% | 3.8% | 17.8% | |

¹ Storytel Norway is included in the figures @ 100%.

² The definition of paying subscribers has been adjusted in the first quarter to include all subscribers, whereas heavily discounted subscribers were previously excluded (previously included in revenue, hence no revenue impact, adding approximately 14,300 subscribers).

³ In the consolidated accounts, Norway is reported in accordance with the equity method. 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. Please see Note 5 for additional details.

⁴ Excluding Russia, total streaming revenue growth at 31-33%.



Letter to Our Shareholders

Dear Shareholders,

Last year, Storytel pivoted and calibrated its strategy, directing focus and investments towards the more mature audiobook markets with the highest customer demand in the near-term – countries that in 2021 represented about 95% of Storytel's streaming revenues and just over 85% of our revenue growth. This will allow Storytel to maintain and develop its leading role in the expansive and global audiobook arena.

A major strategic springboard into 2022 was the completion of the acquisition of the US streaming service Audiobooks.com on January 7, confirming our strategy. I am proud to state that Audiobooks.com contributed considerably to Storytel's 35% revenue growth compared to Q1 2021, significantly impacting both ARPU and revenue in our Non-Nordics segment. Additionally, the acquisition allowed Storytel to pass the milestone of two million paying subscribers during the first quarter of 2022.

Both the Nordics and the Non-Nordics posted healthy organic growth during the quarter, and the segments are currently very close to having an equal number of subscribers. In terms of revenue, the Nordics segment is still larger due to its higher ARPU levels.

Turmoil in the world is causing new complexity and uncertainty for many businesses and we follow the developments closely. Storytel's decision to pause its operations in Russia due to the war in Ukraine, naturally impacts our results negatively, starting in Q1 when the process was initiated. Although we expect no significant impact on the Group EBITDA margin, we acknowledge that the absence of Russia will affect streaming revenue growth negatively in 2022. Storytel's total streaming revenue grew within the guided range in Q1 and we remain

committed to deliver a streaming revenue growth within the communicated target range of 30–34%, excluding Russia.

My announcement in mid-March regarding the restructuring of Storytel’s streaming organization, was an emotional but undoubtedly necessary next step in the implementation of our calibrated strategy. With this step we consolidate and focus our critical skills, investments and resources to priority areas and create a platform for accelerated growth. Our target of right-sizing and reducing the streaming organization by approximately 100 employees was completed in Q1.

While it may be true that stories cannot solve geopolitical instability, research suggests that seven out of ten audiobook listeners feel that listening to stories reduces anxiety and has a positive effect on well-being. A few weeks after Storytel communicated that it intended to pause its activities in Russia, we launched a web platform with Ukrainian bedtime stories and fairytales specifically customized to provide comfort to refugee families. Proximity to our customers and the customers’ needs – “anywhere and any time” – is rooted in our vision and key both for our success and for contributing to the well-being of our fellow humans.

Ingrid Bojner
Acting CEO

Forecast

As stated in Table 1, streaming revenue for Q2 2022 is forecasted at 698-705 MSEK.

| Q2 2022 | Revenue (TSEK) |
|----------------|------------------------|
| Nordics | 472,000-474,000 |
| Non-Nordics | 226,000-231,000 |
| Total | 698,000-705,000 |

The FY 2022 streaming revenue target is 30-34% growth, including the acquisition of Audiobooks.com, and excluding Russia. Additionally, a Group EBITDA margin in the range of -3% to 0% is forecasted.

Product, Platform and Partnerships

To deliver a relevant experience to our diverse set of customer preferences, personalization and algorithmic-driven recommendations play an ever-important role. In Q1, Storytel launched several initiatives to improve book discovery. A new version of our machine learning-powered search engine updated the Search function, resulting in a positive uplift in key search ranking KPIs on a global scale. The latest iteration of the AI-powered list generator on the homepage increased the share of consumption from books on personalized lists by ~20%. General improvements in the user experience have resulted in up to ~15% improvement in the rate of books added to the bookshelf (“book shelving rate”), indicating better relevance.

One focus area is to enrich the Storytel catalog metadata to improve recommendations. One example in Q1 was the added support for narrators' dialects, highly requested by the Spanish-speaking markets, as well as globally. It enables a better ability to recommend and serve books in line with the customers' preferences resulting in a higher book completion rate. Dialect meta-data also feeds into the personalization algorithms delivering better recommendations over time.

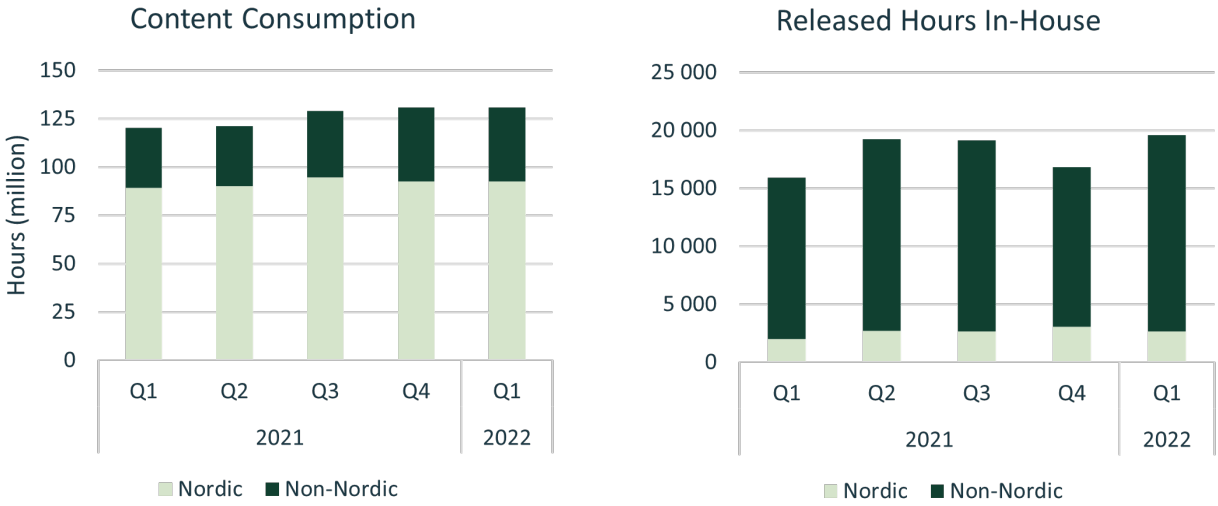
During the quarter, Storytel strengthened its relationship with Google's Play Media Experience Program. In line with our commitment to deliver a fantastic listening experience within Google's ecosystem, Storytel launched the Android Automotive.

Storytel customers continue to enjoy the service and AppStore and Google Play ratings continue to increase. AppStore ratings in Q1 were 4.68 compared to 4.65 in Q4 and Play Store showed the highest ratings since 2017, at 4.38, compared to 4.25 in Q4. These positive developments are despite an increased share of negative Russian ratings due to the operational pause.

Content

Consumption in the Storytel service amounted to 161 million hours in Q1 2022, compared to 120 million hours in Q1 2021, and excludes the recent acquisition of Audiobooks.com, where total consumption for the quarter was 3.5 million hours.

In Q1 2022, Storytel released 19,600 hours of audio content that was produced in-house. In 2022, the number of hours produced will decrease since the focus on Original content and bestsellers is increasing to further strengthen the catalog across all languages.



In Q1, Storytel acquired the rights to continue the Swedish crime series about the popular character Christopher Silfverbielke by Dan Buthler and Dag Öhrlund, initially released 15 years ago. The series has already been translated into Danish, Norwegian, Finnish, German and Dutch, and through this new deal, Storytel will be able to continue the series with audio productions by new creators and bring the existing books into new markets and additional languages. The planned release is in 2023.

At the end of 2021, Storytel released the first book in the Korean edition of Harry Potter, which in Q1 2022 accounted for as much as 44% of local consumption, illustrating the importance of bestsellers such as Harry Potter and the impact on awareness and subscriber intake, which is improved significantly compared to the same period last year.

People, Culture and Sustainability

In Q1, Jonas Tellander informed the Board of his decision to step down as CEO. Ingrid Bojner replaced him as the Acting CEO. She has been instrumental in the company’s development in recent years and is a proven leader with a strong track record. Additionally, in Q1, Claus Wamsler-Nielsen and Åse Ericson also joined the management team in Q1 as COO and CBO Nordics, respectively, and Susanne Ekblom was appointed interim CFO for Sofie Zettergren, who went on maternity leave in early Q2.

In line with the strategic shift to focus on more mature markets, Storytel announced the start of a reorganization through which approximately 100 employees will leave the company. This process aims to make the company more effective and dynamic, focusing on significant growth initiatives in our prioritized markets. This is in line with the communicated financial targets for 2022 and ensures Storytel's position as a global leader in the growing audiobook market.

Storytel aims to remain an attractive employer and, according to the 2022 edition of the PR Barometer®, northern Europe's largest communications survey that measures journalists' perceptions of organisations' and businesses' PR activities and their general media profile, Storytel is currently ranked #3 among audio and visual media companies in the category "General image" including "Attractive place to work". As we slowly move out of the COVID-19 pandemic, Storytel is embracing the hybrid work model.

As part of its Annual Report for 2021, which was published on April 4, Storytel also published its Sustainability Report for 2021, which presents the carbon footprint for the Storytel Group in accordance with the Greenhouse Gas Protocol. Storytel also submitted a letter of commitment to the Science Based Targets initiative (SBTi), in which Storytel set ambitious climate goals in line with the Paris Agreement for the next 24 months, with the long-term goal of net-zero emissions well before 2050.

Financial Performance

Gross profit, Q1 2022

Net Sales in Q1 2022 increased by 27% compared to the first quarter in 2021 and totaled 747.2 (587.9) MSEK. The increase is primarily driven by the acquisition of Audiobooks.com, solid growth in the Nordics, as well as the acquisition of publishing house Lind & Co in Q2 2021.

Cost of Sales in Q1 2022 totaled -458.7 (-368.8) MSEK. Cost of sales includes content cost and royalties as well as personnel, overhead and amortization associated with the acquisition, production and publishing of books. The increase is largely driven by continued expansion and growth initiatives in 2021, as well as the recent acquisition of Audiobooks.com. The quarter includes items affecting comparability totaling -11 MSEK.

Gross profit amounted to 288.5 (219.1) MSEK, which equals a Gross margin of 38.6% (37.3%). Gross profit excluding items affecting comparability for the period amounted to 299.5 (219.1), equaling a Gross margin of 40.1% (37.3%). The improvement is to a large extent driven by the acquisition of Audiobooks.com.

Operating profit, Q1 2022

Sales and marketing expenses totaled -294.5 (-198.6) MSEK in Q1 2022. The increase stems from continued investments in the top markets as well as the recent acquisition of Audiobooks.com. It is largely driven by advertising, marketing and PR as well as related personnel. Sales and marketing expenses also include amortization of trademarks. The quarter includes items affecting comparability totaling -19.5 MSEK.

Technology and development expenses, which consist of payroll costs and costs associated with IT and the development of products for the Storytel technical platforms, as well as amortization, totaled -96.3 (-42.6) MSEK. The increase compared to Q1 2021 is largely derived from amortization of continued investments in the Storytel technical platform. The quarter includes items affecting comparability totaling -43.3 MSEK.

General and administrative expenses totaled -129.7 (-43.0) MSEK. This includes general growth in administrative personnel such as management, finance, HR and legal departments. It also includes other general corporate expenses, such as professional service fees and transaction fees. General and administrative expenses also include depreciation of office equipment. The quarter includes items affecting comparability totaling -59.7 MSEK.

Total items affecting comparability for the quarter totaled -133.5 MSEK, allocated to the strategic shift and reorganization at -71.5 MSEK, costs in relation to operationalizing the pause in Russia at -45.1 MSEK, transaction fees in connection with the acquisition of Audiobooks.com at -8.6 MSEK, and severance pay for Jonas Tellander at -8.3 MSEK.

Operating profit for the quarter totaled -226.9 MSEK (-63.0). Operating profit excluding items affecting comparability for the period amounted to -93.4 MSEK (-63.0).

EBITDA, Q1 2022

EBITDA in Q1 2022 totaled -148.5 (-28.0) MSEK, which equals an EBITDA margin of -19.9% (-4.8%). EBITDA excluding items affecting comparability for the period amounted to -32.9 (-28.0) MSEK which corresponds to a margin of -4.4% (-4.8%).

Profit before tax for the period, Q1 2022

Profit before tax for the period amounted to -233.3 (-66.1) MSEK.

Net financial items for the quarter totaled -6.4 (-3.2) MSEK. The increased interest expense relates to the 500 MSEK bridge loan and the partial utilization of the RCF at 450 MSEK in connection with the acquisition of Audiobooks.com.

Taxes for the quarter amounted to 0.9 (1.4) MSEK.

Earnings per share in Q1 2022 totaled -3.43 (-1.01) 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.

Financial position, equity & liquidity (compared to December 31, 2021)

At the end of the period, the Group had 447,6 (905,9) MSEK in cash and cash equivalents. The equity-to-asset ratio at the end of the period was 42.3% (63.5%).

Total Equity for the quarter was 1,705.7 (1,910.6) TSEK, where the main negative driver is the negative profit for the period.

Non-current liabilities totaled 888,707 (256.5) MSEK. The company has a revolving credit facility of 850 MSEK, of which 450 MSEK is utilized. Current liabilities amounted to 1,438.1 (841.5) MSEK and includes a bridge loan facility of 500 MSEK which was utilized during the quarter in connection with the acquisition of Audiobooks.com.

Cash flow, Q1 2022

Cash flow from operating activities before changes in working capital was -135.2 (-38.5) MSEK. The change in working capital was 45.0 (21.0) MSEK. Cash flow from investing activities was -950.7 (-90.4) MSEK and was mainly attributable to the acquisition of Audiobooks.com, partly financed by a newly issued 500 MSEK bridge loan.

Parent Company

Storytel AB is the Group's parent company and is responsible for Group-wide management, administration and financing.

Net sales for the Parent Company amounted to 5.8 (0.6) MSEK. Profit before tax amounted to 1.4 (2.0) MSEK, and net income for the period amounted to 1.4 (2.0) MSEK. The condensed income statement and balance sheet for the Parent Company are presented on page 23.

Risks and Uncertainty Factors

Significant risks and uncertainties exist for the Group. As noted in the Annual Report, these factors include the prevailing economic and business environments in each of the Group's markets; commercial risks related to expansion into new territories; political and legislative risks related to changes in rules and regulations in the various territories in which the Group operates; exposure to foreign exchange rate movements; changes in the ability to access capital markets; and the emergence of new technologies and competitors. The COVID 19 pandemic has transitioned into a new and improved phase, although there is still a risk that it could create continued uncertainty. More recently, we have seen inflationary pressures which could affect the purchasing power of our consumers, and thus in the long term also their willingness and ability to remain as subscribers. Furthermore, the short- and long-term effects of current and potential future sanctions on Storytel's ability to run its operations in Russia remain difficult to quantify given the uncertainty. Management's best estimate of the cost incurred to minimize the exposure from its Russian operations per Q1 is 45.1 MSEK which has been recorded as an expense. In 2021, Russia accounted for 3 percent of streaming revenue, however it is currently difficult to quantify the total effect on streaming revenue for the full year 2022.

Stockholm, May 5 2022

Ingrid Bojner

Acting CEO

Financial Statements Summary

Group

Condensed Income Statement

| TSEK | Q1 2022 | Q1 2021 | Q1-Q4 2021 |
|---|-----------------|----------------|------------------|
| Net sales | 747,170 | 587,936 | 2,620,797 |
| Cost of Sales | -458,672 | -368,823 | -1,607,690 |
| Gross profit/loss | 288,498 | 219,113 | 1,013,107 |
| Sales and marketing expenses | -294,480 | -198,582 | -957,338 |
| Technology and development expenses | -96,342 | -42,572 | -206,913 |
| General and administrative expenses | -129,684 | -42,965 | -221,372 |
| Other operating income | 5,958 | - | 17,554 |
| Profit from participations in associates | -869 | 2,034 | 4,208 |
| Operating profit | -226,919 | -62,972 | -350,754 |
| Net financial items | -6,413 | -3,145 | -1,570 |
| Profit/loss before taxes | -233,332 | -66,117 | -352,324 |
| Tax | 876 | 1,404 | -20,761 |
| Profit/loss for the period | -232,456 | -64,713 | -373,085 |
| Profit for the period attributable to: | | | |
| Parent Company shareholder | -233,940 | -64,713 | -381,587 |
| Non-controlling interest | 1,484 | - | 8,502 |
| | -232,456 | -64,713 | -373,085 |
| Earnings per share, SEK | | | |
| Group total, basic | -3.43 | -1.01 | -5.68 |
| Group total, diluted | -3.43 | -1.01 | -5.68 |
| Statement of comprehensive income | | | |
| Profit/loss for the period, after tax | -232,456 | -64,713 | -373,085 |
| Other comprehensive income | | | |
| <i>Items that will be reclassified to profit/loss (after tax)</i> | | | |
| Translation difference | 17,370 | 7,001 | 8,626 |
| <i>Items that will not be reclassified to profit/loss (after tax)</i> | | | |
| Revaluation of defined-benefit pension plans | | 2,369 | -389 |
| Revaluation of hedging instruments | 8,580 | - | -10,031 |
| Total other comprehensive income for the period, after tax | 25,950 | 9,370 | -1,794 |

| | | | |
|---|----------|---------|----------|
| Total comprehensive income for the period, after tax | -206,506 | -55,343 | -374,879 |
| Total comprehensive income for the period attributable to: | | | |
| Parent Company shareholder | -207,990 | -55,343 | -383,381 |
| Non-controlling interest | 1,484 | - | 8,502 |

Group

Condensed Consolidated Statement of Financial Position

| TSEK | 31 Mar 2022 | 31 Mar 2021 | 31 Dec 2021 |
|-------------------------------------|--------------------|--------------------|--------------------|
| Intangible assets | 2 537,076 | 710,076 | 1,063,145 |
| Tangible assets | 29,954 | 28,605 | 27,675 |
| Right-of-use assets | 122,350 | 130,968 | 131,421 |
| Non-current financial assets | 93,642 | 74,596 | 46,114 |
| Inventory | 82,968 | 58,939 | 65,662 |
| Current receivables | 718,905 | 513,764 | 768,820 |
| Cash and cash equivalents | 447,627 | 1,407,209 | 905,882 |
| Total assets | 4,032,522 | 2,924,157 | 3,008,720 |
| Equity | 1,705,678 | 2,060,953 | 1,910,603 |
| Non-current liabilities | 888,707 | 256,486 | 256,642 |
| Current liabilities | 1,438,136 | 606,721 | 841,475 |
| Total equity and liabilities | 4,032,522 | 2,924,157 | 3,008,720 |

Condensed Statement of Changes in Equity

| | Q1 2022 | Q1 2021 | Q1-Q4 2021 |
|---|------------------|------------------|------------------|
| Opening equity for the period | 1,910,603 | 955,607 | 955,607 |
| Profit for the period | -232,456 | -64,713 | -373,085 |
| Non-controlling interest | | | 65,340 |
| <i>Other total comprehensive income for the year:</i> | | | |
| Translation difference | 17,370 | 7,001 | 8,626 |
| Revaluation of defined-benefit pension plans | | 2,369 | -389 |
| Hedge accounting | 8,580 | | -10,031 |
| Transfer of cash flow hedge to business combinations | 1,451 | | |
| <i>Transactions with owners:</i> | | | |
| Share issue | | 1,157,198 | 1,241,598 |
| Employee stock option | 129 | 3,491 | 15,939 |
| Warrant premium | | | 6,998 |
| Closing equity for the period | 1,705,678 | 2,060,953 | 1,910,603 |

Group

Condensed Cash Flow Statement

| TSEK | Q1 2022 | Q1 2021 | Q1-Q4 2021 |
|--|-----------------|------------------|-----------------|
| Net profit/loss after financial items | -233,332 | -66,117 | -352,326 |
| <i>Whereof interest paid</i> | -8,822 | -2,643 | -3,849 |
| Adjustments for non-cash items | 101,010 | 25,771 | 194,613 |
| Taxes paid | -2,853 | 1,872 | -17,286 |
| Cash flow from operations before changes in working capital | -135,175 | -38,473 | -174,999 |
| Change in working capital | 44,996 | 20,965 | -43,701 |
| Cash flow from operating activities | -90,179 | -17,508 | -218,700 |
| Cash flow from investing activities | -950,680 | -90,354 | -371,319 |
| Cash flow from financing activities* | 571,758 | 1,149,063 | 1,131,569 |
| Cash flow for the period | -469,101 | 1,041,202 | 541,550 |
| Available funds at the beginning of period | 905,882 | 361,646 | 361,646 |
| Cash flow for the period | -469,101 | 1,041,202 | 541,550 |
| Translation differences in available funds | 10,847 | 4,362 | 2,686 |
| Available funds at end of period | 447,627 | 1,407,209 | 905,882 |

*Cash flow from financing activities in Q1 consists of the new loan raised for the acquisition of Audiobooks.com, amortization of lease liabilities and amortization of external debt in the acquired company Audiobooks.com.

Note 1 Accounting and Valuation Principles

This interim report includes the Swedish Parent Company Storytel AB (publ), CIN 556575-2960, and its subsidiaries. Storytel is one of the world's largest streaming services for audiobooks and e-books and has more than 700,000 titles in the service globally. Our vision is to make the world a more empathetic and creative place through fantastic stories that can be shared and appreciated by anyone, anywhere and at any time. The Streaming operations within Storytel Group take place under the brands Storytel, Mofibo and Audiobooks.com. The publishing business is managed by Storytel Books and the audiobook publisher StorySide. Storytel Group is present in over 25 markets. The Parent Company is a limited liability company with its registered office in Stockholm, Sweden. The address of the head office is Tryckerigatan 4, 111 28 Stockholm, Sweden.

Storytel applies the International Financial Reporting Standards (IFRS) as they have been adopted by the EU. This consolidated interim report was prepared in accordance with IAS 34 Interim Financial Reporting, recommendation RFR 1 issued by the Swedish Financial Reporting Board, and the Annual Accounts Act (1995:1554), where applicable. Storytel's 2021 Annual Report was the company's first financial statement in accordance with IFRS. In previous interim reports, the Group applied BFNAR 2012:1 Annual Report and Consolidated Financial Statements (K3).

The interim report for the Parent Company was prepared in accordance with Chapter 9 of the Annual Accounts Act (Interim Report) and recommendation RFR 2 issued by the Swedish Financial Reporting Board. The same accounting principles, bases for calculation and assessments were applied to the Group and the Parent Company as in the most recent annual report. A detailed description of the Group's other applied accounting principles and new and pending standards is included in the most recently published Annual Report. In addition to those included in the Annual Report, the Group has per Q1 recorded a restructuring provision related to the communicated reorganization of Storytel. Restructuring provisions are recorded when the Group has adopted a formal or informal plan for the restructuring, and either communicated the main impact to those included in the restructuring or begun the implementation thereof. The provision includes estimated costs for personnel reductions as well as any other direct costs related to the reorganization. Most of the provision is expected to be consumed during 2022. The reorganization also includes write-downs of some technological assets which are not included in the provision amount. There are no new IFRS standards or amendments of existing IFRS standards during 2022 that are estimated to have a material impact on the result and financial position of Storytel.

Disclosures pursuant to IAS 34.16A are also presented in the financial statements and related notes in the interim disclosures on pages 9-11, which is an integral part of this financial statement.

All amounts in this statement are stated in thousands of Swedish krona (TSEK) unless otherwise specified. Differences in rounding may occur.

Note 2 Significant estimates and judgements

When preparing the financial statements, the company's management and the Board must make certain assessments and assumptions that affect the carrying amounts of asset and liability items and income and expense items, respectively, as well as other information provided. The assessments are based on experiences and assumptions that the management and the Board deem to be reasonable given the prevailing circumstances. Actual outcome may then differ from these assessments if other conditions arise. The estimates and assumptions are evaluated on an ongoing basis and are not considered to entail any material risk of significant adjustments in the reported values of assets and liabilities during subsequent periods. Changes in estimates are reported in the period in which the change is made if the change has only affected this period, or in the period in which the change is made and future periods if the change affects both the current period and future periods. In Q1, the Group recorded a restructuring provision related to the communicated reorganization aimed to make the company more effective and dynamic, focusing on significant growth initiatives in prioritized markets. The amounts represent management's best estimates of the expected cost to be incurred as a result of the Group's reorganization plan and includes estimated personnel cost for redundancies in affected business areas and Storytel markets as well as the impact from the reorganization on the Group's technological assets. Any changes to these estimates will be reflected in the Group financial statements as soon as they are known.

For other significant estimates and judgements, please refer to the most recent annual report.

Note 3 Definitions and key ratios including alternative performance measures

Storytel reports a number of different items and financial key ratios in its consolidated financial statements. The key figures aim to make it easier for investors and other stakeholders to analyze and understand Storytel's operations and development in the same way that the business and its development are monitored by management. Of these measures, some are defined in IFRS, while others are defined in neither the financial framework nor other legislation. For key ratios that are not defined in IFRS, their purpose and how they relate to the financial statements presented in accordance with IFRS are also presented. For definitions of financial measures and key ratios used, please see below.

Note 4 Transactions with related parties

In January Storytel Books acquired 49% of the shares in Mockingbird Publishing Software AB (MBPS), which thus is an associated company and a new related party to the Group. MBPS will develop tailor-made modern software solutions for the publishing industry, systems that will be used for the Group's publishing houses as well as external publishers. Transactions during the period and balances as per the end of the period are not significant for the Group. In general, there were no other significant changes in the scope or type of transactions with related parties to the Group than those presented in the most recent Annual Report. Transactions with associated companies take place on market terms.

Note 5 Business segments

The Group, for accounting and follow-up, has divided its operations into three segments. These segments are Streaming Nordics, Streaming Non-Nordics and Books. The division is based partly on the type of business conducted (Streaming versus Books) and the geographical division for the streaming business (Nordics versus Non-Nordics). The acquired company Audiobooks.com is included in the business segment Streaming Non-Nordics.

| Jan-Mar 2022 | Streaming Nordics | Streaming Non-Nordics | Books | Total segment | Group-wide items and eliminations | Other adjustments | Group total |
|---------------------------------|-------------------|-----------------------|---------------|----------------|-----------------------------------|-------------------|----------------|
| Revenue from external customers | 458,555 | 240,044 | 149,305 | 847,904 | -87,603 | -13,131 | 747,170 |
| Internal revenue | | | 38,108 | 38,108 | -38,108 | | |
| Cost of sales | -292,767 | -121,964 | -103,014 | -1,035,490 | 66,884 | -7,811 | -458,672 |
| Gross Profit | 165,788 | 118,080 | 84,399 | 368,267 | -58,827 | -20,942 | 288,498 |

The costs listed under Gross profit are not allocated to segments but are reported for the Group as a whole. Internal revenue for the Books segment, which relates to sales from streaming, is already included as a cost reduction in the segment reporting for the Streaming segments. Revenue and Cost of sales from Storytel AS are included in the Streaming Nordics segment. These are subsequently eliminated in the column Group-wide items and eliminations, and the license fee from Storytel AS is also added back.

| Jan-Mar 2022 | Group total |
|--|-----------------|
| Gross profit | 288,498 |
| Selling and marketing expenses | -294,480 |
| Technology and development expenses | -96,342 |
| Administrative expenses | -129,684 |
| Other operating income | 5,958 |
| Profit from participations in associates | -869 |
| Operating profit | -226,919 |
| Net financial income/expenses | -6,413 |
| Profit before tax | -233,332 |

| Jan-Mar 2021 | Streaming Nordics | Streaming Non-Nordics | Books | Total segment | Group-wide items and eliminations | Other adjustments | Group total |
|---------------------------------|-------------------|-----------------------|---------------|----------------|-----------------------------------|-------------------|----------------|
| Revenue from external customers | 401,834 | 115,296 | 125,189 | 642,319 | -71,479 | 17,096 | 587,936 |
| Internal revenue | | | 25,330 | 25,330 | -25,330 | | |
| Cost of sales | -250,116 | -74,452 | -84,968 | -819,072 | 47,123 | -6,409 | -368,823 |
| Gross Profit | 151,718 | 40,844 | 65,551 | 258,113 | -49,686 | 10,686 | 219,113 |

The costs listed under Gross profit are not allocated to segments but are reported for the Group as a whole. Internal revenue for the Books segment, which relates to sales from streaming, is already included as a cost reduction in the segment reporting for the Streaming segments. Revenue and Cost of sales for Storytel AS are included in the Streaming Nordics segment. These are subsequently eliminated in the column for Group-wide items and eliminations, and the license fee from Storytel AS is also added back.

| Jan-Mar 2021 | Group total |
|--|----------------|
| Gross profit | 219,113 |
| Selling and marketing expenses | -198,582 |
| Technology and development expenses | -42,572 |
| Administrative expenses | -42,965 |
| Profit from participations in associates | 2,034 |
| Operating profit | -62,972 |
| Net financial income/expenses | -3,145 |
| Profit before tax | -66,117 |

Note 6 Revenue from contracts with customers

| Jan-Mar 2022 | Books | Streaming | Other | Group total |
|---|----------------|----------------|--------------|----------------|
| Type of product or service | | | | |
| Revenue from subscriptions of streaming service | | 591,630 | | 591,630 |
| Revenue from publishing activities | 149,305 | | | 149,305 |
| Other | | | 6,235 | 6,235 |
| Revenue from contracts with customers | 149,305 | 591,630 | 6,235 | 747,170 |

| Jan-Mar 2021 | Books | Streaming | Other | Group total |
|---|----------------|----------------|---------------|----------------|
| Type of product or service | | | | |
| Revenue from subscriptions of streaming service | | 445,651 | | 445,651 |
| Revenue from publishing activities | 125,189 | | | 125,189 |
| Other | | | 17,096 | 17,096 |
| Revenue from contracts with customers | 125,189 | 445,651 | 17,096 | 587,936 |

Note 7 Financial instruments

Valuation hierarchy

The levels of the valuation hierarchy are described as follows:

Level 1 – Listed prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – Observable input data for the asset or liability other than quoted prices included in Level 1, either directly (i.e., price quotations) or indirectly (i.e., derived from price quotations).

Level 3 - Asset or liability input data that is not based on observable market data (i.e., non-observable input data).

Financial derivative instruments

Storytel's derivative instruments, which were recorded at fair value in the statement of financial position, have been measured in accordance with IFRS 9 and categorized in accordance with Level 2 of the IFRS 13 fair value hierarchy. This means that the fair value measurement is based on directly or indirectly observable data for the asset or liability, other than quoted prices in an active market for identical assets or liabilities. Financial derivative instruments consist in their entirety of a liability for a currency forward of 0 MSEK (10 MSEK as at 12/31/2021 and 0 MSEK as at 3/31/2021), which was attributable to hedging of payment of 130 MUSD related to the consideration for the acquisition of Audiobooks.com in January 2022.

Acquisition option

Storytel's acquisition option refers to the future acquisition of the remaining 20% shares in Earselect AB, which will result in an additional transferred consideration of 12,512 TSEK. The acquisition option is reported at fair value in the statement of financial position, measured in accordance with IFRS 9 and categorized in accordance with Level 3 of the IFRS 13 fair value hierarchy. Since the price of the option is not dependent on any conditions beyond the time aspect, and since the discounting effect attributable to the time value at the time of acquisition was insignificant, no discounting has taken place, and the carrying amount is considered to correspond to the fair value of the acquisition option.

Contingent consideration

The contingent consideration related to the acquisition of Aula is reported at fair value in accordance with Level 3 of the valuation hierarchy. The fair value is estimated by using a valuation model that discounts the present value of expected outgoing cash flows by a risk-adjusted discount rate. Expected cash flows are determined using probable scenarios based on expected financial outcome and future financial forecasts. The most significant input factors used to measure fair value are the risk-adjusted discount rate of 12,6% and the forecast future development of profitability, growth in net sales, and the level of digital sales. Given that the conditional additional consideration at the balance sheet date can amount to at the most TSEK 696, no changes in input factors are judged to result in any material impact on the fair value of the item in the balance sheet or income. During the period, unrealized gains or losses for the contingent consideration held as at the balance sheet date are not material. This amount is included in other operating expenses in the consolidated statement of income. The discounting effect is recognised in net financial income.

| Financial liabilities valued at fair value | Jan-Mar 2022 | Jan-Mar 2021 | Jan-Dec 2021 |
|--|---------------------|---------------------|---------------------|
| Opening balance | 23,095 | 12,512 | 12,512 |
| Additional contingent consideration Paid / Settled | | | 552 |
| Change in value recognized in profit/loss | 0 | | |
| Change in value recognized in OCI - financial derivative | -8,580 | | 10,031 |
| Transfer of cash flow hedge to business combinations | -1,451 | | |
| Closing balance | 13,064 | 12,512 | 23,095 |

Other receivables and liabilities

For current receivables and liabilities, such as accounts receivable and trade payables, and for non-current liabilities with variable interest rates, the carrying amount is considered to be a good approximation of the fair value.

Note 8 Business combinations

On January 7, Storytel acquired 100% of the shares and votes in the streaming company Audiobooks.com. Audiobooks.com is one of the leading services for audiobook experiences in the U.S. With this acquisition, Storytel extends its trajectory of expansion and profitable growth to the largest English-language audio market in the world. Audiobooks.com is a growing and profitable business with a consumer and partnership friendly approach that offers Storytel a new platform for growth. Audiobooks.com is included in the Group's Non-Nordics Streaming segment as of January 7.

| Acquired net assets at the time of acquisitions (preliminary) | Audiobooks.com |
|---|----------------|
| Intangible assets | 689,948 |
| Property, plant and equipment | 332 |
| Right-of-use assets | 3,179 |
| Deferred tax asset | 22,122 |
| Accounts receivable and other receivables | 4,806 |
| Cash and cash equivalents | 39,063 |
| Interest-bearing liabilities | -371,979 |
| Lease liabilities | -3,179 |
| Deferred tax liability | -143,439 |
| Accounts payable and other operating liabilities | -87,051 |
| Identified net assets | 153,802 |
| Goodwill | 739,789 |
| Total consideration | 893,591 |
| The consideration consists of: | |
| Cash | 893,591 |
| Total consideration | 893,591 |

In conjunction with the acquisition of Audiobooks.com, preliminary goodwill of 739,789 TSEK arose in the form of a difference between the transferred compensation and the fair value of the acquired net assets. Goodwill from the acquisition of Audiobooks.com refers primarily to the synergy effects which are expected to generate value for the Storytel Group. Goodwill is not expected to be tax deductible.

Transaction costs related to the acquisition of Audiobooks.com amounted to 20,117 TSEK. Transaction costs are recognized as an expense in the income statement under the function General and Administrative Expenses, of which 11,558 TSEK was recognised in 2021 and 8,559 TSEK in Q1 2022.

| Effect of the acquisition on the cash flow of the group | Audiobooks.com |
|---|----------------|
| Consideration, cash | 893,591 |
| Less: | |
| Cash (acquired) | 39,063 |
| Net cash outflow | 854,528 |

During the three months leading up to the balance sheet date, Audiobooks.com contributed 76,020 TSEK to consolidated revenues and 1,777 TSEK to consolidated profit after tax. If the acquisition had occurred on January 1, 2022, the company's management estimates that consolidated revenues would have been 81,450 TSEK and the profit for the period 1,904 TSEK.

Note 9 Transition to IFRS

The 2021 annual report was the first financial statement that Storytel prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretative statements from the IFRS Interpretations Committee as adopted by the European Union (EU). The first financial statements according to IFRS present a comparison period. The date for the Group's transition to IFRS was thus January 1, 2020. Up to the 2021 Annual Report, the Group had prepared its consolidated accounts in accordance with the Annual Accounts Act and BFNAR 2012:1 (K3).

The transition to IFRS impacts the consolidated statement of income for the period 1/1/2021 – 3/31/2021, the consolidated statement of financial position as at March 31, 2021, and the consolidated statement of cash flows for the period 1/1/2021 – 3/31/2021. This impact is in line with the impact for which a detailed description has been provided in Storytel's 2021 annual report. The transition from previous accounting principles has also meant a different structure and classification of the accounts than before.

The Parent Company's initial application of RFR 2 Accounting for Legal Entities has not had any effect on the Parent Company's statement of comprehensive income or cash flows for the period 1/1/2021 – 3/31/2021 or financial position as at March 31, 2021.

Parent Company

Condensed Income Statement

| TSEK | Q1 2022 | Q1 2021 | Q1-Q4 2021 |
|---|---------------|---------------|---------------|
| Net sales | 5,845 | 647 | 20,896 |
| Cost of revenue | - | - | - |
| Gross profit/loss | 5,845 | 647 | 20,896 |
| Administrative expenses | -13,384 | -2,673 | -17,002 |
| Operating profit | -7,539 | -2,027 | 3,894 |
| Net financial items | 8,919 | 3,985 | 31,565 |
| Profit/loss before taxes | 1,380 | 1,958 | 35,565 |
| Appropriations | - | - | 3,460 |
| Tax | - | - | -1,283 |
| Profit/loss for period | 1,380 | 1,958 | 37,636 |
| Parent company's condensed statement of comprehensive income | | | |
| Profit for the period | 1,380 | 1,958 | 37,636 |
| Other comprehensive income, after tax | | | |
| Total comprehensive income for the period | 1,380 | 1,958 | 37,636 |

Condensed Balance Sheet

| TSEK | 3/31/2022 | 3/31/2021 | 12/31/2021 |
|-------------------------------------|------------------|------------------|------------------|
| Non-current financial assets | 4,048,445 | 2,575,976 | 2,774,757 |
| Current receivables | 655,918 | 115,866 | 590,958 |
| Cash and cash equivalents | 82,001 | 1,137,884 | 470,232 |
| Total assets | 4,786,364 | 3,829,729 | 3,835,947 |
| Equity | 3,821,603 | 33,958 | 3,820,223 |
| Non-current liabilities | 447,933 | - | - |
| Current liabilities | 516,828 | 3,795,768 | 15,724 |
| Total equity and liabilities | 4,786,364 | 3,829,726 | 3,835,947 |

Number of Shares and Share Capital as of March 31, 2022

There were 68,281,911 (67,915,035) registered shares in issuance at the end of the period, divided between 635 Class A shares and 68,281,276 Class B shares. Share capital totaled 34,139,151 (33,957,518) SEK as at March 31, 2022. On average in Q1 2022 there were 68,281,911 registered shares divided between 635 Class A shares and 68,281,276 Class B shares. The shareholder structure is presented at investors.storytel.com.

Auditor's Review

This Q1 report has not been reviewed by the auditors of the company.

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.

Financial Calendar

| | |
|---|-------------------|
| Interim Report January - June 2022 | August 5, 2022 |
| Interim Report January - September 2022 | November 3, 2022 |
| Year-End Report January - December 2022 | February 16, 2023 |

Definitions and key ratios including alternative performance measures

| | |
|---|---|
| Net Sales | Operating main income, invoiced costs, incidental revenue and revenue adjustments. |
| Growth rate Net sales% | Net sales for the current year divided by the previous year's net sales |
| Growth rate Net sales %, constant exchange rates | Net sales for the current year divided by the previous year's net sales where the current year's net sales are calculated at the exchange rates prevailing in the previous year |
| Net Sales | Operating main income, invoiced costs, incidental revenue and revenue adjustments. |
| Gross profit | Profit after cost of sales. |
| Gross margin | Gross profit as a percentage of sales. |
| Operating profit (EBIT) | Profit before interest and tax. |
| Operating margin (EBIT margin) | Operating profit as a percentage of sales. |
| Profit after financial items (EBT) | Profit after financial income and expenses, before tax. |
| Profit margin (%) | Profit after tax as a percentage of net sales. |
| Equity-to-assets ratio (%) | Adjusted equity (equity and untaxed reserves less deferred tax, including non-controlling interests) as a percentage of the balance sheet total. |
| Equity | The net assets of the business, i.e., the difference between assets and liabilities, including non-controlling interests. |
| Balance sheet total | The company's total assets. |
| FTE | Full-time equivalents. |
| Number of employees | Average number of employees during the financial year. |
| ARPU | Average Revenue Per User (Subscriber) per month. |
| Average Paying Subscribers | The average number of paying Storytel subscribers during the quarter. For Family subscriptions, each standard stream (not so-called Kids Mode) is considered one paying subscriber. |
| CER | Constant Exchange Rates. |

| | |
|--|---|
| EBITDA | Earnings before interest, taxes, depreciation and amortization. |
| EBITDA margin | EBITDA as percentage of Net Sales |
| Equity-to-Asset Ratio | Adjusted equity (equity including non-controlling interest and untaxed reserves less deferred tax) as a percentage of the balance sheet total. |
| Forecast | An approximation based on information available at the time the report was prepared. |
| Revenue – Books (Table 1) | Physical books and digital sales through channels other than Storytel. Internal revenue from Storytel has been eliminated. All publishing houses in the Group, both those located in Sweden and those located internationally, are included. |
| Revenue – Streaming (Table 1) | ARPU * Paying Subscribers. |
| Items affecting comparability (IAC) | <p>Items affecting comparability include certain items of a significant character that distort comparisons over time. These have been defined as:</p> <ul style="list-style-type: none"> • Costs in connection with acquisitions • Restructuring costs • Costs related to operationalizing the pause in Russia |

Contacts

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