



Supporting document

Storytel changes segment reporting

Starting with the second quarter 2024, Storytel will report segment financials on its two main business areas, 'Streaming' and 'Publishing'. The new segmentation will better align with the organizational structure and will increase transparency of the performance within both the Streaming and Publishing business areas.

Segment reporting before the changes

The previous segmentation consisted of the segments 'Streaming Nordics', 'Streaming Non-Nordics', and 'Books', and was presented on a gross profit level. 'Streaming Nordics' consisted of Sweden, Denmark, Norway, Finland, and Iceland, while 'Streaming Non-Nordics' consisted of all other markets. The 'Books' segment consisted of Storytel's publishers and showed their external sales as revenues while internal sales from the inhouse print publishers were recognized as a reduction in Cost of Sales within the segment. Likewise, within both Streaming segments, any cost of content from inhouse publishers was recognized as a reduction in Cost of Sales. Furthermore, certain internal publishing-related costs were reported within the Streaming segments while certain Streaming-related revenues and costs were reported as group adjustments.

Segment reporting changes

Storytel will report segment financials on its two main business areas, 'Streaming' and 'Publishing'. The two reported segments are defined as follows:

- The 'Streaming' segment consists of all audiobook and e-book streaming services operated under the brands Storytel, Mofibo, and Audiobooks.com. The segment is headed by Luis Duran, President Streaming and member of the Group executive management team.
- The 'Publishing' segment consists of all publishing houses within the Storytel group, with Storytel Books being the home of all print publishing houses and Storyside being a digital audio publisher that is also creating original audio content for Storytel. The segment is co-headed by Linda Säresand, CEO of Storytel Books, and Helena Gustafsson, Chief Content Officer, both members of the Group executive management team.

The main changes in the segment financials are as follows:

- For the 'Streaming' segment:
 - All internal sales are changed from being a cost reduction in Cost of Sales to being a cost of content (Cost of Sales).
 - All publishing-related costs previously reported within 'Streaming' are moved to the 'Publishing' segment.
 - All Streaming-related revenues and costs previously reported as Group Adjustments are moved to the 'Streaming' segment.
 - Regarding the joint venture with Cappelen Damm to operate the Norwegian market, only Storytel's share is recognized.
- For the 'Publishing' segment:
 - All internal sales are changed from being a cost reduction in Cost of Sales to being recognized as revenue.
 - All publishing-related costs previously reported within the 'Streaming' segment are moved to the 'Publishing' segment.

- For both segments:
 - Storytel will provide income statements on operating profit level, excluding items affecting comparability, completed with a bridge to adjusted EBITDA.
 - Costs related to central group overhead functions including Finance, HR, Legal, and Group Management are not allocated to the segments and are reported separately to bridge the segment financials to total group result.

Furthermore, for the 'Streaming' segment, Storytel expands the geographical breakdown in the reporting of the key performance indicators (KPIs): revenues, gross profit, gross profit margin, average subscribers (paybase), and average revenue per user (ARPU).

The KPIs are presented for the following regions:

- The 'Nordics' region, as was previously the case, consists of the core markets Sweden, Denmark, Norway, Finland, and Iceland. The Norwegian market is operated through a joint venture with Cappelen Damm. The KPIs will continue to be shown for 100% of Norway's operations in order to provide comparable ARPU figures.
- The previous 'Non-Nordics' region is split into 'Non-Nordics Core' and 'Rest of World'.
- The 'Non-Nordics Core' region consists of all other core markets, being the Netherlands, Poland, Bulgaria, Turkey, and all of the operations of Audiobooks.com.
- The 'Rest of World' region consists of all remaining, former expansion markets.

Implications on quarterly and full-year financials

The new segment reporting does not affect or change the group's consolidated, full-year financials for 2023 and the first quarter of 2024. On a quarterly basis for 2023, due to reclassifications of certain cost items mainly between the functions 'cost of sales' and 'administrative expenses', the gross profit and gross profit margin have changed, in particular for the third and fourth quarter. Operating profit and (adjusted) EBITDA are not affected or changed in any quarter.

A workbook with segment and group financials and key performance indicators for the last five quarters, are available at storytelgroup.com.

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