Interim report

January - June 2020

Comment from Maria Hedengren, CEO

> "Performance for the second quarter of the year was positive, with favourable growth and demand for Readly. During the period April–June 2020 our sales grew 33.0% over the same period a year ago."

Second quarter 2020 (2019)

- The number of full paying subscribers increased by 28.0% to 323,811 (252,937) at the end of June.
- Revenue for the period totalled SEK 83.4 million (62.7), an increase of 33.0% compared with the same period a year ago.
- Gross profit increased by 36.4% to SEK 27.0 million (19.8), corresponding to a gross margin of 32.3% (31.5%).
- The gross contribution margin for the period was -27.8% (-1.7%).
- Operating profit was SEK -59.4 million (-33.2), corresponding to an operating margin of -71.2% (-53.0%).
- Adjusted operating profit was SEK -56.0 million (-33.2), corresponding to a margin of -67.2% (-53.0%).
- Earnings per share were SEK -12.0 (-7.7) before and after dilution.

First half year 2020 (2019)

- Revenue for the period totalled SEK 160.6 million (122.0), an increase of 31.7% compared with the same period a year ago.
- Gross profit increased by 40.0% to SEK 52.5 million (37.3), corresponding to a gross margin of 32.5% (30.6%).
- The gross contribution margin for the period was -12.1% (-3.8%).
- Operating profit was SEK -97.3 million (-64.5), corresponding to an operating margin of -60.5% (-52.9%).
- Adjusted operating profit was SEK -88.0 million (-64.5), corresponding to a margin of -54.8% (-52.9%).
- Earnings per share were SEK -18.7 (-14.8) before and after dilution.

Apr-Jun 2020

33.0%

Growth in revenue compared with second quarter 2019

Apr-Jun 2020

28.0%

Growth in number of subscribers (FPS) compared to end of June 2019

Apr-Jun 2020

32.3%

Gross margin compared with 31.5% for second quarter 2019

		Apr-Jun 2020	Apr-Jun 2019	YoY change	Jan-Jun 2020	Jan-Jun 2019	YoY change	Jan-Dec 2019
FPS (Full paying subscribers)	Nr	323,811	252,937	28.0%	323,811	252,937	28.0%	278,555
Total revenue	TSEK	83,446	62,721	33.0%	160,625	121,969	31.7%	264,739
ARPU (Average revenue per user)	SEK	93	83	12.0%	93	84	10.7%	87
Gross profit	TSEK	26,952	19,763	36.4%	52,156	37,266	40.0%	82,773
Gross profit margin	%	32.3	31.5	2.5%	32.5	30.6	6.1%	31.3
Gross contribution	TSEK	-23,235	-1,049	-	-19,409	-4,600	-	-16,303
Gross contribution margin	%	-27.8	-1.7	-	-12.1	-3.8	-	-6.2
Operating profit	TSEK	-59,434	-33,218	-78.9%	-97,250	-64,515	-50.7%	-142,539
Operating margin	%	-71.2	-53.0	-34.4%	-60.5	-52.9	-14.5%	-53.8
Adjusted operating profit	TSEK	-56,068	-33,218	-68.8%	-88,040	-64,515	-36.5%	-138,123
Adjusted operating margin	%	-67.2	-53.0	-26.9%	-54.8	-52.9	-3.6%	-52.2
Net result for the period	TSEK	-66,143	-34,216	-93.3%	-102,188	-66,225	-54.3%	-146,565
Basic and diluted earnings per share	SEK	-12.0	-7.7	-57.2%	-18.7	-14.8	-25.9%	-29.6

For calculation of Alternative Performance Measures (APMs), see definitions of KPIs and disclosures on pages 25 - 26.

Comments from Maria Hedengren, CEO

Performance during second quarter 2020

Performance for the second quarter of the year was positive, with favourable growth and demand for Readly. During the period April–June 2020 our sales grew 33.0% over the same period a year ago, to SEK 83.4 million. The increase was partly attributable to lowered VAT rates in several markets. Excluding the effect of the lowered VAT rates, revenue grew 22.6% compared with the same period a year ago. The number of subscribers grew 28.0% compared with the preceding year, reaching 323,811 as of 30 June 2020. Growth in sales and subscribers is being driven by all our markets, with Germany, Sweden and the UK accounting for a significant share, while markets such as Italy and the USA also showed strong growth during the period. The gross margin improved to 32.3% for the second quarter of 2020, compared with 31.5% for the same period in 2019. Operating profit was SEK -59.4 million, compared with SEK -33.2 million for the same period in 2019 and is mainly explained by the expanded marketing campaigns during the period compared with the preceding year. Operating profit adjusted for items affecting comparability was SEK -56.0 million, compared with SEK -33.2 million for the same period in 2019. This corresponds to an adjusted operating margin of -67.2%, compared with -53.0% for the same period in 2019.

The pandemic's continued impacts on the industry

The discussion on how the pandemic is accelerating the digital shift in the magazine industry continues. Publishers everywhere are being forced to take a look at their channel strategies right now, and this will have various implications for various brands and the respective business models behind every title. We continue to work closely with our publisher partners to support them in their strategies and through the role that Readly can play. For this reason it is extra gratifying that we in June welcomed three new daily newspapers to Readly that are seeking to increase their digital presence and global readership – The Evening Standard and The Independent in the UK, and Der Standard-Kompakt in Austria. These newspapers are accessible for Readly's customers in a number of different markets, including the UK, Germany and Sweden. When analysing the effect of the coronavirus pandemic among our subscribers we can see a clear increase in engagement and interaction with Readly during a larger part of the day and week. Reader engagement is no longer as concentrated mainly on weekends and evenings in the countries that have restrictive stay-at-home rules. In these countries interest for Readly has also increased in general, which is reflected in customer acquisition during lockdown periods.

We continue to strengthen our brand

The new branding campaign that we rolled out during the second quarter of this year has shown good results with a high level of engagement. According to the consumer polling firm Nepa, the campaign performed well above the benchmark values for wanted responses, such as "I was motivated" and "Makes me curious". On 22 June a follow-up of the campaign was launched according to the same concept but with a new creative angle. The summer holiday is the perfect time for many to discover the benefits of Readly, and we hope to attract many new subscribers. The campaign will continue for five weeks, mainly in digital form through YouTube, web-TV, social media and displays. In the key markets of Sweden and Germany, the campaign will also be aired on TV. The campaign films and various advertising formats will be shown in social and digital channels, and will also be included in markets in the UK, the Netherlands, Italy, Austria, Switzerland, Ireland and the USA.

New study from Readly of the climate impact from reading digital magazines

Together with sustainability consultant Ethos International we have studied the level of greenhouse gases that is generated when our subscribers read a magazine on Readly and then compared the result with a corresponding calculation for the printed version. The study shows that digital reading has a 79% lower carbon footprint than print, and that nearly 2,600 tonnes of greenhouse gases were potentially avoided thanks to the 83 million magazines that were read digitally on Readly's platform in 2019. This is equivalent to the emissions of producing and recycling more than 500,000 iPhones. Read the full report on our webpage, including the foreword by Dennis Pamlin, Senior Advisor at the Research Institutes of Sweden (RISE), in the sustainablility section. We are happy that we conducted this study, as it validates the environmental strength of Readly at the same time that it motivates us to continue driving digitalisation of the industry.

Product development Q2

At Readly our guiding principle and "hero metric" in product development is reading time. All our data indicates that subscribers who read more, especially early in their use of Readly, are less likely to terminate their subscription. In addition, our data shows that users who read more often, such as on several days a week, also tend to be more loyal subscribers. In other words, the key metric of time spent reading gives us a clear goal for the product and generates an increased lifetime value per user. During the second quarter we released a number of new functions in the product. One example is "Refer a friend", which has been given a new design in our Android app and on our website. For the first time, it is also available in iOS. The initial test phase has shown good results. We are also further developing our search function, which will be released during the second half of this year. The new function will make it easier for readers to get relevant hits based on their search word, i.e., a specific topic, not just a title, like a Google search for editorially high-quality content such as recipes, product tests and travel guides.

Financially equipped for the future

In April Readly entered into an agreement with Kreos Capital that gives us access to a credit facility of up to EUR 10 million. In addition, in June we conducted a funding round among our existing shareholders. It is with great happiness and pride that I can announce that the round raised SEK 94 million, where we have seen both continued confidence among our largest shareholders, including Zouk Capital, Swedbank Robur Fonder and the Third Swedish National Pension Fund, as well as participation of a large number of our other shareholders.

The aim of these funding activities was to ensure that Readly can continue capitalising on the momentum we have and invest in growth despite considerable uncertainty in the world economy and thus general access to capital in the midst of the coronavirus pandemic. The turbulence that our industry – like many others – is experiencing right now is driving development of Readly.

Readly's target in the mid term is to grow revenue by 30%-35% yearly. Excluding the VAT effect, growth for the second quarter was below this target. Growth will not be linear in every quarter, which is explained by the timing of marketing campaigns and thus also the customer acquisition. During the second quarter we invested in brand-building marketing campaigns, which we will continue to run going forward. This will generate a growing subscriber base, and new subscribers generate revenue with a couple months' lag time. We will continue to add relevant titles this year, including both magazines and dailies. The investments in marketing campaigns are continuing, where apart from the brand-building campaigns during the third quarter we are also focusing on our recurring summer campaign across all our markets. We continue to add strategic partnerships and develop the product to attract and engage more Readly subscribers and strengthen the audience who, just like us, love magazines. Our financial growth target thus remains.

During this difficult time of human suffering, rising unemployment and tough conditions for many business owners, we feel extremely fortunate.

/Maria Hedengren, CEO Readly

Revenue and earnings

Revenue and operating profit

April - June 2020

Total revenue amounted to SEK 83.4 million (62.7) during the second quarter, an increase of 33.0% over the corresponding period in 2019. The increase is attributable to a larger customer base of full-paying subscribers together with higher average revenue per user (ARPU). The number of subscribers grew by 28,0% compared to the previous year reaching 323,811 (252,937) as of 30 June 2020 and was driven by new markets and continued marketing investments in existing markets during the period. The growth in ARPU during the period is mainly attributable to lower VAT rates for digital subscription services in a number of markets, including Readly's three core markets, Germany, Sweden and the UK. The increase in total revenue during the quarter excluding VAT effects was 22.6%. Revenue growth is occurring in all markets, although the three main markets of Germany, Sweden and UK account for most. Revenue grew 28.7% to SEK 33.6 million (26.1) in Germany, 24.2% in Sweden to SEK 19.6 million (15.8), and 18.4% in the UK to SEK 16.0 million (13.5). Revenue in other markets grew 95.0% to SEK 13.6 million (7.0). The currency effect on revenue of sales in foreign currencies during the quarter was positive, by 0.5%.

Gross profit increased by 36.4% during the quarter to SEK 27.0 million (19.8), corresponding to a gross margin of 32.3% (31.5%). The gross contribution for the quarter was SEK -23.2 million (-1.7), corresponding to a gross contribution margin of -27.8% (-1.7%). The negative movement in the gross contribution margin for the quarter compared with the same quarter a year ago is mainly attributable to a variation in the timing of marketing campaigns between the first and second quarters of 2019 and 2020.

Operating expenses increased by 49.0% to SEK -142.9 million (95.9) and are mainly related to costs for marketing campaigns during the quarter together with higher publisher costs driven by revenue growth. Operating expenses excluding publisher costs increased by 63.0% to SEK -86.4 million (-53.0) and were mainly driven by costs for marketing campaigns. Operating expenses excluding publisher- and marketing costs increased by 12.5% to SEK 36.2 million (32.2), mainly driven by items affecting comparability and a larger number of employees and consultants.

Operating profit for the second quarter was SEK -59.4 million (-33.2), corresponding to an operating margin of -71.2% (-53.0%). Adjusted operating profit during the second quarter was SEK -56.1 million (-33.2), corresponding to an adjusted operating margin of -67.2% (-53.0%).

Financial items

Net financial items, which amounted to SEK -6.7 million (-1.0) during the second quarter, pertain mainly to currency effects on non-current receivables and cash and cash equivalents together with interest and other expenses coupled to the credit facility that the company raised during the quarter.

Tax

Income tax for the period was SEK -35.5 thousand (-42.6). The Group has unutilised tax losses carryforwards of SEK 582.2 million (436.7) that are not carried on the balance sheet.

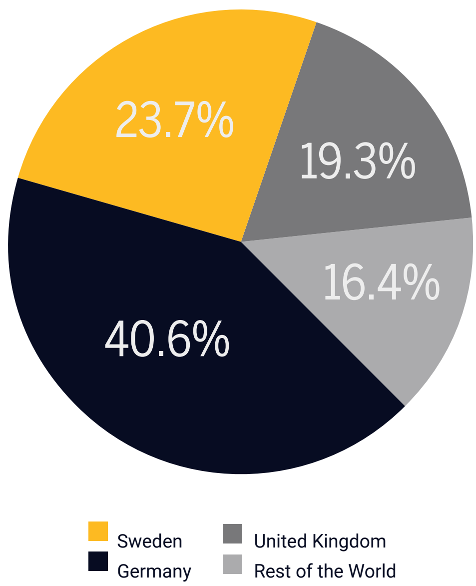
Profit for the period and earnings per share

Profit for the period was SEK -66.1 million (-34.2), corresponding to earnings per share of SEK -12.0 (-7.7) before and after dilution.

Number of employees

The average number of employees including consultants was 95 (70) during the second quarter, of which the average number of employees was 69 (56).

Percentage share of revenue broken down by geographic market for the period April-June 2020.



Revenue and earnings

Revenue and operating profit

January - June 2020

Total revenue amounted to SEK 160.6 million (122.0) during the first and second quarters of 2020, an increase of 31.7% compared with the same period in 2019. The increase is attributable to a larger customer base of full-paying subscribers together with higher average revenue per user (ARPU). The number of subscribers grew by 28,0% compared to the previous year reaching 323,811 (252,937) as of 30 June 2020 and was driven by new markets and continued marketing investments in existing markets during the period. The growth in ARPU during the period is mainly the result of lower VAT rates for digital subscription services in a number of markets, including Readly's three core markets, Germany, Sweden and the UK. The increase in total revenue during the period excluding VAT effects was 19.4%. Revenue growth is occurring in all markets, with Germany and Sweden accounting for most. Revenue grew 30.1% to SEK 65.8 million (50.6) in Germany, 26.9% in Sweden to SEK 39.3 million (31.0), and 9.4% in the UK to SEK 29.8 million (27.2). Revenue in other markets grew 93.0% to SEK 24.3 million (12.6). The currency effect of sales in foreign currencies was +4.2% during the period. The currency effect on revenue of sales in foreign currencies during the period was positive, by 4.2%.

Gross profit increased by 40.0% to SEK 52.2 million (37.3), corresponding to a gross margin of 32.5% (30.6%). The gross contribution for the period was SEK -19.4 million (-4.6), corresponding to a gross contribution margin of -12.1% (-3.8%). The negative movement in the margin for the period compared with the same period a year ago is mainly attributable to larger marketing campaigns during the second quarter of 2020 compared with 2019.

Operating expenses increased by 41.7% to SEK -257.9 million (-186.5) and are mainly related to costs for marketing campaigns during the period together with higher publisher costs driven by revenue growth. Operating expenses excluding publisher costs increased by 46.7% to SEK -149.4 million (-101.8) and were mainly driven by costs for marketing campaigns. Operating expenses excluding publisher- and marketing costs increased by 29.3% to SEK 77.5 million (59.9), mainly driven by items affecting comparability and a larger number of employees and consultants.

Operating profit for the period was SEK -97.3 million (-64.5), corresponding to an operating margin of -60.5% (-52.9%). Operating profit adjusted for items affecting comparability was SEK -88.0 million (-64.5), corresponding to an adjusted operating margin of -54.8% (-52.9%).

Financial items

Net financial items, which amounted to SEK -4.9 million (-1.6), pertain mainly to currency effects on non-current receivables and cash and cash equivalents together with interest and other expenses coupled to the credit facility that the company raised during the period.

Tax

Income tax for the period was SEK -71.0 thousand (-75.2). The Group has unutilised tax losses carryforwards of SEK 582.2 million (436.7) that are not carried on the balance sheet.

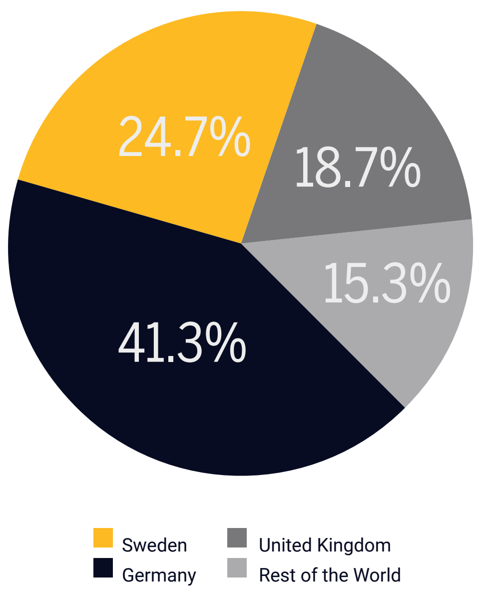
Profit for the period and earnings per share

Profit for the period was SEK -102.2 million (-66.2), corresponding to earnings per share of SEK -18.7 (-14.8) before and after dilution.

Number of employees

The average number of employees including consultants was 95 (67) during the second quarter, of which the average number of employees was 68 (52).

Percentage share of revenue broken down by geographic market for the period January-June 2020.



Cash flow

January–June 2020 (January–June 2019)

Cash flow from operating activities before changes in working capital was SEK -94.1 million (-60.3). Changes in working capital was SEK 1.8 million (0.5), positively affected by an increase in operating liabilities which mainly refer to higher publisher costs and accrued marketing costs.

Cash flow from investing activities was SEK -5.4 million (-5.6). Cash flow from financing activities was SEK 141.0 million (0.0) and is mainly attributable to newly raised loans with Kreos Capital and the new share issue during the second quarter. The new share issue in June 2019 is reported as a financial receivable as per 30 June 2019, which accounts for the difference in cash flow.

The new share issue in June 2020 together with granted warrants has entailed a positive cash flow effect of SEK 93.8 million before transaction costs of SEK 0.1 million. Calculated fair value for granted warrants amounts to SEK 6.8 million and is reported as warrants in connection with the new share issue in the statement of cash flows. The remaining amount is reported as net new share issue after transaction costs, amounting to SEK 86.3 million. A total of SEK 0.7 million has not yet been paid as per 30 June 2020 and is not included in cash flow.

The loan agreement with Kreos Capital has entailed a positive cash flow effect of SEK 49.5 million before transaction costs of SEK 1.9 million. Paid interest amounts to SEK 0.9 million. Granted warrants in connection with the loan agreement amount to SEK 3.5 million and are included as warrants in connection with the raising of loans in the statement of cash flows. The total granted loan amount is EUR 10 million, of which EUR 5 million is unutilised on 30 Juni 2020.

Financial position

30 June 2020 (31 December 2019)

Cash and cash equivalents at 30 June 2020 amounted to SEK 169.3 million (130.1). The change compared with the preceding year is mainly attributable to the inflow of cash and cash equivalents in connection with the new share issue. In addition, a credit facility has been utilised in connection with a loan agreement signed with Kreos Capital.

Total investments amounted to SEK 5.0 million (3.9), of which SEK 3.9 million (2.7) pertained to capitalised product development costs.

The Group's shareholders' equity as per 30 June 2020 amounted to SEK 40.3 million (131.0), representing equity per share of SEK 7.0 (29.3). The new share issue in 2020 has entailed an increase in shareholders' equity totalling SEK 87.0 million after transaction costs of SEK 0.1 million. Granted warrants in connection with the new share issue have been booked as a current liability and amount to SEK 6.8 million as per 30 June 2020.

The loan raised with Kreos Capital during the second quarter has been apportioned between non-current and current liabilities, depending on the date for repayment. The outstanding principal as per 30 June 2020 is SEK 48.1 million after transaction costs of SEK 1.9 million and interest expenses of SEK 1.5 million. As part of the agreement, the lender has also been granted warrants. As per 30 June 2020 these amount to SEK 3.5 million and are reported as a non-current liability.

Readly's primary strategic priority historically and also going forward is revenue growth. As a result of this, Readly reports negative earnings and cash flows for earlier periods and will most likely continue to do so in future periods. This is in line with the company's strategy set out by the Board of Directors. The strategy of future growth entails that additional funding will be necessary in the future. For further information, see the section Risks and uncertainties on page 11.

Related-party transactions

Readly International AB (publ) conducts transactions with related parties (subsidiaries), consisting of internal Group services, on a continuing basis. All transactions are conducted on market terms.

Readly has not had any significant related-party transactions other than those reported in the 2019 Annual Report, Note 7 on pages 64-68, and Note 27 on page 77.

Market overview

During the spring, the pandemic has continued to escalate in many places in the world. At the same time, some countries have begun to ease their social distancing restrictions. This uncertain situation continues to drive media consumption.

Many consumers are feeling anxiety. According to a report from the market research company eMarketer,[1] American consumers are worried about their health and economic situation. They are cutting back on shopping, while their consumption of media is growing – particularly in the TV format. Interest in news and content for children is growing the most.

According to the Reuters Institute Digital News Report 2020,[2] payments for news online are growing in several countries. The distinction and quality of content are the most important factors for subscribers. Among those who do not subscribe, however, there is a large share who say that they would never pay for news. Approximately a third (31%) of respondents use social media for local news and information.

GlobalWebIndex has reported that more than 80% of surveyed Americans and Britons have increased their media consumption since the coronavirus outbreak.[3] At the top of the list of the most common activities on the internet are searches for updates on the pandemic (68%). The same list also shows that 28% of people search for food recipes, 27% read business and finance articles, 24% read articles on healthy food, 23% read about sports, and 22% read about celebrity news.

Figures on the strained economy in the newspaper industry are updated regularly. According to a forecast from the Swedish media trade organisation Sveriges Tidskrifter, a 10% decline in revenue overall can be expected, compared with 7% a year ago.[4] Advertising revenue is expected to fall by 23% in 2020 compared with 2019. Similar figures have been published by The Interactive Advertising Bureau, which reports that advertising purchasing budgets in the USA will contract by 20% in 2020 compared with 2019.[5] The corresponding figure in the UK lands at a full 40%, according to a member survey conducted by PPA.[6]

Among positive industry news are reports of an increased number of digital subscriptions. Press Gazette writes that ten of the largest daily newspapers in the USA and the UK have obtained more than 1 million new digital subscribers in total during the pandemic.[7] The fact that the digital public figure is important for newspapers can be seen at Readly, which during the second quarter of the year signed agreements with three new daily newspapers – The Evening Standard and The Independent[8] in the UK, and Der Standard-Kompakt in Austria.

Following the European Commission's decision in 2018 to allow lower VAT on digital publications, several countries started out the year by implementing the same VAT rates as for printed publications. The goal from the EU's part is to modernise VAT to the benefit of the digital economy and to promote technological development.[9] The UK has been the only country to exempt digital publications entirely from VAT – a change that was planned to take effect toward the end of the year. But with the nation in quarantine, VAT was reduced from 20% to 0% already on 1 May 2020 in order to benefit consumers as well as media houses.[10]

The major tech giants continue to further develop their new services and cooperation with media houses. Several tech sites have reported that there is a new Audio function in Apple News+ hidden in the first beta version of iOS 13.5.5 that has been made available in June.[11] Under the new "Audio" tab in the existing News app, users will gain access to a selection of recorded news. Facebook has been written about for its investment in a video function on its Facebook News[12] service as well as for its launch of a section for local news.

In summary, it is clear that media consumption and the pace of digitalisation are increasing. And even though many media houses and tech companies are broadening their services and news in audio and video formats, the willingness to pay to read news is rising. This is especially clear for Readly, which set a traffic record as well as posted a double-digit increase in app downloads during the second quarter of the year. Numerous longer articles reach as high as a 15 minute reading time.

1) https://www.emarketer.com/content/us-consumer-confidence-amid-the-coronavirus-pandemic
2) http://www.digitalnewsreport.org/survey/2020/overview-key-findings-2020/
3) https://www.visualcapitalist.com/media-consumption-covid-19/
4) https://sverigestidskrifter.se/publicerar/sa-mycket-omsatter-tidskriftsbranschen/
5) https://www.iab.com/insights/covid-impact-on-ad-spend-2020-the-transformation-of-the-television-marketplace/
6) https://www.pressgazette.co.uk/traffic-uplift-no-compensation-for-loss-of-ad-revenue-says-head-of-mag-publishers-body/
7) https://www.pressgazette.co.uk/covid-19-crisis-drives-more-than-a-million-new-digital-subs-for-leading-news-providers/
8) https://news.cision.com/readly-ab/r/uk-newspapers-launch-on-readly,c3127109
9) https://www.consilium.europa.eu/en/press/press-releases/2018/10/02/electronic-publications-council-agrees-to-allow-reduced-vat-rates/
10) https://www.gov.uk/government/news/vat-scrapped-on-e-publications
11) https://9to5mac.com/2020/06/01/heres-our-first-look-at-new-apple-news-audio-hidden-feature-in-ios-13-5-5-beta/
12) https://techcrunch.com/2020/06/09/facebook-news-launches-to-all-in-u-s-with-addition-of-local-news-and-video/

Significant events

April - June 2020

In early April Readly launched in Australia and New Zealand, where the leading publishers Bauer Media and Next Media, among others, joined the platform. During the quarter, partnerships were also entered into with the pay TV company Foxtel, which made a strong contribution to the launch in Australia.

On 1 May 2020 the VAT rate in the UK for e-publications was reduced from 20% to 0%.

On 20 April Readly signed an agreement with Kreos Capital that gives Readly access to a credit facility of up to EUR 10 million. The loan agreement includes the issuance of up to 68,543 new warrants, which was approved by an Extraordinary General Meeting **on 30 April**. The credit facility was granted **on 7 May** and has been entered into to secure the company's funding.

A new share issue of a total of 350,184 shares was carried out following authorisation by the Annual General Meeting **on 25 May**. In connection with the new share issue, a total of 350,184 warrants were also issued carrying entitlement to subscribe for up to one year. The subscription price per share was SEK 268. Total issued shares and warrants under the new share issue generated a positive cash flow effect of SEK 93.8 million before transaction costs.

Events after the end of the reporting period

On 1 July 2020, Germany temporarily reduced the VAT rate on e-publications from 7% to 5% in response to the COVID-19 pandemic. The reduction will remain in effect through 31 December 2020.

Risks and uncertainties

Readly has a global service offering and is exposed to a number of risks and uncertainties. Readly categorises its risks and uncertainties into financial risks, business risks, legal and compliance risks, and strategic risks. Financial risks are related to factors including internal and external reporting, access to capital, currencies, interest rates and liquidity. Business risks refer to risks associated with the effectiveness of Readly's activities, such as outcomes and profitability. Legal and compliance risks comprise risks related to compliance with laws and regulations. Strategic risks are associated with the overarching goals, which are coordinated with and provide support to Readly's mission and vision. The main risks and uncertainties are the business and financial risks, which are described in more detail below. A more detailed analysis of Readly's risks and uncertainties, and how Readly manages these, is provided in Readly's most recent annual report. See also the paragraph on continued operations under the section Significant estimations and assessments on pages 22 - 23.

Business risks

Readly is dependent on and exposed to risks related to its ability to attract and retain subscribers to use and pay for the company's services, the ability to attract and retain publishers that publish their magazines on the company's service, the ability to continuously innovate and ensure that the service product is appealing to users, the ability to remain competitive with other companies that provide the market with similar services, and risks associated with expansion into new markets. Readly works continuously with development of the offering to subscribers and magazine publishers and with optimisation of marketing costs, among other things.

Financial risks

Readly reports sizeable losses and negative cash flows as a consequence of the company's continued substantial investments in marketing activities and other activities aimed at achieving growth. Meticulous planning and control of Readly's capital requirement is required. Furthermore, a shareholder base with disposable capital resources is needed to be able to support the planned growth through additional capital contributions as needed. If additional share capital or external borrowing were to be unavailable to Readly when required in the future, it could impact the company's rate of growth and fulfilment of its obligations. Cash flow forecasts are prepared by the company's finance function, which closely monitors rolling forecasts to meet the company's operational needs. Readly has large shareholders that are financially strong and which conduct long-term planning for their investments.

Tax risks

Readly has substantial unutilised tax loss carryforwards for which no deferred tax asset has been reported. There is a risk that future transactions and/or events may reduce the opportunity to utilise these loss carryforwards.

The Parent Company Readly International AB invoices the subsidiaries in the Group based on actual use of resources. During certain prior financial years through 2018, such resource use and thus invoicing did not pertain to all subsidiaries in the Group. The Swedish Tax Agency has expressed in position statement that a parent company shall invoice all subsidiaries in a Group in order for full VAT deduction to be allowed. However, legal precedence from the Administrative Court of Appeal suggests that resource-based invoicing shall be accepted. It cannot be entirely ruled out that the Swedish Tax Agency could question certain parts of the company's deductions for losses or VAT, which by extension could give rise to significant negative effects on the Group's earnings and financial position. The Parent Company's accumulated deductions for incoming value-added tax during the financial years in question amount to a total of approximately SEK 25 million.

Uncertainty about the impact of COVID-19

In a business such as Readly's, the spread of COVID-19 could have an impact with negative financial and other consequences. This could affect future opportunities for continued funding, but could also impact other areas. At the time of publication of this report, there is uncertainty about which extent, in what ways and during what time horizon this may impact Readly. As per 30 June 2020, the impact of COVID-19 has not given rise to a need to recognise impairment or make provisions for future obligations. Cash flow forecasts and other follow-ups are being performed to a greater extent, where the preconditions are updated as soon as new conditions arise that could affect the company's financial statements and/or continued operation.

Parent Company

Readly International AB (publ) is the Parent Company of the Group. The Parent Company's function is to provide services to other companies in the Group and to manage investments in other subsidiaries. The Parent Company's expenses pertain mainly to payroll costs for parts of the senior management team and costs for external consultants related to central Group functions.

Financial performance January–June 2020 (January–June 2019)

Revenue for the period totalled SEK 25.3 million (5.1) and is entirely related to services provided by senior executives to subsidiaries as well as the brand, which is registered under the Parent Company and invoiced to Readly AB. Net profit for the period was SEK 6.2 million (2.8). Development of revenue and earnings during the period compared with the same period a year ago is mainly attributable to the transfer of employees on the senior management team from the subsidiary Readly AB to the Parent Company as per 1 December 2019 and costs for adjusted for items affecting comparability which were charged against earnings during both the first and second quarters of 2020.

Financial position as per 30 June 2020 (31 December 2019)

As per 30 June 2020, cash and cash equivalents amounted to SEK 95.2 million (60.7). Shares in subsidiaries amounted to SEK 490.4 million (376.4) as per 30 June 2020, where the increase is attributable to issued capital contributions. Shareholders' equity amounted to SEK 523.8 million (429.8), where the increase is mainly attributable to the new share issue during the second quarter of 2020. The fair value of issued warrants in connection with the new share issue has been booked as a current liability in the Parent Company and amounted to SEK 6.8 million as per 30 June 2020.
In addition, warrants have been granted to the lender in connection with the loan agreement entered with Kreos Capital. These warrants are reported as a non-current liability in the Parent Company and amounted to SEK 3.5 million as per 30 June 2020.

Readly International AB (publ) share data for the period January–June 2020 (31 December 2020)

As per 30 June 2020, the total number of shares outstanding was 5,822,866 (5,449,232), consisting of 3,646,926 (3,273,292) ordinary shares and 2,175,940 (2,175,940) preference shares. Outstanding employee stock options as per 30 June correspond in number to 138,750 (130,917) ordinary shares upon full subscription. Outstanding warrants as per 30 June correspond in number to 780,273 (382,917) ordinary shares upon full subscription.

Related-party transactions

Readly International AB (publ) conducts transactions with related parties (subsidiaries), consisting of internal Group services on a continuous basis. All transactions are conducted on market terms. Readly has not had any material related-party transactions other than what is stated in 2019 Annual Report, Note 7 on pages 64-68, and Note 27 on page 77.

Forecast

Readly does not issue any forecasts regarding future performance.

Complementary information

Board of Directors' certification

The Board of Directors and CEO certify that this interim report presents a true and fair overview of the Parent Company's and Group's operations, financial position and results of operations for the period under review, and describes significant risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, 12 August 2020

Patrick Svensk
Chariman of the Board

Viktor Fritzén
Director

Nathan Medlock
Director

Malin Stråhle
Director

Alexandra Whelan
Director

Joel Wikell
Director

Maria Hedengren
CEO

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The interim report has been prepared in both Swedish and English. In case of discrepancy between the English and the Swedish version, the Swedish version shall take precedence.

This information is such that Readly International AB (publ) is obligated to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication by agency of the contact persons above at 7.30 a.m. CET on 13 August 2020.

Financial information

Interim report January–September 2020	12 November 2020
Year-end report and fourth quarter interim report 2020	18 February 2021

Financial reports, press releases and other information are available from the date of publication on Readly's website: www.readly.com.

Publication

The interim information provided on pages 2-12 constitutes an integral part of this financial report.

Legal disclaimer

Due to the nature of its business, Readly is exposed to certain risks that may affect its earnings or financial position to a lesser or greater extent. These can be categorised into financial risks, business-related risks, legal and compliance risks, and strategic risks. Management's general view of the risks that the business may be affected by has not changed compared with the description provided in the most recently published annual report, except for what is stated on page 11 related to Covid-19. For a detailed description of the company's risks, please refer to Readly's 2019 Annual Report, page 38 and pages 61-62.

Auditor’s report

Readly International AB org nr 556912-9593

Introduction

We have reviewed the condensed interim financial information (interim report) of Readly International AB as of 30 June 2020 and the sixth-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 12 August 2020
Öhrlings PricewaterhouseCoopers AB

Aleksander Lyckow
Authorized Public Accountant

Financial statements

Condensed Consolidated Income Statement

TSEK	Note	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Operating revenue						
Net sales	2	82,761	62,338	159,190	121,352	263,360
Other operating income		685	383	1,435	618	1,379
Total revenue		**83,446**	**62,721**	**160,625**	**121,969**	**264,739**
Operating expenses						
Publisher cost		-56,494	-42,959	-108,469	-84,703	-181,966
Other external costs		-64,293	-37,263	-107,171	-72,365	-158,558
Personnel costs		-19,658	-13,698	-37,244	-25,320	-58,833
Depreciation and amortization		-2,435	-2,019	-4,990	-4,095	-7,921
Operating profit		**-59,434**	**-33,218**	**-97,250**	**-64,515**	**-142,539**
Net financial items		-6,674	-956	-4,867	-1,636	-3,727
Net result before tax		**-66,108**	**-34,173**	**-102,117**	**-66,150**	**-146,265**
Income tax		-35	-43	-71	-75	-300
Net result for the period		**-66,143**	**-34,216**	**-102,188**	**-66,225**	**-146,565**
Net result for the period attributable to the Parent company share-holders		**-66,143**	**-34,216**	**-102,188**	**-66,225**	**-146,565**
Basic and diluted earnings per share, SEK		-12.0	-7.7	-18.7	-14.8	-29.6
Basic and diluted weighted number of shares		5,491,407	4,464,720	5,470,320	4,464,720	4,947,854

Condensed Consolidated Statement of Comprehensive Income

TSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net result for the period	-66,143	-34,216	-102,188	-66,225	-146,565
Items that may be reclassified to profit or loss					
Exchange rate differences on translating foreign operations	-178	-15	-126	-205	36
Other comprehensive income for the period	**-178**	**-15**	**-126**	**-205**	**36**
Total comprehensive income for the period	**-66,322**	**-34,231**	**-102,314**	**-66,430**	**-146,529**
Total comprehensive income attributable to the Parent company share-holders	**-66,322**	**-34,231**	**-102,314**	**-66,430**	**-146,529**

Condensed Consolidated Statement of Changes in Financial Position

TSEK	Note	Jun 30 2020	Jun 30 2019	Dec 31 2019
ASSETS				
Non-current assets				
Other intangible assets		19,847	14,422	17,656
Property & Equipment		1,597	1,949	1,770
Right of use assets		6,056	6,401	5,017
Other non-current assets	3	6,654	6,161	6,264
Total non-current assets		**34,154**	**28,932**	**30,707**
Current assets				
Trade receivables	3	6,390	5,904	2,588
Other current assets	3	22,841	160,944	13,529
Cash and cash equivalents	3	169,,305	38,826	130,132
Total current assets		**198,536**	**205,674**	**146,249**
Total assets		**232,690**	**234,606**	**176,956**
EQUITY AND LIABILITIES				
Equity	4	**40,309**	**131,035**	**54,773**
Non-current liabilities				
Lease liabilities	3	921	2,876	1,546
Long-term borrowings	5	29,451	-	-
Derivates	5	3,493	-	-
Total non-current liabilities		**33,865**	**2,876**	**1,546**
Current liabilities				
Trade payables	3	24,221	21,470	28,958
Lease liabilities	3	4,437	2,872	2,872
Short-term borrowings	5	15,110	-	-
Derivates	5	6,759	-	-
Other current liabilities	3	107,989	76,353	88,808
Total current liabilities		**158,515**	**100,696**	**120,637**
Total equity and liabilities		**232,690**	**234,606**	**176,956**

Consolidated Statement of Changes in Equity

	Share capital	Ongoing new share issue	Other contributed capital	Reserves	Retained earnings (including net loss for the year)	Total equity
Opening balance 1 January 2020	**818**	**-**	**623,184**	**68**	**-569,276**	**54,773**
Net result	-	-	-	-	-102,188	-102,188
Other comprehensive income	-	-	-	-126	-	-126
Total comprehensive income	**-**	**-**	**-**	**-126**	**-102,188**	**-102,314**
Transactions with owners						
Net new share issue after transaction costs	40	12	86,910	-	-	86,962
Warrants	-	-	18	-	-	18
Share based remuneration	-	-	870	-	-	870
Total transactions with owners	**40**	**12**	**87,298**	**-**	**-**	**87,851**
Closing balance 30 June 2020	**858**	**12**	**710,982**	**-58**	**-671,464**	**40,309**

	Share capital	Other contributed capital	Reserves	Retained earnings (including net loss for the year)	Total equity
Opening balance 1 January 2019	**670**	**463,724**	**32**	**-422,726**	**41,680**
Net result	-	-	-	-66,225	-66,225
Other comprehensive income	-	-	-205	-	**-205**
Total comprehensive income	**-**	**-**	**-205**	**-66,225**	**-66,430**
Transactions with owners					
Net new share issue after transaction costs	140	154,149	-	-	154,289
Warrants	-	1,135	-	-	1,135
Share based remuneration	-	360	-	-	360
Total transactions with owners	**140**	**155,644**	**-**	**-**	**155,784**
Closing balance 30 June 2020	**810**	**619,368**	**-173**	**-488,951**	**131,034**

	Share capital	Other contributed capital	Reserves	Retained earnings (including net loss for the year)	Total equity
Opening balance 1 January 2019	**670**	**463,709**	**32**	**-422,711**	**41,680**
Net result	-	-	-	-146,565	-146,565
Other comprehensive income	-	-	36	-	**36**
Total comprehensive income	**-**	**-**	**36**	**-146,565**	**-146,529**
Transactions with owners					
Net new share issue after transaction costs	148	154,714	-	-	154,862
Warrants	-	1,270	-	-	1,270
Share based remuneration	-	1,491	-	-	1,491
Redemption of share-based renumeration	-	2,000	-	-	2,000
Total transactions with owners	**148**	**159,475**	**-**	**-**	**159,623**
Closing balance 30 June 2019	**818**	**623,184**	**68**	**-569,276**	**54,773**

There are no non-controlling interests in the Group. All shareholders' equity is thus attributable to owners of the Parent Company.

Condensed Consolidated Statement of Cash Flows

TSEK	Note	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Operating result (EBIT)		-59,434	-33,218	-97,250	-64,515	-142,539
Depreciation		2,422	2,012	4,633	4,088	7,921
Other items not affecting liquidity		883	245	1,227	360	3,656
Interest paid		-2,550	-110	-2,643	-226	-394
Paid tax		**-144**	-74	-110	-41	-116
Cash flow from operating activities before changes in working capital		**-58,823**	**-31,145**	**-94,143**	**-60,334**	**-131,472**
Change in working capital		13,054	2,176	1,848	465	16,838
Cash flow from operating activities		**-45,769**	**-28,969**	**-92,295**	**-59,868**	**-114,634**
Investments in intangible and tangible assets		-2,069	-2,610	-4,973	-3,853	-9,355
Investments in financial assets		-140	-169	-677	-1,707	-2,087
Divestments in financial assets		371	-	371	-	276
Cash flow from investing activities		**-1,838**	**-2,779**	**-5,363**	**-5,560**	**-11,166**
Net new share issue net after transaction costs	4	86,263	140	86,263	140	154,862
Warrants in connection with new share issue	4	6,759	-	6,777	1,135	1,270
Loans raised	5	45,537	-	45,537	-	-
Warrants in connection with loans raised	5	3,469	-	3,469	-	-
Amortzation of lease liabilities		-1,074	-650	-1,993	-1,292	-2,622
Cash flow from financing activities		**140,954**	**539**	**140,053**	**-17**	**153,510**
Cash flow for the period		**93,348**	**-31,209**	**42,395**	**-65,446**	**27,710**
Cash and cash equivalents at the beginning of the period		81,227	70,895	130,132	105,886	105,886
Exchange rate differences related to cash and cash equivalents		-5,271	-861	-3,224	-1,615	-3,464
Cash and cash equivalents at the beginning of the period		**169,305**	**38,825**	**169,305**	**38,825**	**130,132**

Condensed Parent Company Income Statement and Statement of Comprehensive Income

TSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Operating revenue					
Total revenue	14,878	2,199	25,299	5,106	19,156
OPERATING EXPENSES					
Other external costs	-5,050	-1,282	-12,547	-1,795	-8,657
Personnel costs	-3,785	-632	-6,460	-506	-4,029
Depreciation and amortization	-82	-	-82	-	-
Operating profit	**5,960**	**286**	**6,210**	**2,806**	**6,470**
Net financial items	-33	-1	29	22	88
Net result before tax	**5,927**	**285**	**6,238**	**2,828**	**6,558**
Income tax	-	-	-	-	-
Net result for the period	**5,927**	**285**	**6,238**	**2,828**	**6,558**

Profit for the period corresponds to the Parent Company’s comprehensive income for the period.

Condensed Parent Company Balance Sheet

TSEK	Note	Jun 30 2020	Jun 30 2019	Dec 31 2019
ASSETS				
Non-current assets				
Intangible assets		1,555	-	863
Participation in group companies		490,357	297,243	376,440
Receivables from group companies		1,141	1,078	1,672
Total non-current assets		**493,054**	**298,321**	**378,975**
Current assets				
Receivables from group companies		5,650	527	9,548
Tax receivables		462	-	-
Other receivables		2,754	154,368	3,961
Cash and cash equivalents		95,222	18,116	60,742
Total current assets		**104,088**	**173,011**	**74,251**
Total assets		**597,142**	**471,332**	**453,225**
EQUITY AND LIABILITIES				
Equity		**523,842**	**415,488**	**429,763**
Non-current liabilities				
Liabilities to group companies		95	95	95
Derivates	5	3,469	-	-
Total non-current liabilities		**3,564**	**95**	**95**
Current liabilities				
Derivates		6,759	-	-
Account payables		1,269	6,273	3,488
Liabilities to group companies		45,903	45,127	12,926
Other short-term liabilities	4	12,205	4,349	6,953
Total current liabilities		**69,736**	**55,749**	**23,367**
Total equity and liabilities		**597,142**	**471,332**	**453,225**

Notes

Note 1- Accounting policies

Readly applies the Swedish Annual Accounts Act, Swedish Financial Reporting Board recommendation RFR 1 Supplementary Accounting Rules for Groups, and International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRS IC) as endorsed by the EU.

This report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable stipulations of the Swedish Annual Accounts Act and should be read in context with the 2019 Annual Report. The most significant accounting policies used in preparing this report are described in Note 1 on pages 52-62 of the 2019 Annual Report.

Changes in IFRSs and amendments and interpretations of existing standards that took effect on 1 January 2020 have not given rise to any changes in the reporting of the Group's financial performance or position. In addition, the same accounting policies and bases of calculation used in the 2019 Annual Report have been applied in preparing the financial statements in this report, except what is stated below.

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities.

Accounting policy for credit facility and warrants

Readly AB was granted a new credit facility on 7 May 2020. The total granted loan amount is EUR 10 million, of which EUR 5 million has been utilised as per the second quarter. One condition for the loan is that the lender is also issued warrants in Readly International AB (publ.). The warrants have been granted free of charge. The utilised amount has been apportioned between warrants and borrowing based on fair value. The warrants are reported as a derivative (a liability measured at fair value) on the balance sheet. All changes in the fair value of derivative instruments are recognised directly through profit or loss on the line Financial income or Financial expense. Borrowing is initially recognised at fair value, net after transaction costs. Borrowing is thereafter recognised at amortised cost, and the difference between the amount received, allocated to the loan, and the repayment amount is recognised through profit or loss apportioned over the term of the loan using the effective interest method. In the Parent Company the derivative is reported in accordance with RFR 2, whereby derivative instruments with a negative value are measured at this value.

Accounting policy for issues of shares and warrants

The subscription price is apportioned to ordinary shares and warrants based on fair value. The portion of the issue that is attributable to the warrant is reported as a derivative instrument (a liability measured at fair value) on the balance sheet. The warrants are reported as a derivative instrument since each warrant does not give its holder the right to a set number of shares. All changes in fair value of the derivative instrument are recognised directly in the income statement on the line Financial income or Financial expenses. The portion of the subscription price that is attributable to the issue of ordinary shares is reported in shareholders' equity. In the Parent Company the derivative is reported in accordance with RFR 2, whereby derivative instruments with a negative value are measured at this value.

Note 2- Revenue from contracts with customers

TSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Germany	33,566	26,071	65,803	50,560	109,606
Sweden	19,642	15,808	39,285	30,962	69,028
United Kingdom	15,997	13,507	29,786	27,231	56,017
Rest of the World	13,558	6,952	24,316	12,598	28,709
Total revenue	**82,761**	**62,338**	**159,190**	**121,352**	**263,360**

Note 3 - Classification of financial assets and liabilities

TSEK	Jun 30 2020 Amortised cost	Jun 30 2020 Fair value through profit and loss	Dec 31 2019 Amortised cost	Dec 31 2019 Fair value through profit and loss
ASSETS				
Non-current receivables	6,654	-	6,264	-
Trade receivables	6,390	-	2,588	-
Other current receivables	7,122	-	9,499	-
Cash and cash equivalents	169,305	-	130,132	-
Total financial assets	**189,470**	**-**	**148,483**	**-**
LIABILITIES				
Non-current lease liabilities	921	-	1,546	-
Long-term borrowings	29,451	-	-	-
Long-term derivates	-	3,493		
Current lease liabilities	4,437	-	2,872	-
Short-term borrowings	15,110	-	-	-
Short-term derivates	-	6,759	-	-
Trade payables	24,221	-	28,958	-
Other current liabilities	58,114	-	51,540	-
Total financial liabilities	**132,254**	**10,252**	**84,915**	**-**

The fair value of current receivables and liabilities reported at amortised cost corresponds to their carrying amounts, since the discounting effect is not considered to be significant. Fair value of non-current receivables and liabilities reported at amortised cost is deemed in all essential respects to correspond to their carrying amount. Non-current and current liabilities attributable to derivatives are measured according to Level 3 in the fair value hierarchy, Unlisted holdings.

Note 4 – Shareholders' equity

During the second quarter a new share issue of a total of 350,184 shares was carried out following authorisation granted by the Annual General Meeting on 25 May. In connection with the new share issue, a total of 350,184 warrants were also issued carrying entitlement to subscribe for up to one year. The subscription price for the shares and warrants is SEK 268. On 26 June, 245,367 of these shares and warrants were registered. As per 30 June an additional 104,817 shares and warrants were subscribed for but not yet registered. Total issued shares and warrants under the new share issue generated a positive cash flow effect of SEK 93.8 million before transaction costs. These are broken down in the statement of cash flows between the new share issue and warrants in connection with the new share issue in accordance with the description below. A total of SEK 0.7 million has not yet been paid in as per 30 June 2020 and is not included in cash flow. Transaction costs amounted to SEK 0.1 million.

The portion of the subscription price that is attributable to the issuance of ordinary shares is reported in shareholders' equity, amounting to SEK 87.0 million as per 30 June 2020. Issued warrants are measured as a derivative at fair value and are reported as a liability, amounting to SEK 6.8 million as per 30 June 2020. Remeasurement at fair value is done in financial items in the income statement. The warrants are measured according to Level 3 in the fair value hierarchy, Unlisted holdings. Fair value is calculated using the Black-Scholes option pricing model combined with the Brownian motion option theory. This includes the exercise price (SEK 0.15), the warrant's term (1 year), the share price on the grant date (SEK 268) and expected volatility of the share price (27%), the expected dividend yield (0%), and risk-free interest (-0.23%) for the warrant's term. Expected volatility of the share price is based on the historical volatility (based on the remaining term of the warrant), adjusted for the expected changes in future volatility resulting from available public information for a group of comparative companies.

As per 30 June 2020 the total number of shares outstanding was 5,822,866 (5,449,232), consisting of 3,646,926 (3,273,292) ordinary shares and 2,175,940 (2,175,940) preference shares. Outstanding employee stock options as per 30 June 2020 correspond in number to 138,517 (130,917) with rights to subscribe 1:1 for ordinary shares. Outstanding warrants as per 30 June 2020 correspond in number to 780,273 (382,917) with rights to subscribe 1:1 for ordinary shares.

Note 5 – Credit facility and warrants

The new credit facility in Readly AB expires on 1 January 2023 and carries annual interest of 10.75%. The total granted loan amount is EUR 10 million, of which EUR 5 million (SEK 49.5 million) was utilised as per the second quarter. The remaining amount can be utilised through 31 December 2020.

Transaction costs for the loan amount to SEK 1.9 million. Interest expenses attributable to the loan amount to SEK 1.5 million in total, while paid interest amounts to SEK 0.9 million.

One condition for the loan is that the lender is also granted warrants in Readly International. As per the second quarter, 42,839 warrants were granted at an subscription price of SEK 168 per share. If Readly chooses to utilise the remaining loan amount in 2020, an additional 25,704 warrants will be granted at the same terms. As per 30 June 2020 the fair value of the granted warrants was SEK 3.5 million.

All of the warrants are measured at fair value at the grant date. Fair value is calculated using a version of the Black-Scholes option pricing model. This includes the exercise price (SEK 168), the warrant's term (6 years), the share price on the grant date (SEK 268) and expected volatility of the share price (27%), the expected dividend yield (0%), and risk-free interest (-0.17%) for the warrant's term. Expected volatility of the share price is based on the historical volatility (based on the remaining term of the warrant), adjusted for the expected changes in future volatility resulting from available public information for a group of comparative companies. The warrants are reported as a non-current liability and are measured according to Level 3 in the fair value hierarchy, Unlisted holdings.

Additional terms for the loan are pledged collateral in Readly International AB in the form of 100% ownership of Readly GmbH (25,000 shares), Readly UK (100 shares) and Readly AB (50,000 shares). In addition, pledged collateral also includes 100% of the registered trademark Readly. Readly International AB has pledged security for the loan as well as for its own debt.

Note 6 - Significant estimations and assessments

In preparation of the financial statements, management must make estimations and assessments, and must therefore make certain estimations and assumptions about the future. Management's estimations and assessments are evaluated on a regular basis based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the prevailing conditions.

The estimations for accounting purposes that that result from these, by definition, seldom correspond to the actual outcome. The estimations and assumptions that entail a significant risk for material adjustments of the carrying amounts of assets and liabilities during the financial year are addressed in general below.

Going concern

Readly's financial statements have been prepared in accordance with the accounting policies that apply for a going concern assumption, that is, that Readly will have the ability to continue conducting its business during the foreseeable future. Foreseeable future extends at least to, but is not limited to, 12 months after the end of the reporting period. It is the Board of Directors and CEO who are responsible for assessing the company's ability to continue operating. To be able to make this assessment in a correct manner, consideration must be given to all available information and assumptions about the future. Further, the Board of Directors and CEO continuously monitor circumstances that may affect the assessment of the validity of the going concern assumption, where the most critical risk is access to funding. Since Readly is in a phase of growth, the company continues to report significant losses. This may lead to strained liquidity and a need to secure long-term funding for the Group. To ensure a satisfactory position, during the second quarter of 2020 the company carried out a new share issue and signed a loan agreement with Kreos Capital. The Board of Directors and CEO believe that, after implemented measures, the company's existing working capital with available funding opportunities is sufficient in order for the going rate assumption to be considered to have been met.

Tax loss carryforwards

Unutilised loss carryforwards for which no deferred tax asset has been recognised amount to SEK 582.2 million (436.7) as per 30 June 2020. Given its current expansion plans, Readly has determined that the Group will likely continue to report tax loss carryforwards also in the coming year, and thus in accordance with IAS 12, no deferred tax asset is reported for these deficits.

For further information on estimations and assessments, please refer to Readly's 2019 Annual Report, Note 3 on page 62.

Key performance indicators

The company presents certain financial measures in the interim report that are not defined by IFRS. The company believes that these alternative performance measures (APMs) provide valuable, complementary information to investors and company management, as they allow evaluation of the company's financial performance and financial position. Since not all companies calculate financial measures in the same way, these are not always comparable with measures used by other companies. These financial measures shall therefore not be regarded as a replacement for the measures defined in accordance with IFRS. The tables below present certain measures that are not defined in IFRS, and they are therefore defined on pages 25 - 26 of this report.

		Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
FPS (Full paying subscribers	Nr	323,811	252,937	323,811	252,937	278,555
Total revenue	TSEK	83,446	62,721	160,625	121,969	264,739
Total revenue growth	%	33.0	31.6	31.7	35.2	35.1
ARPU[1] (Average revenue per user)	SEK	93	83	93	90	87
Gross profit[1]	TSEK	26,952	19,763	52,156	37,266	82,773
Gross profit margin[1]	%	32.3	31.5	32.5	30.6	31.3
Gross contribution[1]	TSEK	-23,235	-1,049	-19,409	-4,600	-16,303
Gross contribution margin[1]	%	-27.8	-1.7	-12.1	-3.8	-6.2
EBITDA[1]	TSEK	-56,999	-31,198	-92,260	-60,419	-134,618
EBITDA margin[1]	%	-68.3	-49.7	-57.4	-49.5	-50.8
Operating profit	TSEK	-59,434	-33,218	-97,250	-64,515	-142,539
Operating margin	%	-71.2	-53.0	-60.5	-52.9	-53.8
Adjusted operating profit (excl IAC)[1]	TSEK	-56,068	-33,218	-88,040	-64,515	-138,123
Adjusted operating margin (excl IAC)[1]	%	-67.2	-53.0	-54.8	-52.9	-52.2
Total operating expenses	TSEK	-142,880	-95,939	-257,875	-186,484	-407,278
Net result for the period	TSEK	-66,143	-34,216	-102,188	-66,225	-146,565
Items affecting comparability	TSEK	-3,366	-	-9,210	-	-4,416
Net margin	%	-79.3	-54.6	-63.6	-54.3	-55.4
Cash flow from operating activities	TSEK	-45,769	-28,969	-92,295	-59,869	-114,634
Average number of employees	st	69	56	68	52	56
Key data per share						
Basic and diluted earnings per share	SEK	-12.0	-7.7	-18.7	-14.8	-29.6
Basic and diluted equity per share	SEK	7.3	29.3	7.4	29.3	11.1
Weighted number of outstanding shares, basic and diluted	st	5,491,407	4,464,720	5,470,320	4,464,720	4,947,854
Number of outstanding shares at end of the period	st	5,822,866	5,399,238	5,822,866	5,399,238	5,449,232

1) For reconciliation of APMs, see pages 27 -28

Definitions of key performance indicators and calculations

KPIs	Definition	Purpose
Average revenue per user (ARPU)	Total revenue divided by the number of FPSs	This measure is used to identify what share of revenue is attributable to each full-paying subscriber
Earnings per share	Profit/loss for the period after tax in relation to the average number of shares outstanding during the period	A measure used by investors, analysts and company management to evaluate the value of the company's shares outstanding
EBITDA	Earnings before interest, tax, depreciation and amortisation	Used as an alternative measure of operating profit that is not affected by historical investments and their accounting treatment, nor by items affecting comparability
EBITDA margin	EBITDA divided by total revenue	Used as an alternative measure of the business's profitability
Equity per share	Shareholders' equity in relation to the number of shares outstanding at the end of the period	A measure used by investors, analysts and company management to evaluate the company's financial position
FPS (Full paying subscribers)	A subscriber paying 51% or more of the regular price for a subscription.	Used to identify subscribers leaving the service or paying full price for the service.
Gross contribution	Gross profit excluding marketing costs	A measure of the company's gross profit after marketing costs used by investors, analysts and company management to evaluate the company's profitability
Gross contribution margin	Gross contribution divided by operating revenue	A profitability measure used by investors, analysts and company management to evaluate the company's profitability
Gross margin	Gross profit/loss divided by revenue	Used as a measure of the core business's profitability, regardless of the effect of other operations
Gross profit/loss	Revenue less publisher costs	Used as a measure of the core business's operating profit, regardless of the effect of other operations, items affecting comparability between periods, and financing and company tax
Growth in total revenue	Increase in total revenue compared with the preceding period	Used as a measure of growth in the company's total revenue
Items affecting comparability	Non-recurring significant items and events attributable to the Group's strategy or structure. These are relevant for understanding the Group's performance and year-on-year comparisons	Used to inform about items that affect comparability between different periods

KPIs	Definition	Purpose
Marketing costs	External marketing costs related to customer acquisition, campaigns and similar marketing activities	Used as a measure of marketing costs, regardless of the effect of other operations, items affecting comparability between period, and financing and company tax
Net margin	Profit/loss for the period divided by total revenue for the period	Used as an alternative measure of the business's profitability
Operating profit/loss (EBIT)	Operating revenue less operating expenses	A measure of the company's operating profit/loss before interest and tax that is used by investors, analysts and company management to evaluate the company's profitability
Operating margin	Operating profit in relation to operating expenses	A profitability measure that is used by investors, analysts and company management to evaluate the company's profitability
Total operating expenses	Total expenses excluding interest expenses and tax costs	Used as a measure of the Group's total expenses regardless of the effect of other operations, items affecting comparability between periods, and financing and company tax

Reconciliation of KPIs

Adjusted operating profit and adjusted operating margin

TSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Operating profit	**-59,434**	**-33,218**	**-97,250**	**-64,515**	**-142,539**
Preparations for possible future listing of Readly International AB (publ)	3,366	-	9,210	-	4,416
Adjusted operating profit (excl IAC)	**-56,068**	**-33,218**	**-88,040**	**-64,515**	**-138,123**
Total revenue	83,446	62,721	160,625	121,969	264,739
Adjusted operating margin (excl IAC)	**-67,2%**	**-53,0%**	**-54,8%**	**-52,9%**	**-52,2%**

Gross contribution and gross contribution margin

TSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Total revenue	83,446	62,721	160,625	121,969	264,739
Publisher cost	-56,494	-42,959	-108,469	-84,703	-181,966
Marketing cost	-50,187	-20,812	-71,564	-41,866	-99,076
Gross contribution	**-23,235**	**-1,049**	**-19,409**	**-4,600**	**-16,303**
Gross contribution margin	**-27.8%**	**-1.7%**	**-12.1%**	**-3.8%**	**-6.2%**

EBITDA and EBITDA margin

TSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
EBITDA	**-56,999**	**-31,198**	**-92,260**	**-60,419**	**-134,618**
Total revenue	83,446	62,721	160,625	121,969	264,739
EBITDA margin	**-68.3%**	**-49.7%**	**-57.4%**	**-49.5%**	**-50.8%**

Gross profit and gross margin

TSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Total revenue	83,446	62,721	160,625	121,969	264,739
Publisher cost	-56,494	-42,959	-108,469	-84,703	-181,966
Gross profit	**26,952**	**19,763**	**52,156**	**37,266**	**82,773**
Gross profit margin	**32.3%**	**31.5%**	**32.5%**	**30.6%**	**31.3%**

Equity per share

TSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Weighted number of outstanding shares	5,491,407	4,464,720	5,470,320	4,464,720	4,4947,854
Total equity	40,309	131,035	40,309	131,035	54,773
Equity per share	**7.3**	**29.3**	**7.4**	**29.3**	**11.1**

Net margin

TSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net result for the period	-66,143	-34,216	-102,188	-66,225	-146,565
Total revenue	83,446	62,721	160,625	121,969	264,739
Net margin	**-79.3%**	**-54.6%**	**-63.6%**	**-54.3%**	**-55.4%**

Total revenue growth

TSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Total revenue	83,446	62,721	160,625	121,969	264,739
Total revenue growth	**33.0%**	**31.6%**	**31.7%**	**35.2%**	**35.1%**

Operating profit and operating margin

TSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Total revenue	83,446	62,721	160,625	121,969	264,739
Total operating expenses	-142,880	-95,939	-257,875	-186,484	-407,278
Operating profit	**-59,434**	**-33,218**	**-97,250**	**-64,515**	**-142,539**
Operating margin	**-71.2%**	**-53.0%**	**-60.5%**	**-52.9%**	**-53.8%**

Total operating expenses

TSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Publisher cost	-56,494	-42,959	-108,469	-84,703	-181,966
Marketing cost	-50,187	-20,812	-71,564	-41,866	-99,076
Other operating cost	-14,106	-16,451	-35,607	-30,499	-59,482
Personnel cost	-19,658	-13,698	-37,244	-25,320	-58,833
Depreciation and amortization	-2,435	-2,019	-4,990	-4,095	-7,921
Operating expenses	**-142,880**	**-95,939**	**-257,875**	**-186,484**	**-407,278**

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About Readly

The idea for Readly was born on a sun lounger in Cyprus in spring 2012 when Readly's founder, Joel Wikell, was on holiday with his family. The newspapers and magazines he had carried with him were quickly read out both once and twice. But the streamed music in his earbuds never ran dry. It was then he came up with the idea for an app with unlimited access to digital magazine feeds. The first string of code was written later that same year by three developers in the small town of Växjö in southern Sweden, and Readly was launched in Sweden in 2013.

Readly is a digital subscription service that gives users unlimited digital access to nearly 5,000 national and international magazines – all in one app. The company today is a European leader in digital magazine subscriptions with users in 50 markets. In partnership with some 800 publishers worldwide, Readly is digitalising the magazine industry, bringing the magic of the magazine into the future, with quality content that people can continue to discover in the new digital age. In 2019 Readly distributed more than 120,000 editions of magazines that have been read some 83 million times. **www.readly.com**