



INTERIM REPORT

January – September 2020

MARIA HEDENGREN, CEO:



“All markets contributed to the solid growth during the quarter, and we accelerated the rate compared with earlier quarters.”

Third quarter 2020

Revenue for the period totalled SEK 93.4 million (69.3), an increase of 34.8 per cent compared with the same period a year ago.

The number of full paying subscribers increased by 29.7 per cent, totalling 339,557 (261,828) at the end of the quarter, compared with the same quarter one year ago.

Gross profit increased by 42.6 per cent to SEK 31.3 million (22.0), corresponding to a gross margin of 33.5 per cent (31.7).

The gross contribution margin for the period was -15.8 per cent (-6.8).

Operating profit was SEK -51.2 million (-33.4), corresponding to an operating margin of -54.8 per cent (-48.2).

Adjusted operating profit was SEK -42.0 million (-32.4), corresponding to an adjusted operating margin of -45.0 per cent (-46.8).

Earnings per share were SEK -1.6 (-1.3) before and after dilution.

Jan–Sept 2020

Revenue for the period totalled SEK 254.0 million (191.2), an increase of 32.8 per cent compared with the same period a year ago.

Gross profit increased by 40.9 per cent to SEK 83.5 million (59.2), corresponding to a gross margin of 32.9 per cent (31.0).

The gross contribution margin for the period was -13.4 per cent (-4.9).

Operating profit was SEK -148.4 million (-97.9), corresponding to an operating margin of -58.4 per cent (-51.2).

Adjusted operating profit was SEK -130.0 million (-96.9), corresponding to an adjusted operating margin of -51.2 per cent (-50.7).

Earnings per share were SEK -5.3 (-4.2) before and after dilution.

JUL-SEPT 2020

34.8%

Growth in revenue compared with third quarter 2019.

29.7%

Growth in subscribers (FPS) compared with end of September 2019.

33.5%

Gross margin compared with 31.7 per cent for third quarter 2019.



SEKt, unless stated otherwise	Jul-Sep 2020	Jul-Sep 2019	YoY change, %	Jan-Sep 2020	Jan-Sep 2019	YoY change, %	Jan-Dec 2019
FPS (Full paying subscribers), number	339,557	261,828	29.7	339,557	261,828	29.7	278,555
Total revenue	93,350	69,272	34.8	253,975	191,241	32.8	264,739
ARPU (Average revenue per user), SEK	94	90	4.4	93	86	8.1	87
Gross profit	31,308	21,963	42.6	83,464	59,229	40.9	82,773
Gross profit margin, %	33.5	31.7	1.8	32.9	31.0	1.9	31.3
Gross contribution	-14,722	-4,724	-211.7	-34,131	-9,324	-266.0	-16,303
Gross contribution margin, %	-15.8	-6.8	-9.0	-13.4	-4.9	-8.5	-6.2
Operating profit	-51,152	-33,421	-53.1	-148,402	-97,935	-51.5	-142,539
Operating margin, %	-54.8	-48.2	-6.6	-58.4	-51.2	-7.2	-53.8
Adjusted operating profit	-41,969	-32,426	-29.4	-130,009	-96,941	-34.1	-138,123
Adjusted operating margin, %	-45.0	-46.8	1.8	-51.2	-50.7	-0.5	-52.2
Net result for the period	-47,189	-33,977	-38.9	-149,377	-100,203	-49.1	-146,565
Basic and diluted earnings per share ¹ SEK	-1.6	-1.3	-23.8	-5.3	-4.2	-25.7	-29.6

1) Earnings per share for the comparison periods have been adjusted to the number of shares after the 1.5 share split. See definitions of KPIs and calculations page 25.

COMMENTS FROM MARIA HEDENGREN, CEO

Stable quarter with increased growth



We are seeing continued favourable demand at Readly and can affirm an accelerated rate of growth for the second quarter in a row. This is proof that increased brand awareness, together with continuous review and broadening of content as well as marketing channels are generating results. During the third quarter of 2020 our sales grew 34.8 per cent to SEK 93.4 million over the same period a year ago, mainly driven by growth in the number of subscribers. We are also seeing a continued effect of the lowered VAT rates that came into effect in several markets toward the end of 2019 and also in 2020. This pertains to Germany, among other countries, which reduced its VAT from 19 to 7 per cent in December 2019, and the UK which eliminated VAT entirely on services like Readly's in May 2020. Excluding the effect of changed VAT rates, revenue grew 27.1 per cent compared with the third quarter of 2019. The number of subscribers grew 29.7 per cent compared with a year ago to 339,557 as per 30 September. All markets made a positive contribution to growth during the quarter, led in particular by the UK. Growth in the number of subscribers accelerated further during the quarter, driven by, among other things, a number of new partnerships and improvements in conversion marketing channels.

During the quarter the gross margin was 33.5 per cent, compared with 31.7 per cent for the same period in 2019. Operating profit was SEK -51.2 million, which is in line with our expectations. We continue

to invest in conversion marketing as well as brand-building activities, which will contribute to growth in both the short and long term. During the third quarter the gross contribution margin was -15.8 per cent, which is a significant improvement compared with the preceding quarter, when it was -27.8 per cent. At the same time, the rate of growth of full-paying subscribers increased over the preceding quarter, which is an example of how marketing investments affect growth not only in the current quarter. Adjusted for costs associated with the listing of the shares of Readly on Nasdaq Stockholm, operating profit was SEK -42.0 million.

READLY'S ECOSYSTEM

Readly's partnerships with some 800 publishers, together with our subscribers and partners, make up the core of what we call our ecosystem. Our product is based on an inspiring, engaging and reliable offering of titles that are currently available in as many as 17 languages. Through Readly, publishers gain access to additional revenue at no extra cost along with the opportunity to reach new readers in a global market. Approximately 20 per cent of reading on Readly is done of titles from a country other than the subscriber's home location. We also provide extensive knowledge about reader behaviours and opportunities to optimise content and advertising revenue through the extensive data that Readly has. As per 30 September this year the number of aggregated and anonymised data points was around 32 billion.

We work closely with and have an ongoing dialogue with all of our publisher partners, and of course we hope to continue the dialogue with Bonnier News, who previously announced their intention to

leave Readly, and to find a solution to ensure that our customers can continue to enjoy these titles. At the same time we are happy to introduce new partnerships and titles, of which the expanded agreement with Aftonbladet is a good example; since 2 October our Swedish readers can access Sweden's largest evening newspaper on Readly. As another example of new and interesting titles, UK-based Reach Plc has released four popular daily newspaper titles on Readly as part of its digital strategy. As a result of our dialogue with Aller Media, we have now renewed our agreement with them, securing our subscribers access to their some 70 titles also going forward. Since the start of the year we have welcomed over 60 new publishers and some 600 new titles.

As part of our growth strategy we are continuing our work on signing agreements with new partners, but also on deepening and expanding existing partnerships with retailers and marketing collaborations internationally, which contributed to our growth during the quarter. A good example of this is the grocery store chain Lidl, which already offers Readly to new members of its loyalty programme in Germany and which during the quarter introduced the same offering to its customers in the UK. Partnerships like this give us a good opportunity to reach new readers and increase our brand awareness.

PRODUCT INITIATIVES FOR BROADER READING AND INCREASED READER ENGAGEMENT

We are continuing our efforts to encourage our subscribers to read more and discover more engaging titles and topics. More than 40 per cent of our active subscribers use Readly on a daily basis, and the average reading time per month is around seven hours. As part of our efforts to further increase engagement, we are introducing a new search function that helps readers find information about specific topics from all available sources on the platform. The function has a very high level of precision which means that readers can search for a specific topic or keyword and find a large volume of articles from various sources. This is an effective way to search for quality and independent content compared with search engines. The function also contributes to the reading of smaller titles and greater exposure for large and small publishers alike.

During the quarter Klarna's payment solution was introduced for our Swedish subscribers, which further improves the onboarding experience for new users. Offering a wide range of easy payment options increases our conversion.

THE PANDEMIC'S CONTINUED IMPACT ON THE MAGAZINE INDUSTRY

Clearly the pandemic is affecting the way we consume media. A new report from PwC (*Global Entertainment & Media Outlook 2020–2024*) notes that the effects of the pandemic are very tangible for the magazine industry and that the market is expected to contract at a faster pace than what was previously forecast. After 2020 the global market for consumer magazines is expected to recover slightly and is expected to be worth USD 60 billion by 2024, corresponding to an average yearly decline of 3.6 per cent compared with 2019. During the same time, digital magazines are expected to grow by 4 per cent yearly. Our ambition continues to be to grow faster than the market, and our goal is to maintain annual sales growth of 30 per cent to 35 per cent in the medium term. During the period 2017–2019 Readly

grew by an average of 44 per cent per year at the same time that the revenue from the digital magazine market had yearly growth of 9 per cent – which is proof of our ability to grow faster than the market.

We are seeing continued strong interest in Readly, with a broader readership base that appreciates our offering of editorially verified content. A growing number of publishers and titles, an ever-greater offering of daily newspapers, more new partners that are marketing and reselling Readly subscriptions, growth in all markets, and increased brand awareness are strengthening our position as a market leader.

LISTING ON NASDAQ – A MILESTONE FOR READLY

Since 17 September Readly's shares are traded on Nasdaq Stockholm, Midcap list. This is a milestone for us at Readly, and to be sure, preparations for the listing consumed much of our focus during the quarter. Our goal and our hopes with the listing of the shares of Readly are to broaden the ownership base and with our owners' support to increase opportunities to drive development of the digital magazine market. I am incredibly proud and happy about the keen interest in the company that the listing process generated, and that we have had the opportunity to welcome a number of new Swedish and international highly respected investors along with a large number of private investors.

Our primary mission is to create an enjoyable reading experience for our subscribers and add value to our publisher partners. In doing so we will be able to deliver on our strategy of expansion in the coming years. Going forward we will put strong emphasis on developing our product in order to further improve the experience on our platform. Digitalisation of the magazine industry is still in its infancy, and Readly is well positioned to continue leading and transforming the industry.



Maria Hedengren, CEO Readly

REVENUE AND EARNINGS JULY – SEPTEMBER 2020 (JULY – SEPTEMBER 2019)

Revenue and operating profit

TOTAL REVENUE AMOUNTED to SEK 93.4 million (69.3) during the third quarter, an increase of 34.8 per cent over the corresponding period in 2019. The increase is attributable to growth in the base of full-paying subscribers and higher average revenue per user (ARPU). The number of subscribers grew 29.7 per cent compared with a year ago to 339,557 (261,828) as per 30 September, driven by accelerating growth in the UK and positive development in all markets. The growth in ARPU during the period is mainly attributable to reduced VAT rates for digital subscription services in a number of markets, including two of Readly's core markets, Germany and the UK. The increase in total revenue during the quarter excluding VAT effects was 27.1 per cent. Revenue growth is occurring in all markets, with the three core markets of Germany, Sweden and the UK accounting for most. Revenue grew 30.2 per cent in Germany to SEK 37.1 million (28.5), 12.8 per cent in Sweden to SEK 21.2 million (18.8), and 51.9 per cent in the UK to SEK 20.7 million (13.7). Revenue in other markets grew 73.3 per cent to SEK 13.6 million (7.8). The currency effect on revenue of sales in foreign currencies was negative during the quarter, by 2.2 per cent.

Gross profit increased by 42.6 per cent during the quarter to SEK 31.3 million (22.0), corresponding to a gross margin of 33.5 per cent (31.7). The positive movement in the margin was primarily driven by an improved share of revenue distribution with publishers. In addition, the improvement was a result of lower transaction costs paid to payment service providers in relation to revenue owing to VAT reductions in a number of markets. The gross contribution for the quarter was SEK -14.7 million (-4.7), corresponding to a gross contribution margin of -15.8 per cent (-6.8). The movement in the margin for the period compared with the corresponding period a year ago is mainly attributable to increased marketing campaigns during the quarter, which is in line with the company's expectations. Normally both the scope and timing of marketing activities can vary from year to year.

Total operating expenses increased by 40.7 per cent to SEK -144.5 million (-102.7). The increase is mainly related to costs for marketing campaigns during the quarter together with higher publisher costs associated with revenue growth. Total operating expenses excluding publisher costs increased by 48.9 per cent to SEK -82.5 million (-55.4). Total operating expenses excluding publisher and marketing costs increased by 26.9 per cent to SEK -36.4 million (-28.7). The change is mainly attributable to items affecting comparability associated with the listing of the shares of Readly, amounting to SEK 9.2 million during the quarter.

Operating profit for the third quarter was SEK -51.2 million (-33.4), corresponding to an operating margin of -54.8 per cent (-48.2). Adjusted operating profit during the third quarter was SEK -42.0 million (-32.4), corresponding to an adjusted operating margin of -45.0 per cent (-46.8).

FINANCIAL ITEMS

Net financial items, which amounted to SEK 4.0 million (-0.5) during the third quarter, pertained mainly to a positive effect of granted warrants in connection with the new share issue in June 2020. The fair value of these was initially booked as a non-current liability, and in connection with the IPO, the fair value of this liability was calculated to be SEK 0.0 million. The change is reported as financial income of SEK 6.8 million. The positive effect was reduced somewhat by interest expenses related to the credit facility that was secured earlier in the year together with currency effects on non-current receivables as well as cash and cash equivalents.

TAX

Income tax for the period was SEK -0.1 million (-0.0). The group has unutilised loss-carryforwards of SEK 582.2 million (436.7) that are not carried on the balance sheet.

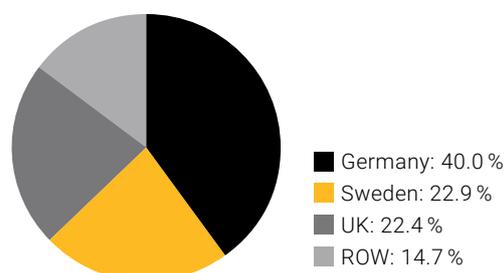
PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit for the period was SEK -47.2 million (-34.0), corresponding to earnings per share of SEK -1.6 (-1.3) before and after dilution.

NUMBER OF EMPLOYEES

The average number of staff including consultants was 112 (79) during the third quarter, of which the average number of employees was 70 (58).

Per centage share of revenue broken down by geographic market for the period July–September 2020.



REVENUE AND EARNINGS JANUARY – SEPTEMBER 2020 (JANUARY – SEPTEMBER 2019)

Revenue and operating profit

TOTAL REVENUE AMOUNTED to SEK 254.0 million (191.2) during the period January–September 2020, an increase of 32.8 per cent compared with the same period in 2019. The increase is attributable to a larger base of full-paying subscribers and higher average revenue per user (ARPU). The number of subscribers grew 29.7 per cent compared with the preceding year to 339,557 (261,828) as per 30 September, mainly driven by continued marketing investments in existing markets during the period. The growth in ARPU during the period is mainly attributable to reduced VAT rates for digital subscription services in a number of markets, including Readly’s three core markets – Germany, Sweden and the UK – where Sweden had an effect during the first two quarters, and Germany and the UK had effects during the entire period. The increase in total revenue during the period excluding VAT effects was 24.8 per cent. Revenue growth is occurring in all markets, with Germany, Sweden and the UK accounting for most. Revenue grew 30.2 per cent in Germany to SEK 102.9 million (79.1), 21.6 per cent in Sweden to SEK 60.5 million (49.8), and 23.6 per cent in the UK to SEK 50.5 million (13.7). Revenue in other markets grew 85.4 per cent to SEK 37.9 million (20.4). The currency effect on revenue of sales in foreign currencies during the period was negative, by 0.2 per cent.

Gross profit increased by 40.9 per cent to SEK 83.5 million (59.2), corresponding to a gross margin of 32.9 per cent (31.0). The positive movement in the margin was driven in part by an improved share of revenue distribution with publishers. In addition, the improvement was driven by lower transaction costs to payment service providers in relation to revenue owing to VAT reductions in a number of markets. The gross contribution for the period was SEK -34.1 million (-9.3), corresponding to a margin of -13.4 per cent (-4.9). The movement in the margin during the period compared with the corresponding period a year ago was mainly driven by larger marketing campaigns during the second and third quarters of 2020. The marketing campaigns during the period involved a higher degree of brand-building activities compared with a year ago, which are expected to boost brand awareness and increase the customer base both in the short and long term.

Total operating expenses increased by 39.1% to SEK -402.4 million (-289.2). The increase is mainly related to costs for marketing campaigns together with higher publisher costs associated with revenue growth. Total operating expenses excluding publisher costs increased by 47.5 per cent to SEK -231.9 million (-157.2). Total operating expenses excluding publisher and marketing cost increased by 29.0 per cent to SEK -114.3 million (-88.6). The increase was mainly attributable to items affecting comparability associated with the listing of the shares of Readly, amounting to SEK 18.4 million, and an increased number of employees.

Operating profit for the period was SEK -148.4 million (-97.9), corresponding to an operating margin of -58.4 per cent (-51.2). Adjusted operating profit was SEK -130.0 million (-96.9), corresponding to an adjusted operating margin of -51.2 per cent (-50.7).

FINANCIAL ITEMS

Net financial items, which amounted to SEK -0.8 million (-2.2), pertain mainly to a positive effect from granted warrants in connection with the new share issue in June 2020. The fair value of these was initially booked as a non-current liability, and in connection with the IPO, the fair value of this liability was calculated to be SEK 0.0 million as per 30 September 2020. The change is reported as financial income of SEK 6.8 million. The positive effect was reduced somewhat by interest expenses related to the credit facility that was secured earlier in the year together with currency effects on non-current receivables as well as cash and cash equivalents.

TAX

Income tax for the period was SEK 0.1 million (-0.1). The group has unutilised loss-carryforwards of SEK 582.2 million (436.7) that are not carried on the balance sheet.

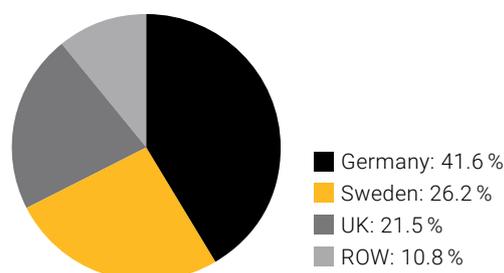
PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit for the period was SEK -149.4 million (-100.2), corresponding to earnings per share of SEK -5.3 (-4.2) before and after dilution.

NUMBER OF EMPLOYEES

The average number of staff including consultants was 110 (71), of which the average number of employees was 68 (54).

Per centage share of revenue broken down by geographic market for the period January–September 2020.



JANUARY-SEPTEMBER 2020 (JANUARY-SEPTEMBER 2019)

Cash flow

CASH FLOW FROM operating activities before changes in working capital was SEK -142.6 million (-91.5). The positive change in working capital of SEK 32.1 million (-10.4) compared with the same period a year ago is mainly attributable to a larger number of publishers and thus higher operating liabilities attributable to publisher costs, and accrued marketing costs associated with ongoing growth initiatives. Compared with the same period a year ago, the increase in operating liabilities is also partly attributable to costs incurred in connection with the listing of the shares of Readly.

Cash flow from investing activities was SEK -7.2 million (-7.6), of which SEK -5.1 million (-4.6) pertained to capitalised product development costs.

Cash flow from financing activities was SEK 555.3 million (154.1). The increase is mainly attributable to the listing of the shares of Readly on 17 September, which generated issue proceeds of SEK 450 million before transaction costs of SEK 27.2 million. In addition, the increase in cash

flow is attributable to a loan secured with Kreos Capital earlier in the year, which generated an inflow of SEK 49.0 million before transaction costs of SEK 1.9 million. Granted warrants amounting to SEK 3.5 million have been excluded from the total loan amount in the statement of cash flows and are reported as warrants in connection with the raising of loans. Amortisation of principal totalled SEK 5.1 (0) million as per 30 September 2020, while interest paid amounted to SEK 1.8 (0) million. The total granted loan amount is EUR 10 million, of which EUR 5 million was unutilised as per 30 September 2020, which may be utilised through 31 December 2020.

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 0.3 million. The fair value of granted warrants has been calculated to be SEK 6.8 million, and payments equivalent to this amount are reported as warrants in connection with the new share issue in the statement of cash flows. The remaining amount is reported as a new share issue, net after transaction costs, of SEK 86.8 million.

30 SEPTEMBER 2020 (31 DECEMBER 2019)

Financial position

Cash and cash equivalents at 30 September 2020 amounted to SEK 564.3 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 listing of the shares of Readly and an additional new share issue during the year. In addition, a credit facility has been utilised pursuant to a loan agreement signed with Kreos Capital AB.

The group's shareholders' equity as per 30 September 2020 amounted to SEK 415.6 million (54.8), representing equity per share of SEK 14.7 (11.1). The listing on Nasdaq Stockholm on 17 September 2020 resulted in an increase in shareholders' equity by a total of SEK 422.8 million after transaction costs of SEK 27.2 million.

The new share issue in June 2020 resulted in an increase in shareholders' equity by SEK 86.8 million after transaction costs of SEK 0.3 million. Granted warrants in connection with the new share issue were initially booked as a current liability measured at fair value of

SEK 6.8 million. In connection with the listing of the shares of Readly in September 2020, the fair value of the liability was calculated to be SEK 0.0 million. The change in the liability is reported as financial income in the corresponding amount of SEK 6.8 million.

The outstanding principal for the loan taken out with Kreos Capital during the second quarter amounted to SEK 40.7 million as per 30 September after transaction costs of SEK 1.9 million, amortisation of SEK 6.9 million, and interest expenses of SEK 4.0 million. As part of the agreement, the lender was also granted warrants. As per 30 September 2020 these amounted to SEK 3.7 million and are reported as a non-current liability measured at fair value.

Total current liabilities amounted to SEK 171.9 million (120.7) as per 30 September 2020. The change from previous year is mainly attributable to higher publisher payables associated with revenue growth.

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 likely continue to do so in future periods. This is in line with the company's strategy set out by the Board of Directors. For further information, see the section Risks and uncertainties on page 12.

Market overview

Following a summer with reduced spread of infection and fewer deaths amidst the pandemic, we are now seeing a rising trend again in many places around the world.

The negative effect that the pandemic is having on the magazine industry as a whole is clear, as many companies are cutting their advertising and marketing budgets during the prevailing circumstances. General worries about being out in public with social distancing restrictions are also resulting in reduced sales of printed editions. According to a new report from PwC (*Global Entertainment & Media Outlook 2020–2024*), the global magazine market is expected to shrink in 2020 as a result of Covid-19. Thereafter the market is expected to recover somewhat and be worth approximately USD 60 billion by 2024, representing yearly declines of about 4 per cent. During the same time, the report notes that revenue from reading of digital magazines is expected to grow by 3.9 per cent yearly, to approximately SEK 5 billion. By 2024 it is forecast that consumption of digital magazines measured in terms of revenue will account for approximately 13 per cent of total readership revenue from magazines. Digitalisation is contributing to changed consumer behaviours, and the pandemic has been a driver of magazine consumption and the fact that consumers are seeking out digital alternatives to a greater extent, especially in countries with very strict restrictions surrounding social distancing and opportunities to move about freely in society.

The amount of false, misleading and extreme content that is spread online continues to increase and dominate the news. The harm that “fake news” is causing to providers of traditional news content has been confirmed in several studies, particularly from Reuters Institute, which has found that trust in news – with a handful of exceptions – is decreasing around the world. The fake news phenomenon is underscoring the importance of journalistic fact-checking and strengthening confidence in the traditional news media’s ability to provide credible and correct information. This is something which, in turn, is attractive for advertisers that want exposure in a transparent and trustworthy environment. An important part of Readly’s work entails defending responsible journalism and making trustworthy content more accessible. A survey conducted by PwC Strategy& (published in February 2020) shows that magazines are the most trustworthy platform for news according to 82 per cent of respondents. In the same survey, 50 per cent of respondents say that one of the main reasons for reading more magazines is that they are more trustworthy sources of information.

In line with consumers embracing new types of subscription models that provide unlimited use of digital services, interest is growing in offering various forms of package solutions of digital services. The tech site Macworld has reported on Apple One, a conceivable

future solution from Apple where Apple TV+, Apple News and Apple Music are offered as a package solution. At the same time, PwC’s report highlights the imbalance between newspaper publishers and tech giants like Apple News, Google News, Flipboard, etc., where the tech companies – through their ability to shape precise offerings to readers via their platforms through data analytics – are competing with publishers for advertising revenue as well as for reader contacts. For its part, Readly is taking a position as part of a shared ecosystem together with publishers, readers, advertisers and partners, where Readly collaborates with these parties and supported by 32 billion data points helps publishers better understand what drives readers.

During the third quarter, two of Readly’s competitors announced that they are merging. On 30 July the Dutch company Blendle reported that they had been acquired by the French company Cafeyn for an undisclosed purchase price. Following this integration Cafeyn will have an offering of 2,500 magazines compared with Readly’s some 5,000 titles in a number of European markets. Readly is a European market leader in digital subscription services in the “all-you-can-read” category.

Our mission is to show the advantages of consumers reading magazines digitally – something we do side-by-side with our competitors. With more actors in the market conducting marketing, PR and raising awareness in various ways, general knowledge about various digital magazine platforms is increasing, which benefits Readly and the entire industry. In a world of growing digitalisation and high demand for trustworthy, quality journalism, Readly is well positioned for a continued market-leading position and growth.

Significant events July – September 2020

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

A 1:5 share split was registered on 11 September 2020 after authorisation was granted by an Extraordinary General Meeting on 4 September 2020. Following the split, the number of shares outstanding is 29,114,330, compared with 5,822,866 as per 30 June 2020.

On 14 September Readly was informed that two of the company's some 800 publisher partners, Bonnier New and Aller media, intended to leave Readly's platform in 2021. This notification resulted in publication of a prospectus supplement.

On 17 September 2020 Readly International AB (publ)'s ordinary shares were listed on Nasdaq Stockholm. The Initial Public Offering was fully subscribed and covered 7,627,118 newly issued shares. In connection with the listing, 4,576,271 existing shares in the parent company were also sold. This resulted in an increase in the number of shares outstanding from 29,114,330 to 36,741,448.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 15 October 2020 it was announced that Aller media and Readly have renewed their cooperation agreement and that Readly's subscribers can therefore continue reading Aller media's titles without interruption. Aller media distributes more than 70 titles via Readly's digital subscription service.

On 19 October 2020, 50,000 new ordinary shares were registered in connection with the exercise of 10,000 warrants. Following this registration, the number of shares outstanding is 36,791,448 as of 19 October 2020.

RELATED-PARTY TRANSACTIONS

Readly International AB (publ) conducts transactions with related parties (subsidiaries) on a continuous basis, consisting of internal group services. 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.

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 page 22.

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. Following the listing of shares of Readly on 17 September 2020, which raised issue proceeds of SEK 450 million before transaction costs, the company has sufficient financial resources to support its growth strategy in the coming years. If the company does not succeed with its growth strategy or achieve its financial targets, a capital need may arise. If this were to occur, a shareholder base is required with available financial resources to be able to support further growth through additional capital injections. Should new share capital or external borrowing not be available for Readly in connection with a possible future need, this could affect growth and the company's ability to meet its obligations. Cash flow forecasts are prepared by the

company's finance function, which closely monitors rolling forecasts of Readly's cash position to ensure that the company has sufficient liquidity to meet its 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 availability of 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 September 2020 the impact of Covid-19 has not given rise to a need to recognise impairment or make provisions for future obligations. Nor has Readly identified any negative effect on demand or adverse effect on sales growth. 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 manage shares in 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–SEPTEMBER 2020 (JANUARY–SEPTEMBER 2019)

Revenue for the period totalled SEK 38.6 million (8.4) and pertains entirely to services provided to subsidiaries as well as to the brand. Net profit for the period was SEK 12.1 million (3.7). Development of revenue and earnings during the period compared with the same period a year ago is mainly attributable to newly hired personnel, which increased the parent company's revenue. Costs associated with the listing of shares of Readly amounted to SEK 18.3 million (1.0) during the period.

FINANCIAL POSITION AS PER 30 SEPTEMBER 2020 (31 DECEMBER 2019)

As per 30 September 2020, cash and cash equivalents amounted to SEK 469.7 million (60.7), where the increase is mainly attributable to the listing on Nasdaq, which generated issue proceeds of SEK 450 million before transaction costs of SEK 27.2 million, and the previous new share issue conducted during the second quarter. This also resulted in an increase in shareholders' equity, which amounted to SEK 952.9 million (429.8) as per 30 September 2020.

The fair value of granted warrants in connection with the new share issue in June 2020 was initially booked as a current liability of SEK 6.8 million in the parent company. In connection with the stock market listing of the shares of the parent company in September 2020, the fair value of this liability has been calculated to be SEK 0.0 million. The change in the liability is reported as financial income of the corresponding amount SEK 6.8 million. Warrants have been granted to the lender in connection with the loan agreement entered into with Kreos Capital during the second quarter. These warrants are reported as a non-current liability in the parent company and amounted to SEK 3.7 million as per 30 September 2020.

Shares in subsidiaries amounted to SEK 560.4 million (376.4) as per 30 September 2020, where the increase is attributable to capital contributions rendered.

READLY INTERNATIONAL AB (PUBL) SHARES FOR THE PERIOD JANUARY–SEPTEMBER 2020 (31 DECEMBER 2019)

A 1:5 share split was registered on 11 September after authorisation was granted by an Extraordinary General Meeting on 4 September 2020. Following the split, but before the IPO, the number of shares outstanding was 29,114,330, compared with 5,822,866 before the registration.

On 17 September 2020 Readly International AB (publ)'s ordinary shares were listed on Nasdaq Stockholm. The Initial Public Offering was fully subscribed and covered 7,627,118 newly issued shares. In connection with the listing, 4,576,271 existing shares in the parent company were also sold. This resulted in an increase in the number of shares outstanding from 29,114,330 to 36,741,448.

As per 30 September 2020 the total number of shares outstanding was 36,741,448 (27,246,160¹). In connection with the start of trading in Readly's ordinary shares on Nasdaq Stockholm, all preference shares were immediately converted to ordinary shares (1:1). Following the share conversion, the ordinary shares are thus the parent company's only share class.

Outstanding employee stock options as per 30 September 2020 amount in number to 138,517 (130,917) with rights to subscribe 1:5 for ordinary shares. Outstanding warrants as per 30 September 2020 amount in number to 780,273 (382,917) with rights to subscribe 1:5 for ordinary shares.

RELATED-PARTY TRANSACTIONS

Readly International AB (publ) conducts transactions with related parties (subsidiaries) on a continuous basis, consisting of internal group services. 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.

1) The average number of shares and earnings per share have been adjusted in comparison period for the 1:5 share split. See Definitions of Key Performance Indicators and calculations on page 25.

Complementary information

Stockholm, 11 November 2020

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Auditors' review

This interim report has not been audited or reviewed by the company's auditors.

Financial calendar

Year-end report and fourth quarter interim report 2020	18 February 2021
Annual report 2020	25 March 2021
Interim report January-March 2021	6 May 2021
Annual general meeting	11 May 2021
Interim report January-June 2021	12 August 2021
Interim report January-September 2021	11 November 2021
Year-end report and fourth quarter interim report 2021	3 February 2022

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

This information is insider information 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 12 November 2020.

PUBLICATION

The interim information provided on pages 2–13 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.

This 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.

FINANCIAL STATEMENTS

Condensed Consolidated Income Statement

SEKt	Note	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
OPERATING REVENUE						
Net sales	2	92,678	68,834	251,868	190,186	263,360
Other operating income		672	437	2,106	1,055	1,379
Total revenue		93,350	69,272	253,975	191,241	264,739
OPERATING EXPENSES						
Publisher cost		-62,042	-47,309	-170,511	-132,012	-181,966
Other external costs		-62,704 ¹	-36,939	-169,188 ²	-108,103	-156,305
Personnel costs		-16,511	-15,229	-53,755	-40,549	-58,833
Depreciation and amortisation		-2,405	-1,953	-7,395	-6,048	-7,921
Other operating expenses		-839	-1,263	-1,527	-2,464	-2,253
Operating profit		-51,152	-33,421	-148,402	-97,935	-142,539
Net financial items		4,021	-519	-846	-2,154	-3,727
Net result before tax		-47,131	-33,940	-149,248	-100,090	-146,265
Income tax		-58	-38	-129	-113	-300
Net result for the period		-47,189	-33,977	-149,377	-100,203	-146,565
Net result for the period attributable to the parent company shareholders		-47,189	-33,977	-149,377	-100,203	-146,565
Basic and diluted earnings per share, SEK ³		-1.6	-1.3	-5.3	-4.2	-5.9
Basic and diluted weighted average number of shares ³		30,274,978	26,984,942	28,333,171	23,894,455	24,739,268

1) Items affecting comparability associated with the listing of Readly amount to SEK 9,183 thousand (995).

2) Items affecting comparability associated with the listing of Readly amount to SEK 18,393 thousand (995).

3) The average number of shares and earnings per share have been adjusted in comparison period for the 1:5 share split. See Definitions of Key Performance Indicators and calculations on page 25.

Condensed Consolidated Statement of Comprehensive Income

TSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-sep 2019	Jan-dec 2019
Net result for the period	-47,189	-33,977	-149,377	-100,203	-146,565
Items that may be reclassified to profit or loss					
Exchange rate differences on translating foreign operations	11	59	-115	-146	36
Other comprehensive income for the period	11	59	-115	-146	36
Total comprehensive income for the period	-47,177	-33,918	-149,492	-100,349	-146,529
Total comprehensive income attributable to the parent company shareholders	-47,177	-33,918	-149,492	-100,349	-146,529

FINANCIAL STATEMENTS

Condensed Consolidated Statement of Changes in Financial Position

SEKt	Note	Sep 30 2020	Sep 30 2019	Dec 31 2019
ASSETS				
Non-current assets				
Other intangible assets		19,844	15,244	17,656
Property & Equipment		1,486	1,866	1,770
Right of use assets		4,981	5,709	5,017
Other non-current assets	3	7,533	6,461	6,264
Total non-current assets		33,844	29,279	30,707
Current assets				
Trade receivables	3	6,928	5,012	2,588
Other current assets	3	11,068	18,507	13,529
Cash and cash equivalents	3	564,329	148,166	130,132
Total current assets		582,325	171,686	146,249
Total assets		616,169	200,965	176,956
EQUITY AND LIABILITIES				
Equity	4	415,632	98,172	54,773
Non-current liabilities				
Lease liabilities	3	375	2,216	1,546
Long-term borrowings	5	24,573	–	–
Derivatives	5	3,710	–	–
Total non-current liabilities		28,657	2,216	1,546
Current liabilities				
Trade payables	3	21,522	15,462	28,958
Lease liabilities	3	3,904	2,872	2,872
Short-term borrowings	5	16,110	–	–
Other current liabilities	3	130,345	82,243	88,808
Total current liabilities		171,880	100,577	120,637
Total equity and liabilities		616,169	200,965	176,956

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Consolidated Statement of Changes in Equity

SEKt	Share capital	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	–	–	–	-149,377	-149,377
Other comprehensive income	–	–	-115	–	-115
Total comprehensive income	–	–	-115	-149,377	-149,492
Transactions with owners					
Share issue (net of transaction costs)	285	509,337	–	–	509,622
Warrants	–	18	–	–	18
Share-based remuneration	–	712	–	–	712
Total transactions with owners	285	510,066	–	–	510,351
Closing balance 30 Sep 2020	1,102	1,133,251	-47	-718,653	415,632

SEKt	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	–	–	–	-100,203	-100,203
Other comprehensive income	–	–	-146	–	-146
Total comprehensive income	–	–	-146	-100,203	-100,349
Transactions with owners					
Share issue (net of transaction costs)	148	154,714	–	–	154,862
Warrants	–	1,179	–	–	1,179
Share-based remuneration	–	801	–	–	801
Total transactions with owners	148	156,694	–	–	156,841
Closing balance 30 Sep 2019	818	620,403	-114	-522,914	98,172

There are no non-controlling interests in the group. All shareholders' equity is thus attributable to owners of the parent company.

FINANCIAL STATEMENTS

Condensed Consolidated Statement of Cash Flows

SEKt	Note	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Operating profit (EBIT)		-51,152	-33,421	-148,402	-97,935	-142,539
Depreciation		2,405	1,960	7,038	6,048	7,921
Other items not affecting liquidity		-496	440	732	801	3,656
Interest paid		-972	-91	-2,101	-317	-394
Paid tax		239	-86	129	-127	-116
Cash flow from operating activities before changes in working capital		-49,975	-31,197	-142,605	-91,530	-131,472
Change in working capital		30,210	-10,891	32,058	-10,427	16,838
Cash flow from operating activities		-19,765	-42,088	-110,546	-101,957	-114,634
Investments in intangible and tangible assets		-1,216	-2,007	-6,189	-5,860	-9,355
Investments in financial assets		-626	-41	-932	-1,748	-1,811
Cash flow from investing activities		-1,843	-2,048	-7,206	-7,608	-11,166
Share issue (net of transaction costs)	4	423,359	154,721	509,622	154,862	154,862
Warrants in connection with new share issue	4	–	44	6,779	1,179	1,270
Loans raised	5	–	–	43,585	–	–
Warrants in connection with loans raised	5	–	–	3,489	–	–
Repayment of lease liabilities		-1,079	-660	-3,072	-1,952	-2,622
Repayment of loans		-5,085	–	-5,085	–	–
Cash flow from financing activities		417,195	154,106	555,318	154,089	153,510
Cash flow for the period		395,587	109,970	437,566	44,523	27,710
Cash and cash equivalents at the beginning of the period		169,305	38,826	130,132	105,886	105,886
Exchange rate differences related to cash and cash equivalents		-563	-628	-3,369	-2,242	-3,464
Cash and cash equivalents at the end of the period		564,329	148,166	564,329	148,166	130,132

FINANCIAL STATEMENTS

Condensed Parent Company Income Statement and Statement of Comprehensive Income

SEKt	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
OPERATING REVENUE					
Total revenue	13,322	3,340	38,621	8,446	19,156
OPERATING EXPENSES					
Other external costs	-10,002 ¹	-1,152	-22,407 ²	-2,931	-8,392
Personnel costs	-3,817	-4,355	-10,277	-1,613	-4,029
Depreciation and amortisation	-82	–	-164	–	–
Other operating expenses	-34	-252	-178	-267	-266
Operating profit	-613	-2,419	5,597	3,635	6,470
Net financial items	6,524	26	6,552	48	88
Net result before tax	5,911	-2,393	12,149	3,683	6,558
Income tax	–	–	–	–	–
Net result for the period	5,911	-2,393	12,149	3,683	6,558

- 1) Items affecting comparability associated with the listing of Readly amount to SEK 9,183 thousand (995).
 2) Items affecting comparability associated with the listing of Readly amount to SEK 18,393 thousand (995).

Profit for the period corresponds to the parent company's comprehensive income for the period.

FINANCIAL STATEMENTS

Condensed Parent Company Balance Sheet

SEKt	Note	Sep 30 2020	Sep 30 2019	Dec 31 2019
ASSETS				
Non-current assets				
Intangible assets		1,473	–	863
Participations in group companies		560,357	327,752	376,440
Receivables from group companies		1,147	1,621	1,672
Total non-current assets		562,978	329,372	378,975
Current assets				
Receivables from group companies		21,794	576	9,548
Tax receivables		541	213	–
Other receivables		183	362	3,961
Cash and cash equivalents		469,707	121,215	60,742
Total current assets		492,224	122,366	74,251
Total assets		1,055,202	451,738	453,225
EQUITY AND LIABILITIES				
Equity		952,936	423,657	429,763
Non-current liabilities				
Liabilities to group companies		95	95	95
Derivatives	5	3,710	–	–
Total non-current liabilities		3,805	95	95
Current liabilities				
Account payables		2,598	-107	3,488
Liabilities to group companies		69,503	25,601	12,926
Other current liabilities	4	26,360	2,493	6,953
Total current liabilities		98,461	27,986	23,367
Total equity and liabilities		1,055,202	451,738	453,225

FINANCIAL STATEMENTS

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 the same context as 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.

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 was utilised as per 30 September 2020. One condition for the loan was that the lender was also issued warrants in Readly International AB (publ). The warrants were granted free of charge. The utilised amount has been apportioned between warrants and borrowing based on fair value. The warrants were reported as a derivative (liability measured at fair value) on the balance sheet. All changes in the fair value of derivative instruments are recognised directly in the income statement the line Financial income or Financial expense. Borrowing was initially recognised at fair value, net after transaction costs. Borrowing was thereafter recognised at amortised cost, and the difference between the amount received, allocated to the loan, and the repayment amount was recognised in the income statement apportioned over the term of the loan using the effective interest method. In the parent company the derivative was reported in accordance with RFR 2, whereby derivative instruments with a negative value are measured at this value. Please refer to note 5 for further information.

ISSUES OF SHARES AND WARRANTS

The subscription price was initially apportioned to ordinary shares and warrants based on fair value. The portion of the issue that was attributable to the warrant was reported as a derivative instrument (liability measured at fair value) on the balance sheet. The warrants were reported as a derivative instrument since each warrant did 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 was attributable to the issue of ordinary shares was reported in shareholders’ equity. In the parent company the derivative was reported in accordance with RFR 2, whereby derivative instruments with a negative value are measured at this value. Please refer to note 4 for further information.

Note 2 Revenue from contracts with customers

SEKt	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Germany	37,142	28,536	102,945	79,096	109,606
Sweden	21,213	18,803	60,499	49,765	69,028
UK	20,737	13,656	50,523	40,887	56,017
Rest of the world	13,585	7,840	37,902	20,438	28,709
Total revenue	92,678	68,834	251,868	190,186	263,360

Note 3 Classification of financial assets and liabilities

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. As per 30 September 2020, non-current liabilities attributable to derivatives were measured according to Level 2 in the fair value hierarchy.

Note 4 Shareholders’ equity

On 3 June and 26 June 2020 the Board of Directors decided, with authorisation from the Annual General Meeting held on 25 May 2020, to issue a maximum of 369,898 warrants. A total of 350,184 warrants were subscribed for by existing shareholders. The warrants were registered with the Swedish Companies Registration Office on 26 June and 24 July 2020, respectively, with the right to subscribe for up to one year. The warrants were issued in connection with a new share issue of units, where each unit conveyed the right to one ordinary share and one warrant with the right to subscribe for one ordinary share in the parent company. The subscription price for each unit was SEK 268, and the warrants were issued free of charge.

The portion of the subscription price that was attributable to the issuance of ordinary shares was reported in shareholders’ equity, amount-

FINANCIAL STATEMENTS – NOTES

ing to SEK 86.8 million at grant date. Issued warrants were 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 were measured according to Level 2 in the fair value hierarchy. As per 30 September 2020 the total fair value of all warrants has been calculated to be SEK 0 million, whereby the change in fair value was reported as financial income in a corresponding amount of SEK 6.8 million.

A 1:5 share split was registered on 11 September after authorisation was granted by an Extraordinary General Meeting on 4 September 2020. Following the share split, the number of shares outstanding was 29,114,330, compared with 5,822,866 before the registration.

READLY'S STOCK MARKET INTRODUCTION

On 17 September 2020 Readly International AB (publ)'s ordinary shares were listed on Nasdaq Stockholm. The Initial Public Offering was fully subscribed, which included 7,627,118 newly issued shares. In connection with the listing, a total of 4,576,271 existing shares in the parent company were also sold. This entailed an increase in the number of shares outstanding from 29,115,430 to 36,741,448, corresponding to dilution of 20.8 per cent of the total number of shares outstanding after the listing of shares of Readly. In connection with the listing, cornerstone investors undertook to acquire shares for a total value of SEK 390 million, corresponding to 6,610,172 shares, or 47.1 per cent of the combined number of shares included in the offering.

The subscription price for the offering was SEK 59 per share, and in total the offering generated issue proceeds of SEK 450 million before transaction costs of SEK 27.2 million. Total costs in the income statement attributable to the listing of shares of Readly amounted to SEK 22.3 million, distributed between the 2019 and 2020 financial years.

Ownership structure 30 September 2020

Shareholder	No. shares	Share of capital and votes, %
Zouk Capital	8,089,873	22.0
Swedbank Robur	3,494,116	9.5
Handelsbanken Fonder	2,520,256	6.9
Tredje AP-fonden	2,264,535	6.2
Fidelity Investments (FMR)	1,927,587	5.2
Joel Wikell	1,462,055	4.0
Consensus småbolag	1,411,865	3.8
TIN Fonder	1,186,441	3.2
C Worldwide Asset Management	1,186,441	3.2
Bengtssons Tidnings AB	1,040,320	2.8
Total, ten largest shareholders	24,583,489	66.9
Other shareholders	12,157,959	33.1
Total	36,741,448	100.0

As per 30 June 2020 the company's share capital amounted to SEK 873,430, apportioned among 5,822,866 shares. As per 30 September 2020 the company's share capital amounted to SEK 1,102,243 apportioned among 36,741,448 shares. In connection with the start of trading in Readly's ordinary shares on Nasdaq Stockholm, all preference shares were immediately converted to ordinary shares (1:1). Following the share conversion, the ordinary shares are thus the parent company's only share class. Outstanding employee stock options as per 30 September 2020 amount in number to 138,517 (130,917) with rights to subscribe 1:5 for ordinary shares. Outstanding warrants as per 30 September 2020 amount in number to 780,273 (382,917) with rights to subscribe 1:5 for ordinary shares.

CHANGES IN SHARE CAPITAL

The following table illustrates the changes in share capital since the establishment of Readly International AB (publ). For the sake of comparison, all key ratios for earlier periods in the report have been recalculated to reflect the current number of shares.

Date	Transaction	Change in no. shares	Total no. shares	Change in share capital, SEK	Total share capital, SEK
2019-07-02	New issue	934,518	5,399,238	140,178	809,886
2019-08-08	New issue	8,908	5,408,146	1,336	811,222
2019-09-25	Set-off issue	41,086	5,449,232	6,163	817,385
2020-04-03	New issue ¹	23,450	5,472,682	3,518	820,902
2020-06-26	New issue	350,184	5,822,866	52,528	873,430
2020-09-11	Share split	23,291,464	29,114,330	–	873,430
2020-09-21	New issue	7,627,118	36,741,448	228,814	1,102,243

1) Exercise of warrants

Note 5 Credit facility and warrants

The credit facility in Readly AB expires on 1 January 2023 and carries annual interest of 10.75 per cent. The total granted loan amount was EUR 10 million, of which EUR 5 million (SEK 49.5 million) was utilised as per 30 September 2020. The remaining amount can be utilised through 31 December 2020. Transaction costs for the loan amounted to SEK 1.9 million.

Interest expenses attributable to the loan amounted to SEK 4.0 million in total as per 30 September 2020. Paid interest amounted to SEK 1.8 million, while amortisation of principal amounted to SEK 5.1 million.

One condition for the loan was that the lender is also granted warrants in Readly International AB (publ). As per the third quarter, 42,839 warrants have been granted at an subscription price of SEK 168 per share, which was recalculated to SEK 33.6 per share after completion of the 1:5 share split. If Readly chooses to utilise the remaining loan amount in 2020, an additional 25,704 warrants will be granted at the same terms. All of the warrants were measured at fair value at the grant date. The warrants were reported as a non-current liability and as per 30 September 2020

FINANCIAL STATEMENTS – NOTES

were measured according to Level 2 in the fair value hierarchy. As per 30 September 2020 the fair value of granted options was SEK 3.7 million. Additional terms for the loan were 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 per cent of the registered trademark Readly. Readly International AB (publ) 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 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. On 17 September 2020 Readly International AB (publ)'s ordinary shares were listed on Nasdaq Stockholm. The offering was fully subscribed for, generating issue proceeds of SEK 450 million before transaction costs. During the second quarter, a new share issue was also conducted with existing shareholders, and the group entered into 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 September 2020. Since Readly in the coming years will prioritise growth over profitability, the Board 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.

FINANCIAL STATEMENTS

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 page 25 of this report.

SEKt, unless stated otherwise	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
FPS (Full paying subscribers), number	339,557	261,828	339,557	261,828	278,555
Total revenue	93,350	69,272	253,975	191,241	264,739
Total revenue growth, %	34.8	35.4	32.8	35.3	35.1
ARPU ¹ (Average revenue per user), SEK	94	90	93	86	87
Gross profit ¹	31,308	21,963	83,464	59,229	82,773
Gross profit margin ¹ , %	33.5	31.7	32.9	31.0	31.3
Gross contribution ¹	-14,722	-4,724	-34,131	-9,324	-16,303
Gross contribution margin ¹ , %	-15.8	-6.8	-13.4	-4.9	-6.2
EBITDA ¹	-48,747	-31,468	-141,006	-91,887	-134,618
EBITDA margin ¹ , %	-52.2	-45.4	-55.5	-48.0	-50.8
Operating profit	-51,152	-33,421	-148,402	-97,935	-142,539
Operating margin, %	-54.8	-48.2	-58.4	-51.2	-53.8
Adjusted operating profit (excl IAC) ¹	-41,969	-32,426	-130,009	-96,941	-138,123
Adjusted operating margin (excl IAC) ¹ , %	-45.0	-46.8	-51.2	-50.7	-52.2
Total operating expenses	-144,502	-102,692	-402,376	-289,176	-407,278
Net result for the period	-47,189	-33,977	-149,377	-100,203	-146,565
Items affecting comparability	-9,183	-995	-18,393	-995	-4,416
Net margin, %	-50.6	-49.0	-58.8	-52.4	-55.4
Cash flow from operating activities	-19,765	-42,088	-110,546	-101,957	-114,634
Average number of employees	70	58	68	54	56
Key data per share					
Basic and diluted earnings per share ² , SEK	-1.6	-1.3	-5.3	-4.2	-29.6
Basic and diluted equity per share ² , SEK	13.7	3.6	14.7	4.1	11.1
Weighted number of outstanding shares, basic and diluted ²	30,274,978	26,984,942	28,333,171	23,894,455	24,739,268
Number of outstanding shares at end of the period ²	36,741,448	27,246,160	36,741,448	27,246,160	27,246,160

1) For reconciliation of APMs, see pages 26–27.

2) The number of shares has been adjusted for the comparison period to the number of shares after the listing. See Definitions of Key Performance Indicators and calculations on page 25.

KEY PERFORMANCE INDICATORS

Definitions of Key Performance Indicators and calculations

KPI	DEFINITION	PURPOSE
Average revenue per user (ARPU)	Total revenue divided by the number of FPSs.	This measure is used to identify the share of total revenue that 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	Operating profit excluding financial items, tax, depreciation/amortisation and impairment losses of tangible and intangible assets.	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.
Full-paying subscriber (FPS)	A subscriber who pays 51 per cent or more of the ordinary price for a subscription.	This measure is used to identify the subscribers who pay the 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	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.
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.
Number of shares	Number of shares after 1:5 share split.	To improve comparisons, all key ratios pertaining to the number of shares for earlier periods are calculated based on the number of shares after the 1:5 share split.
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.
Operating profit (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.
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.

KEY PERFORMANCE INDICATORS

Reconciliation of KPIs

Gross profit & Gross profit margin

SEKt	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Total revenue	93,350	69,272	253,975	191,241	264,739
Publisher cost	-62,042	-47,309	-170,511	-132,012	-181,966
Gross profit	31,308	21,963	83,464	59,229	82,773
Gross profit margin	33.5	31.7	32.9	31.0	31.3

EBITDA and EBITDA margin

SEKt	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
EBITDA	-48,747	-31,468	-141,006	-91,887	-134,618
Total revenue	93,350	69,272	253,975	191,241	264,739
EBITDA margin, %	-52.2	-45.4	-55.5	-48.0	-50.8

Equity per share

SEKt	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Weighted number of outstanding shares	30,274,978	26,984,942	28,333,171	23,894,455	24,739,268
Total equity	415,632	98,172	415,632	98,172	264,739
Equity per share (SEK)	13.7	3.6	14.7	4.1	11.1

Net margin

SEKt	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net result for the period	-47,189	-33,977	-149,377	-100,203	-146,565
Total revenue	93,350	69,272	253,975	191,241	264,739
Net margin, %	-50.6	-49.0	-58.8	-52.4	-55.4

Operating profit and operating margin

SEKt	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Total revenue	93,350	69,272	253,975	191,241	264,739
Operating expenses	-144,502	-102,692	-402,376	-289,176	-407,278
Operating profit	-51,152	-33,421	-148,402	-97,935	-142,539
Operating margin, %	-54.8	-48.2	-58.4	-51.2	-53.8

1) Earnings per share for the comparison periods have been adjusted to the number of shares after the listing. See definitions of KPIs and calculations page 25.

KEY PERFORMANCE INDICATORS

Adjusted operating profit (excl IAC)

SEKt	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Operating result (EBIT)	-51,152	-33,421	-148,402	-97,935	-142,539
Costs related to IPO	9,183	995	18,393	995	4,416
Adjusted EBIT (excl IAC)	-41,969	-32,426	-130,009	-96,941	-138,123
Total revenue	93,350	69,272	253,975	191,241	264,739
Adjusted EBIT margin (excl IAC), %	-45.0	-46.8	-51.2	-50.7	-52.2

Total revenue growth

SEKt	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Total revenue	93,350	69,272	253,975	191,241	264,739
Total revenue growth, %	34.8	35.4	32.8	35.3	35.1

Operating expenses

SEKt	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Publisher cost	-62,042	-47,309	-170,511	-132,012	-181,966
Marketing cost	-46,030	-26,687	-117,594	-68,553	-99,076
Other external costs	-16,674 ¹	-10,252	-51,593 ²	-39,550	-57,229
Personnel costs	-16,511	-15,229	-53,755	-40,549	-58,833
Depreciation and amortisation	-2,405	-1,953	-7,395	-6,048	-7,921
Other operating expenses	-839	-1,263	-1,527	-2,464	-2,253
Operating expenses	-144,502	-102,692	-402,376	-289,176	-407,278

1) Items affecting comparability associated with the listing of Readly amount to SEK 9,183 thousand (995).

2) Items affecting comparability associated with the listing of Readly amount to SEK 18,393 thousand (995).

Gross contribution & Gross contribution margin

SEKt	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Total revenue	93,350	69,272	253,975	191,241	264,739
Publisher cost	-62,042	-47,309	-170,511	-132,012	-181,966
Marketing cost	-46,030	-26,687	-117,594	-68,553	-99,076
Gross contribution	-14,722	-4,724	-34,131	-9,324	-16,303
Gross contribution margin, %	-15.8	-6.8	-13.4	-4.9	-6.2

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.

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