



YEAR END REPORT

January – December 2020

MARIA HEDENGREN, CEO:



“2020 was a strong year for Readly, and we saw continued good growth during the fourth quarter.”

Fourth quarter 2020

Revenue for the period totalled SEK 98.6 million (73.5), an increase of 34.2 per cent compared with the same period a year ago.

The number of full paying subscribers increased by 32.7 per cent to 369,764 (278,555) at the end of the quarter.

Gross profit increased by 42.7 per cent to SEK 33.6 million (23.5), corresponding to a gross margin of 34.1 per cent (32.0).

The gross contribution margin for the period was -4.1 per cent (-9.5).

Operating profit was SEK -40.7 million (-44.6), corresponding to an operating margin of -41.2 per cent (-60.7).

Adjusted operating profit was SEK -39.6 million (-41.2), corresponding to an adjusted operating margin of -40.1 per cent (-56.0).

Earnings per share were SEK -1.3 (-1.7) before and after dilution.

Full year 2020

Revenue for the period totalled SEK 352.6 million (264.7), an increase of 33.2 per cent compared with the same period a year ago.

Gross profit increased by 41.4 per cent to SEK 117.1 million (828), corresponding to a gross margin of 33.2 per cent (31.3).

The gross contribution margin for the period was -10.8 per cent (-6.2).

Operating profit was SEK -189.1 million (-142.5), corresponding to an operating margin of -53.6 per cent (-53.8).

Adjusted operating profit was SEK -169.6 million (-138.1), corresponding to an adjusted operating margin of -48.1 per cent (-52.2).

Earnings per share were SEK -6.5 (-5.9) before and after dilution.

OCT-DEC 2020

34.2%

Growth in revenue compared with fourth quarter 2019.

32.7%

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

34.1%

Gross margin compared with 32.0 per cent for fourth quarter 2019.



SEKt, unless stated otherwise	Oct-Dec 2020	Oct-Dec 2019	change	Jan-Dec 2020	Jan-Dec 2019	change
FPS (Full paying subscribers), number	369,764	278,555	32.7%	369,764	278,555	32.7%
Total revenue	98,629	73,498	34.2%	352,604	264,739	33.2%
ARPU (Average revenue per user), SEK	94	89	5.6%	93	87	6.9%
Gross profit	33,595	23,544	42.7%	117,059	82,773	41.4%
Gross profit margin, %	34.1	32.0	2,1	33.2	31.3	1.9
Gross contribution	-4,024	-6,979	42.3%	-38,155	-16,303	-134.0%
Gross contribution margin, %	-4.1	-9.5	5,4	-10.8	-6.2	-4.6
Operating profit	-41,373	-44,603	7.2%	-189,775	-142,539	-33.1%
Operating margin, %	-41.9	-60.7	18.8	-53.8	-53.8	0.0
Adjusted operating profit	-40,302	-41,182	2.1%	-170,311	-138,123	-23.3%
Adjusted operating margin, %	-40.9	-56.0	15,1	-48.3	-52.2	3.9
Net result for the period	-48,048	-46,363	-3.6%	-197,424	-146,565	-34.7%
Basic and diluted earnings per share ¹ , SEK	-1.3	-1.7	23.3%	-6.5	-5.9	-9.4%

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 on page 25.

COMMENTS FROM MARIA HEDENGREN, CEO

Higher growth rate in number of new subscribers



2020 was a good year for Readly, and we saw continued good growth in the fourth quarter. During the year we continued to increase successfully our brand awareness, we broadened our offering, and we further refined the reader experience. These measures all contributed to an increased growth rate of new subscribers for the third consecutive quarter.

Sales during the quarter increased by 34.2 per cent compared with the same period a year ago, to SEK 98.6 million, driven by continued strong growth in subscribers. We also benefited from reduced VAT rates in several markets. In Germany VAT was lowered from 19 to 7 per cent in December 2019, and in the UK, VAT was removed entirely from services such as ours in May 2020. Excluding the effects of changed VAT rates and currency movements, sales for the quarter rose 28.5 per cent. The positive VAT effects will successively disappear during the first half of 2021 as one year passes since the respective reductions were instituted.

Growth in subscribers was 32.7 per cent during the quarter, and the number of full-paying subscribers (FPS) increased to 369,764 at year-end. In the UK, both sales and subscriber growth were particularly strong, driven by successful partner collaborations and further optimisation of our marketing channels. One example is our collaboration with the neobank Revolut, which has approximately 12 million customers and which chose to include Readly as part of its loyalty

programme in both the UK and Ireland. Germany, Sweden and other markets continued to contribute to double digit growth rates during the quarter, and what all of our markets share in common is that we have both optimised and achieved a better outcome from our marketing activities while improving reactivation of former customers.

The gross margin for the quarter increased to 34.1 per cent (32.0), and operating profit was SEK -41.4 million, an improvement of SEK 3.2 million compared with the same period in 2019. The improvement is partly attributable to lower marketing investments during the quarter, according to plan. Our strong investments in conversion marketing and brand building are continuing into 2021.

PRODUCT DEVELOPMENT IN FOCUS AND SEVERAL NEW NEWS TITLES

We know that increasing access to daily newspapers is key for the continued work on increasing reader engagement. In 2020 we took a number of important steps in this direction. During the fourth quarter we added a number of popular newspapers such as The Guardian, The Observer, Metro UK and the Daily Mirror to the platform. Since October we offer Aftonbladet, Sweden's largest newspaper, and after the end of the quarter we added three news titles from the German publisher Axel Springer, including BILD, Germany's largest daily newspaper.

We have further strengthened our web presence with Readly GO, a service that simplifies browsing and reading our 5,000+ titles for

those who are curious about digital magazines but have not yet downloaded the Readly app.

During the year we strengthened our market-leading position in several different areas. For example, an additional 100 publishers with nearly 800 titles joined Readly, and today we have approximately 900 publisher partners in all. We also continued to deepen our unique, data-driven understanding of what drives reader engagement based on some 34 billion anonymised data points.

THE CONTINUED EFFECTS OF THE PANDEMIC

In its Global Entertainment & Media Outlook 2020–2024 report that was published last autumn, PwC noted that pandemic restrictions have had a negative impact on sales of printed magazines, but the same report forecasts continued good growth for digital magazines of roughly 4 per cent per year until 2024. Readly expects to continue growing considerably faster than the market, and we also believe that the societal situation during the pandemic has contributed to greater interest in digital magazines. As a result of the pandemic, more people are discovering digital alternatives to printed magazines, especially in countries with very strict restrictions, at the same time that demand for inspiration, distraction and news is high.

A STRATEGY FOR CONTINUED GROWTH

In 2021 we will continue to work hard to strengthen our position as the European market leader. Our strategy remains firm, and a continued wide offering and steadily improving reader experience are key aspects. Our work on further developing the mobile platform continues in 2021 as we make it easier for subscribers to discover even more of our amazing content. Product development and data analytics are among the competence areas that we will invest particularly in.

One change in 2021 is that we will work on a more regular basis with campaigns, marketing and brand-building activities throughout the year rather than concentrated in one or a few quarters.

Our collaborations with commercial partners is one of the areas in which we are gaining ground at the moment, and the more than 100 new commercial partnerships we established in 2020, including with partners such as H&M, Huawei and Foxtel, the Australian pay television provider, confirm the strength of our partnership offering. Continuing to build upon our momentum in partnerships will be a priority in 2021.

It is with joy and great pride that I look back on 2020 – a year that in many ways was extraordinary, both for us at Readly and the world we work in. At Readly we are passionate about creating a strong digital reading experience for our subscribers and providing added value to our publisher partners. Together with users and publishers we can continue digitalising the magazine industry – a journey that has only still just begun. I look forward with confidence to the future we are creating together.



Maria Hedengren, CEO, Readly

REVENUE AND EARNINGS OCTOBER – DECEMBER 2020 (OCTOBER – DECEMBER 2019)

Revenue and operating profit

TOTAL REVENUE AMOUNTED to SEK 98.6 million (73.5) during the fourth quarter, an increase of 34.2 per cent compared with the same period in 2019. The increase is attributable to growth of full-paying subscribers and higher average revenue per user (ARPU). The number of subscribers grew 32.7 per cent compared with a year ago to 369,764 (278,555) as per 31 December, driven by continued high growth in the UK combined with 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. Revenue growth adjusted for currency effects was 39.1 per cent in the fourth quarter compared with last year. Revenue growth adjusted for VAT and currency effects was 28.5 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 22.3 per cent in Germany to SEK 37.3 million (30.5), 22.6 per cent in Sweden to SEK 23.6 million (19.3), and 43.5 per cent in the UK to SEK 21.7 million (15.1). Revenue in other markets grew 85.4 per cent to SEK 15.3 million (8.3).

Gross profit increased by 42.7 per cent during the quarter to SEK 33.6 million (23.5), corresponding to a gross margin of 34.1 per cent (31.7). The positive movement in the margin is partly attributable to an improved share of revenue distribution with publishers and lower transaction costs along with higher revenue from currency effects. The gross contribution for the period was SEK -4.0 million (-7.0), corresponding to a gross contribution margin of -4.1 per cent (-9.5). The positive movement in the margin for the period compared with the same period a year ago can be credited to a combination of the improved gross margin and a decrease in marketing costs in relation to revenue during the quarter.

Total operating expenses increased by 18.5 per cent to SEK -140.0 million (-118.1). The increase is mainly related to higher publisher costs associated with revenue growth, but also to higher costs for marketing campaigns. Total operating expenses excluding publisher costs increased by 10.0 per cent to SEK -75.0 million (-68.1). Total operating expenses excluding publisher and marketing costs decreased by 0.7 per cent to SEK -37.3 million (-37.6). The change is mainly attributable to items affecting comparability associated with the listing of shares of Readly, amounting SEK -1.1 million (-3.4) for the quarter.

Operating profit for the fourth quarter was SEK -41.4 million (-44.6), corresponding to an operating margin of -41.9 per cent (-60.7). Adjusted operating profit for the fourth quarter was SEK -40.3 million (-41.2), corresponding to an adjusted operating margin of -40.9 per cent (-56.0).

FINANCIAL ITEMS

Net financial items, totalling SEK -6.5 million (-1.6) during the fourth quarter, were partly related to the share price movement that results in a remeasurement effect of warrants that were granted in connection with the credit facility that was secured earlier in the year. The fair value of these was booked as a non-current liability, and during the fourth quarter the change in fair value was calculated as an increase of SEK 2.2 million. The change is reported as a financial expense in the corresponding amount. In addition, financial expenses were affected by interest expenses coupled to the same credit facility together with negative currency effects in cash and cash equivalents.

TAX

Income tax for the period was SEK -0.2 million (-0.2). The group has unutilised loss-carryforwards of SEK 809.5 million (582.2) that are not carried on the balance sheet.

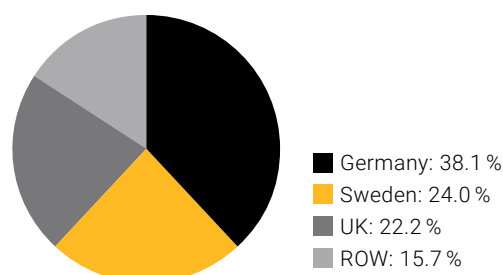
PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit for the period was SEK -48.0 million (-46.4), corresponding to earnings per share of SEK -1.3 (-1.7) before and after dilution.

NUMBER OF EMPLOYEES

The average number of staff including consultants was 109 (95) during the fourth quarter, of which the average number of employees was 77 (63).

Percentage share of revenue broken down by geographic market for the period October–December 2020.



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

Revenue and operating profit

TOTAL REVENUE AMOUNTED to SEK 352.6 million (264.7) during the period January–December 2020, an increase of 33.2 per cent compared with the same period in 2019. The increase is attributable to a larger base of full-paying subscribers together with higher average revenue per user (ARPU). The number of subscribers grew 32.7 per cent compared with the preceding year to 369,764 (278,555) as per 31 December, driven mainly by continued investments in marketing in existing markets during the year. The growth in ARPU during for the year is mainly attributable to reduced VAT rates for digital subscription services in a number of markets, including in Readly's three core markets – Germany, Sweden and the UK – where Sweden had an impact during the first two quarters of the year, the UK during the last three quarters of the year, and Germany during the entire year. Revenue growth adjusted for currency effects was 34.4 per cent compared with last year. Revenue growth adjusted for VAT and currency effects was 23.6 per cent. Revenue growth is occurring in all markets, with Germany, Sweden and the UK accounting for most. Revenue grew 28.0 per cent in Germany to SEK 140.3 million (109.6), 21.8 per cent in Sweden to SEK 84.1 million (69.0), and 28.9 per cent in the UK to SEK 72.2 million (56.0). Revenue in other markets grew 85.4 per cent to SEK 53.2 million (28.7).

Gross profit increased by 41.4 per cent to SEK 117.0 million (82.8), corresponding to a gross margin of 33.2 per cent (31.3). The positive movement in the margin is partly attributable to an improved share of revenue distribution with publishers and lower transaction costs along with higher revenue from currency effects. The gross contribution for the year was SEK -38.2 million (-16.3), corresponding to a gross contribution margin of -10.8 per cent (-6.2). The movement in the margin compared with the preceding year was mainly driven by larger marketing campaigns during the second and third quarters of 2020. The marketing campaigns during the year involved a higher degree of brand-building activities compared with the preceding year, which are expected to boost brand awareness and increase the customer base both in the short and long term.

Total operating expenses increased by 33.2 per cent to SEK -542.4 million (-407.3). The increase is mainly related to costs for marketing together with higher publisher costs associated with revenue growth. Total operating expenses excluding publisher costs increased by 36.2 per cent to SEK -306.8 million (-225.3). Total operating expenses excluding publisher and marketing costs increased by 20.1 per cent to SEK -151.6 million (-126.2). The increase is mainly attributable to items affecting comparability associated with the listing of shares of Readly, amounting SEK -19.6 million (-4.4) for the full year 2020, together with a higher number of employees.

Operating profit for 2020 was SEK -189.8 million (-142.5), corresponding to an operating margin of -53.8 per cent (-53.8). Adjusted operating profit was SEK -170.3 million (-138.1), corresponding to an adjusted operating margin of -48.3 per cent (-52.2).

FINANCIAL ITEMS

Net financial items, totalling SEK -7.3 million (-3.7), were partly related to a remeasurement effect coupled to the share price movement of warrants that were granted in connection with the credit facility that was secured earlier in the year. The fair value of these was booked as a non-current liability, and the total change in fair value for the year was calculated as an increase of SEK 2.4 million. The change is reported as a financial expense in the corresponding amount. In addition, financial expenses increased as a result of interest expenses coupled to the same credit facility together with negative currency effects in cash and cash equivalents. The effects of the above were reduced by a positive effect of warrants granted in connection with the new issue in June 2020. The fair value of these was booked as a current liability of SEK 6.8 million, and in connection with the listing of shares in Readly, the fair value of the liability was calculated to be SEK 0.0 million as per 31 December 2020. The change is reported as financial income in the corresponding amount of SEK 6.8 million.

TAX

Income tax for the year was SEK -0.3 million (0.3). The group has unutilised loss-carryforwards of SEK 809.5 million (582.2) that are not carried on the balance sheet.

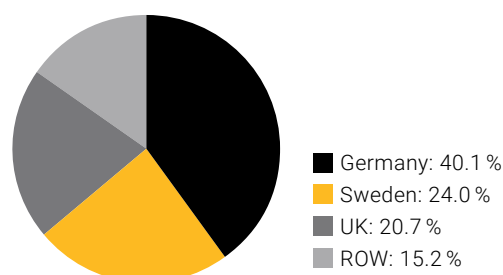
PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit for year was SEK -197.4 million (-146.6), corresponding to earnings per share of SEK -6.5 (-5.9) before and after dilution.

NUMBER OF EMPLOYEES

The average number of staff including consultants was 104 (76), of which the average number of employees was 71 (55).

Percentage share of revenue broken down by geographic market for the period January–December 2020.



JANUARY–DECEMBER 2020 (JANUARY–DECEMBER 2019)

Cash flow

CASH FLOW FROM operating activities before changes in working capital was SEK -182.2 million (-131.5). The positive change in working capital of SEK 28.2 million (16.8) 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.

Cash flow from investing activities was SEK -10.9 million (-11.2), of which SEK -8.3 million (-6.7) pertained to capitalised product development costs.

Cash flow from financing activities was SEK 564.0 million (153.5). The increase is mainly attributable to the listing of shares of Readly on 17 September, which generated issue proceeds of SEK 450 million before transaction costs of SEK -27.8 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 netted from the total loan and are reported as warrants in connection with the raising of loans in the statement of cash flows. Amortisation of principal totalled SEK -4.5 million (0) as per 31 December 2020, while interest paid amounted to SEK -3.0 million (0).

The new share issue in June 2020 together with granted warrants had 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.

31 DECEMBER 2020 (31 DECEMBER 2019)

Financial position

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.

Cash and cash equivalents at 31 December 2020 amounted to SEK 521.6 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 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 31 December 2020 amounted to SEK 381.9 million (54.8), representing equity per share of SEK 12.5 (2.2). The listing on Nasdaq Stockholm on 17 September 2020 resulted in an increase in shareholders' equity by a total of SEK 422.2 million after transaction costs of SEK 27.8 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 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 35.2 million as per 31 December 2020 after transaction costs of SEK 1.9 million, recognised amortisation of SEK 12.3 million, and recognised interest expenses of SEK 6.0 million. As part of the agreement, the lender was also granted warrants. As per 31 December these amounted to SEK 5.5 million and are reported as a non-current liability measured at fair value. The total increase in fair value as per 31 December 2020 was SEK 2.4 million, which is reported as a financial expense with the corresponding amount.

Total current liabilities amounted to SEK 169.3 million (120.6) as per 31 December 2020. The change from preceding year is mainly attributable to higher publisher payables associated with revenue growth.

Market overview

With a tumultuous year behind us, many are shifting their focus to see which consumer and media trends will dominate in 2021. Qualitative content, diversified revenue and less reliance on advertisers are on the agenda for many publishers.

During the year, higher readership figures were reported by numerous publishers, and the experts are in agreement on the underlying reasons. Major world events, such as the pandemic, have created steadily growing demand for verified news. This, combined with the fact that social restrictions have left many with more time over to consume journalism is driving readership numbers. For example, toward the end of the year Readly saw a significant rise in digital reading in the gardening, food & drink, and home & renovation categories.

Major world events attracted larger readership numbers in 2020. The Guardian saw a new record in digital traffic when it reached nearly 53 million unique browsers on 4 November in connection with the US election. The Guardian is one of several new titles in the daily newspaper segment that Readly welcomed to its platform during the fourth quarter of 2020. Another good example of this trend is what the news site Axios calls “the Trump bump”, that is, how the Trump era has been a driver behind the steady rise in digital subscriptions for The New York Times and The Washington Post¹ since 2016.

The year 2020 has on the one side driven up digital readership revenue, and on the other side deflated other revenue sources such as sales of printed media, advertising and events. It is therefore discussed that, going forward, publishers will focus on diversified revenue from readers, such as e-commerce, virtual events and subscription packages² in order to also become less dependent on advertising revenue. The fact that Readly welcomed more than 100 new publishers during the year reflects this trend, as Readly also constitutes an added revenue source.

According to the Media Moments 2020 report from the British publishing news site “What’s New in Publishing”, the big challenge in 2021 will be retaining readers and subscribers. The content must be as qualitative as it is worth paying for. Combining various content formats is a trending solution. Titles like the Harvard Business Review, The Economist and The New Yorker have ventured into audio articles to increase their reach and retain subscribers.³ The latter acquired the US news narration app AUDM at the start of the year.⁴ Readly has tested audio articles on a small scale in the UK since 2019 and launched the first Swedish audio article, a “Bamse” story, during the fourth quarter.

E-commerce is another strong trend from 2020. The publisher Hearst UK reported that its e-commerce revenue grew 322 per cent during the second quarter of the year compared with the same quarter in 2019.⁵ One Hearst title that has invested specifically in e-commerce is Cosmopolitan. During the year it launched its own brand of products, including a collection of branded wines⁶ and its own merchandise store.⁷ On 28 January the British publishing news site “What’s New in Publishing” wrote that e-commerce is headed to take a key role in publishers’ revenue strategies.⁸

Even though the year was dominated by the pandemic, health is not the only thing that consumers have taken up the cause for. The environment and climate issues are still a large area of concern for many. According to a global survey conducted by Getty Images and Yougov, the share of consumers who say that they are doing everything they can to minimise their carbon footprint is rising.⁹ This is reflected in Readly’s global survey of magazine readers. Six out of ten Readly users say that one of the benefits of digital reading is that it is sustainable and good for the environment. Nearly one in four readers say that one of the reasons they chose to subscribe to Readly was to save paper.

In summary, the industry expects to take on an exciting year in 2021, where everyone is hoping for a more positive trend and a speedy recovery and transition to the new normal.

1) <https://www.axios.com/washington-post-new-york-times-subscriptions-8e888fd7-5484-44c7-ad43-39564e06c84f.html>

2) <https://webpublisherpro.com/why-revenue-diversification-is-vital-in-2020/>.

3) <https://niemanreports.org/articles/audio-articles-are-helping-news-outlets-gain-loyal-audiences/>

4) <https://techcrunch.com/2020/03/23/the-new-york-times-company-acquires-audm-an-app-that-turns-longform-journalism-into-audio/>

5) <https://digiday.com/media/how-hearst-uks-e-commerce-revenue-grew-322-during-the-second-quarter/>

6) <https://www.cosmopolitan.com/lifestyle/a34441506/uncorked-by-cosmopolitan/>

7) <https://www.cosmopolitan.com/style-beauty/fashion/a34414865/cosmopolitan-merch-collection-shop-launch/>

8) <https://whatsnewinpublishing.com/how-e-commerce-is-becoming-a-key-part-of-publishers-emerging-revenue-strategies/>

9) <https://www.thedrum.com/news/2020/10/07/climate-crisis-still-top-concern-consumers-despite-pandemic>

Significant events Oct – Dec 2020

- On 15 October it was announced that Aller media and Readly have renewed their cooperation agreement and that Readly's subscribers can thereby continue to read Aller media's titles without interruption. Aller media distributes more than 70 titles on Readly's platform.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 26 January 120,169 new ordinary shares were registered in connection with the exercise of warrants granted in connection with a loan agreement with Kreos. The total number of granted warrants was 42,839, which were fully exercised. After the registration the total number of shares outstanding is 37,226,617.

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 (Employee benefits, etc.) on pages 64–68, and Note 27 (Related parties) 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 are related to factors including 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 a 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. It is still uncertain what the long-term consequences that the pandemic will have on the world at large and how this may impact Readly and its continued growth.

As per 31 December 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 FULL YEAR 2020 (FULL YEAR 2019)

Revenue for the year totalled SEK 48.0 million (19.2) and pertains entirely to services provided to subsidiaries as well as to brands. Net profit for the period was SEK 14.8 million (6.6). Development of revenue and earnings during the period compared with the preceding year 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 -19.5 million (-4.4) during the period.

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

As per 31 December 2020, cash and cash equivalents amounted to SEK 390.5 million (60.7), where the increase is mainly attributable to the listing of shares of Readly, which generated issue proceeds of SEK 450 million before transaction costs of SEK 27.9 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 969.1 million (429.8) as per 31 December 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 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 amounted to SEK 5.5 million as per 31 December 2020 and are reported as a non-current liability measured at fair value. The total increase in fair value as per 31 December 2020 was SEK 2.4 million, which is reported as a financial expense of the same amount.

Shares in subsidiaries amounted to SEK 600.4 million (376.4) as per 31 December 2020, where the increase is attributable to capital contributions rendered.

READLY INTERNATIONAL AB (PUBL) SHARES FOR THE PERIOD JANUARY–DECEMBER 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 listing of shares of Readly, 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 31 December 2020 the parent company's share capital amounted to SEK 1,110,943, apportioned among 37,031,448 shares. In connection with the start of trading in Readly's 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 31 December 2020 amount in number to 128,750 (130,917) with rights to subscribe 1:5 shares. Outstanding warrants as per 31 December 2020 amount in number to 670,273 (382,917) with rights to subscribe 1:5 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.

DIVIDEND

The Board will not propose payment of any dividend to the 2021 Annual General Meeting.

Complementary information

Stockholm, 18 February 2021

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Auditors' review

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

Financial calendar

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: corporate.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 18 February 2021.

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 12 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 prevail.

FINANCIAL STATEMENTS

Condensed Consolidated Income Statement

SEKt	Note	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
OPERATING REVENUE					
Net sales	2	97,960	73,174	349,828	263,360
Other operating income		669	324	2,776	1,379
Total revenue		98,629	73,498	352,604	264,739
OPERATING EXPENSES					
Publisher cost		-65,034	-49,954	-235,545	-181,966
Other external costs		-51,036 ¹	-48,202	-220,224 ²	-156,305
Personnel costs		-22,267	-18,284	-76,022	-58,833
Depreciation and amortisation		-2,510	-1,872	-9,905	-7,921
Other operating expenses		845	211	-682	-2,253
Operating profit		-41,373	-44,603	-189,775	-142,539
Net financial items		-6,501	-1,572	-7,347	-3,727
Net result before tax		-47,874	-46,175	-197,122	-146,265
Income tax		-174	-187	-303	-300
Net result for the period		-48,048	-46,363	-197,424	-146,565
Net result for the period attributable to the parent company shareholders		-48,048	-46,363	-197,424	-146,565
Basic and diluted earnings per share, SEK ³		-1.3	-1.7	-6.5	-5.9
Basic and diluted weighted average number of shares ³		36,820,470	27,246,160	30,466,591	24,739,268

1) Items affecting comparability associated with the listing of Readly amount to SEK 1,071 thousand (3,421).

2) Items affecting comparability associated with the listing of Readly amount to SEK 19,464 thousand (4,416).

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

SEKt	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net result for the period	-48,048	-46,363	-197,424	-146,565
Items that may be reclassified to profit or loss				
Exchange rate differences on translating foreign operations	188	-19	73	36
Other comprehensive income for the period	188	-19	73	36
Total comprehensive income for the period	-47,187	-46,382	-196,678	-146,711
Total comprehensive income attributable to the parent company shareholders	-47,860	-46,382	-197,352	-146,529

FINANCIAL STATEMENTS

Condensed Consolidated Statement of Changes in Financial Position

SEKt	Note	Dec 31 2020	Dec 31 2019
ASSETS			
Non-current assets			
Other intangible assets		21,925	17,656
Property & Equipment		1,364	1,770
Right of use assets		4,542	5,017
Other non-current assets	3	7,677	6,264
Total non-current assets		35,508	30,707
Current assets			
Trade receivables	3	3,242	2,588
Other current assets	3	15,803	13,529
Cash and cash equivalents	3	521,574	130,132
Total current assets		540,619	146,249
Total assets		576,127	176,956
EQUITY AND LIABILITIES			
Equity	4	381,904	54,773
Non-current liabilities			
Lease liabilities	3	424	1,546
Long-term borrowings	5	19,001	–
Derivatives	5	5,477	–
Total non-current liabilities		24,903	1,546
Current liabilities			
Trade payables	3	24,780	28,958
Lease liabilities	3	3,359	2,872
Short-term borrowings	5	16,248	–
Other current liabilities	3	124,933	88,808
Total current liabilities		169,320	120,637
Total equity and liabilities		576,127	176,956

FINANCIAL STATEMENTS

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	–	–	–	-197,424	-197,424
Other comprehensive income	–	–	73	–	73
Total comprehensive income	–	–	73	-197,424	-197,352
Transactions with owners					
Share issues (net of transaction costs)	285	508,675	–	–	508,960
Warrants	–	18	–	–	18
Redemption of warrants	9	13,981	–	–	13,990
Share-based remuneration	–	1,515	–	–	1,515
Closing balance 31 December 2020	1,111	1,147,373	141	-766,701	381,904

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	–	–	–	-146,565	-146,565
Other comprehensive income	–	–	36	–	36
Total comprehensive income	–	–	36	-146,565	-146,529
Transactions with owners					
Share issues (net of transaction costs)	148	154,714	–	–	154,862
Warrants	–	1,270	–	–	1,270
Share-based remuneration	–	1,491	–	–	1,491
Redemption of share-based remuneration	–	2,000	–	–	2,000
Closing balance 31 December 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.

FINANCIAL STATEMENTS

Condensed Consolidated Statement of Cash Flows

SEKt	Note	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Operating profit (EBIT)		-41,373	-44,603	-189,775	-142,539
Depreciation		2,510	1,872	9,548	7,921
Other items not affecting liquidity		1,140	2,855	1,872	3,656
Interest paid		-792	-77	-4,406	-394
Paid tax		407	11	536	-116
Cash flow from operating activities before changes in working capital		-38,107	-39,942	-182,225	-131,472
Change in working capital		-3,877	27,265	28,181	16,838
Cash flow from operating activities		-41,984	-12,677	-154,044	-114,634
Investments in intangible and tangible assets		-3,272	-3,495	-9,461	-9,355
Investments in financial assets		-400	-63	-1,416	-1,811
Cash flow from investing activities		-3,672	-3,558	-10,877	-11,166
Share issue (net of transaction costs)	4	-662	—	508,960	154,862
Warrants in connection with new share issue	4	—	91	6,762	1,270
Redemption of warrants	4	13,990	—	13,990	—
Loans raised	5	-1,574	—	43,963	—
Warrants in connection with loans raised	5	20	—	3,489	—
Repayment of lease liabilities		-475	-670	-3,547	-2,622
Repayment of loans		-4,520	—	-9,605	—
Cash flow from financing activities		6,779	-579	564,012	153,510
Cash flow for the period		-38,477	-16,814	399,090	27,710
Cash and cash equivalents at the beginning of the period		564,329	148,166	130,132	105,886
Exchange rate differences related to cash and cash equivalents		-3,877	-1,219	-7,648	-3,464
Cash and cash equivalents at the end of the period		521,574	130,132	521,574	130,132

FINANCIAL STATEMENTS

Condensed Parent Company Income Statement and Statement of Comprehensive Income

SEKt	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
OPERATING REVENUE				
Total revenue	9,432	10,710	48,053	19,156
OPERATING EXPENSES				
Other external costs	-1,490 ¹	-5,460	-23,896 ²	-8,392
Personnel costs	-3,099	-2,416	-13,376	-4,029
Depreciation and amortisation	-82	—	-246	—
Other operating expenses	-353	1	-530	-266
Operating profit	4,409	2,835	10,005	6,470
Net financial items	-1,741	40	4,811	88
Net result before tax	2,667	2,876	14,817	6,558
Income tax	—	—	—	—
Net result for the period	2,667	2,876	14,817	6,558

1) Items affecting comparability associated with the listing of Readly amount to SEK 1,071 thousand (3,421).

2) Items affecting comparability associated with the listing of Readly amount to SEK 19,464 thousand (4,416).

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

FINANCIAL STATEMENTS

Condensed Parent Company Balance Sheet

SEKt	Note	Dec 31 2020	Dec 31 2019
ASSETS			
Non-current assets			
Intangible assets		1,392	863
Participations in group companies		600,357	376,440
Receivables from group companies		1,161	1,672
Total non-current assets		602,910	378,975
Current assets			
Receivables from group companies		16,395	9,548
Tax receivables		248	–
Other receivables		238	3,961
Cash and cash equivalents		390,500	60,742
Total current assets		407,381	74,251
Total assets		1,010,291	453,225
EQUITY AND LIABILITIES			
Equity		969,062	429,763
Non-current liabilities			
Liabilities to group companies		95	95
Derivatives	5	5,477	–
Total non-current liabilities		5,572	95
Current liabilities			
Account payables		1,072	3,488
Liabilities to group companies		25,373	12,926
Other current liabilities	4	9,210	6,953
Total current liabilities		35,655	23,367
Total equity and liabilities		1,010,291	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

The utilised amount is apportioned between warrants and borrowing based on fair value. The warrants are 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 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 in the income statement 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. Please refer to Note 5 for further information.

ISSUES OF SHARES AND WARRANTS

The portion of the issue that is attributable to the warrant was reported as a derivative instrument (liability measured at fair value) on the balance sheet. The warrants are reported as a derivative instrument according to IAS 32. 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. Please refer to Note 4

for further information.

Note 2 Revenue from contracts with customers

SEKt	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Germany	37,306	30,511	140,251	109,606
Sweden	23,612	19,263	84,110	69,028
UK	21,708	15,130	72,231	56,017
ROW	15,334	8,271	53,236	28,709
Total revenue	97,960	73,174	349,828	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 31 December 2020, non-current liabilities attributable to derivatives are 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 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 is attributable to the issuance of ordinary shares is reported in shareholders' equity, amounting to SEK 86.8 million as per the 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. As per 31 December 2020 the total fair value of all warrants has been calculated to be SEK 0 million, whereby the change in fair value is reported as financial income in a corresponding amount of SEK 6.8 million. The warrants were measured according to Level 2 in the fair value hierarchy.

FINANCIAL STATEMENTS – NOTES

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. As per 31 December 2020 the group's share capital amounted to SEK 1,110,943.44 apportioned among 37,031,448 shares. In connection with the start of trading in Readly's 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 only share class.

On 17 September 2020 Readly International A B (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. 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 27.9 million. Total costs in the income statement attributable to the listing of shares of Readly amounted to SEK 23.9 million, distributed between the 2019 and 2020 financial years.

During 2020 Readly offered key persons in the group to subscribe for a total of 4,333 warrants at a subscription price of SEK 55 per share (following the share split) with the right to subscribe after three years. In addition, Readly granted key persons in the company a total of 10,000 (102,917) employee stock options at a subscription price of SEK 32.8 per share (following the share split).

Outstanding employee stock options as per 31 December 2020 amount in number to 128,750 (130,917) with rights to subscribe 1:5 shares. Outstanding warrants as per 31 December 2020 amount in number to 670,273 (382,917) with rights to subscribe 1:5 shares.

CHANGES IN SHARE CAPITAL

The following table illustrates the changes in share capital of Readly International AB (publ) for the 2019 and 2020 financial years. For the sake of comparison, all key ratios for earlier periods in the report have been recalculated for the 1:5 share split.

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
2020-10-19	New issue ¹	50,000	36,791,448	1,500	1,103,743
2020-12-14	New issue ¹	190,000	36,981,448	5,700	1,109,443
2020-12-29	New issue ¹	50,000	37,031,448	1,500	1,110,943

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 utilised loan amount was EUR 5 million (49.5), while transaction costs for the loan amounted to SEK 1.9 million.

Interest expenses attributable to the loan amounted to SEK 6.3 million in total as per 31 December 2020. Paid interest amounted to SEK 3.0 million, while amortisation of principal amounted to SEK 9.6 million. One condition for the loan was that the lender was also granted warrants in Readly International AB (publ). In connection with the signing of the loan agreement, 42,839 warrants were granted at a subscription price of SEK 168 per share, which was recalculated to SEK 33.6 per share after completion of the 1:5 share split. The warrants were reported as a non-current liability and were measured according to Level 2 in the fair value hierarchy. As per 31 December 2020 the fair value of granted options was SEK 5.5 million. The total increase in fair value as per 31 December 2020 was SEK 2.4 million, which is reported as a financial liability in a corresponding amount.

Additional terms for the loan were pledged collateral in Readly International AB in the form of 100 per cent 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.

FINANCIAL STATEMENTS – NOTES

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 group 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 809.5 million (582.2) as per 31 December 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 pages 26–27 of this report.

SEKt, unless stated otherwise	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
FPS (Full paying subscribers), number	369,764	278,555	369,764	278,555
Total revenue	98,629	73,498	352,604	264,739
Total revenue growth, %	34.2	34.7	33.2	35.1
ARPU ¹ (Average revenue per user), SEK	94	89	93	87
Gross profit ¹	33,595	23,544	117,059	82,773
Gross profit margin ¹ , %	34.1	32.0	33.2	31.3
Gross contribution ¹	-4,024	-6,979	-38,155	-16,303
Gross contribution margin ¹ , %	-4.1	-9.5	-10.8	-6.2
EBITDA ¹	-38,863	-42,731	-179,869	-134,618
EBITDA margin ¹ , %	-39.4	-58.1	-51.0	-50.8
Operating profit	-41,373	-44,603	-189,775	-142,539
Operating margin, %	-41.9	-60.7	-53.8	-53.8
Adjusted operating profit (excl IAC) ¹	-40,302	-41,182	-170,311	-138,123
Adjusted operating margin (excl IAC) ¹ , %	-40.9	-56.0	-48.3	-52.2
Total operating expenses	-140,002	-118,101	-542,378	-407,278
Net result for the period	-48,048	-46,363	-197,424	-146,565
Items affecting comparability	-1,071	-3,421	-19,464	-4,416
Net margin, %	-48.7	-63.1	-56.0	-55.4
Cash flow from operating activities	-41,984	-12,677	-154,044	-114,634
Average number of employees	77	63	71	55
Key data per share				
Basic and diluted earnings per share ² , SEK	-1.3	-1.7	-6.5	-5.9
Basic and diluted equity per share ² , SEK	10.4	2.0	12.5	2.2
Weighted number of outstanding shares, basic and diluted ²	36,820,470	27,246,160	30,466,591	24,739,268
Number of outstanding shares at end of the period ²	37,031,448	27,246,160	37,031,448	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	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Total revenue	98,629	73,498	352,604	264,739
Publisher cost	-65,034	-49,954	-235,545	-181,966
Gross profit	33,595	23,544	117,059	82,773
Gross profit margin	34.1	32.0	33.2	31.3

EBITDA and EBITDA margin

SEKt	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
EBITDA	-38,863	-42,731	-179,869	-134,618
Total revenue	98,629	73,498	352,604	264,739
EBITDA margin, %	-39.4	-58.1	-51.0	-50.8

Equity per share

SEKt	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Weighted number of outstanding shares	36,820,470	27,246,160	30,466,591	24,739,268
Total equity	381,905	54,773	381,905	54,773
Equity per share (SEK)	10.4	2.0	12.5	2.2

Net margin

SEKt	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net result for the period	-48,048	-46,363	-197,424	-146,565
Total revenue	98,629	73,498	352,604	264,739
Net margin, %	-48.7	-63.1	-56.0	-55.4

Operating profit and operating margin

SEKt	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Total revenue	98,629	73,498	352,604	264,739
Operating expenses	-140,002	-118,101	-542,378	-407,278
Operating profit	-41,373	-44,603	-189,775	-142,539
Operating margin, %	-41.9	-60.7	-53.8	-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	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Operating result (EBIT)	-41,373	-44,603	-189,775	-142,539
Costs related to IPO	1,071	3,421	19,464	4,416
Adjusted EBIT (excl IAC)	-40,302	-41,182	-170,311	-138,123
Total revenue	98,629	73,498	352,604	264,739
Adjusted EBIT margin (excl IAC), %	-40.9	-56.0	-48.3	-52.2

Total revenue growth

SEKt	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Total revenue	98,629	73,498	352,604	264,739
Total revenue growth, %	34.2	34.7%	33.2	35.1

Operating expenses

SEKt	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Publisher cost	-65,034	-49,954	-235,545	-181,966
Marketing cost	-37,619	-30,523	-155,213	-99,076
Other external costs	-13,417	-17,679	-65,010	-57,229
Personnel costs	-22,267	-18,284	-76,022	-58,833
Depreciation and amortisation	-2,510	-1,872	-9,905	-7,921
Other operating expenses	845	211	-682	-2,253
Operating expenses	-140,002	-118,101	-542,378	-407,278

- 1) Items affecting comparability associated with the listing of Readly amount to SEK 1,071 thousand (3,421).
2) Items affecting comparability associated with the listing of Readly amount to SEK 19,464 thousand (4,416).

Gross contribution & Gross contribution margin

SEKt	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Total revenue	98,629	73,498	352,604	264,739
Publisher cost	-65,034	-49,954	-235,545	-181,966
Marketing cost	-37,619	-30,523	-155,213	-99,076
Gross contribution	-4,024	-6,979	-38,155	-16,303
Gross contribution margin, %	-4.1	-9.5	-10.8	-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 2020 Readly distributed more than 140,000 editions of magazines that have been read some 99 million times.

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