Readly

INTERIM REPORT
JAN — JUN

2021

Increased growth rate and improved results

1 APRIL–30 JUNE 2021

- Revenue for the period totalled SEK 110.8 million (83.4), an increase of 32.8 per cent compared with the year-earlier period.
- The number of full-paying subscribers (FPS) increased by 29.7 per cent to 420,135 (323,811) at the end of the quarter.
- Gross profit increased by 38.4 per cent to SEK 37.3 million (27.0), corresponding to a gross margin of 33.7 per cent (32.3).
- The gross contribution margin for the period was -10.4 per cent (-27.8).
- Operating result was SEK -54.3 million (-59.4), corresponding to an operating margin of -49.0 per cent (-71.2).
- Earnings per share were SEK -1.6 (-2.4) before and after dilution[1].

1 JANUARY–30 JUNE 2021

- Revenue for the period totalled SEK 212.7 million (160.6), an increase of 32.4 per cent compared with the first six months of 2020.
- The number of full-paying subscribers (FPS) increased by 29.7 per cent to 420,135 (323,811) at the end of the quarter.
- Gross profit increased by 36.4 per cent to SEK 71.2 million (52.2), corresponding to a gross margin of 33.5 per cent (32.5).
- The gross contribution margin for the period was -13.1 per cent (-12.1).
- Operating result was SEK -111.2 million (-97.3), corresponding to an operating margin of -52.3 per cent (-60.5).
- Earnings per share were SEK -3.2 (-3.7) before and after dilution[1].

Key data

SEKt, unless stated otherwise	Apr–Jun 2021	Apr–Jun 2020	YoY change, %	Jan–Jun 2021	Jan–Jun 2020	YoY change, %	Jan–Dec 2020
FPS (Full-paying subscribers), number	420,135	323,811	29.7	420,135	323,811	29.7	369,764
Total revenue	110,813	83,446	32.8	212,696	160,625	32.4	352,604
ARPU (Average revenue per user), SEK	91	93	-2.2	91	93	-2.2	93
Gross profit	37,292	26,952	38.4	71,160	52,156	36.4	117,059
Gross profit margin, %	33.7	32.3	–	33.5	32.5	–	33.2
Gross contribution	-11,539	-23,235	–	-27,906	-19,409	–	-38,155
Gross contribution margin, %	-10.4	-27.8	–	-13.1	-12.1	–	-10.8
Operating result	-54,285	-59,434	8.7	-111,194	-97,250	14.3	-189,775
Operating margin, %	-49.0	-71.2	–	-52.3	-60.5	–	-53.8
Adjusted operating result	-54,285	-56,068	3.2	-111,194	-88,040	26.3	-170,311
Adjusted operating margin, %	-49.0	-67.2	–	-52.3	-54.8	–	-48.3
Net result for the period	-58,193	-66,143	12.0	-117,658	-102,188	-43.1	-197,424
Basic and diluted earnings per share[1], SEK	-1.6	-2.4	35.1	-3.2	-3.7	-58.2	-6.5

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 Key Performance Indicators and calculations on page 25.

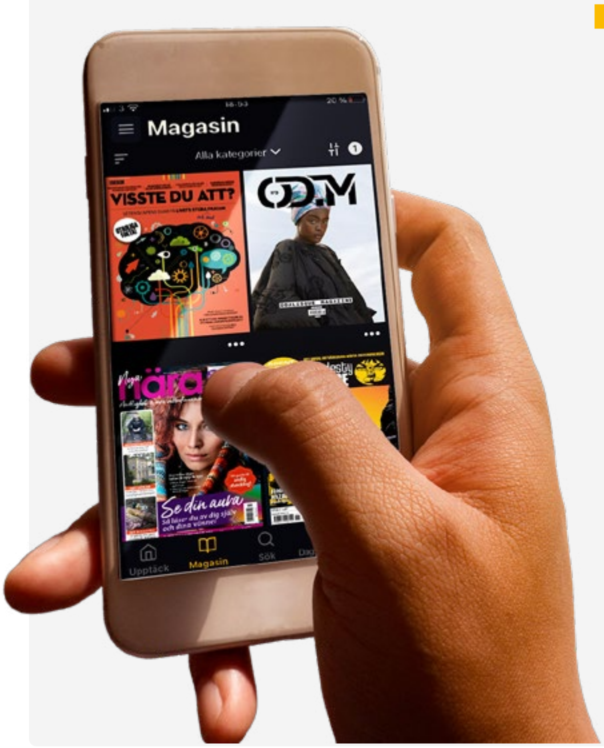
All-in-one app

Readly is a digital subscription service that gives users unlimited access to more than 5,000 national and international magazines and newspapers – all in one app. Today, the company is the European leader in "all-you-can-read" subscriptions for digital magazines with users in 50 countries. In collaboration with approximately 900 companies worldwide, Readly is digitalising the magazine industry.

Our mission is to bring the magic of magazines into the future so that quality content remains something that can be discovered and lives on. In 2020, Readly distributed approximately 140,000 editions of magazines and newspapers that have been read 99 million times. Since 2020, Readly's shares are listed on Nasdaq Stockholm Mid Cap.

USD 60 billion

According to a report from PwC, the global market for consumer magazines, measured in revenue from advertising and publication, is expected to total approximately USD 60 billion in 2024. The expected rate of increase for digital magazines is around 4 per cent annually.



420,135 full-paying subscribers

+5,000 titles

~900 companies

17 languages in the app

COMMENTS FROM MARIA HEDENGREN, CEO

Increased growth rate and improved results

We continue to execute on our strategy and deliver a strong second quarter. Growth remained good in all markets, and the number of full-paying subscribers increased 29.7 per cent to 420,135 (323,811). Revenue increased 32.8 per cent to SEK 110.8 million (83.4), and after adjustments for VAT and currency effects, revenue increased 35.2 per cent in the quarter. Concurrent with our continued strong growth, gross profit increased 38.4 per cent and despite investments in marketing being in line with last year we improved gross contribution margin to -10.4 per cent (-27.8). This demonstrates the scalability of our business model and its long-term capacity to generate profitability.

The favourable trend in the quarter was mainly due to our continuing establishment of new, successful partnerships, as well as to continuous improvements in our offering with more collaborations with publishers and new, high-quality magazine and news titles, thereby driving increasing reader engagement and improved conversion rates. Moreover, our brand is increasing in strength in pace with our growth, which promotes increased awareness and interest in Readly. Germany continues to post healthy growth and we noted an increased conversion rate in the quarter as well as some successful tests with new offer categories through partners, which meant that despite the negative effects of a stronger Swedish krona against the euro, we increased revenue in the quarter 25.5 per cent year-on-year. The launch of dailies in Germany the beginning of the year has shown a positive effect on conversion during the first and second quarter. In the UK, revenue increased 59.7 per cent year-on-year, and it is now our second largest market whose sales represented 23 per cent of revenue for the quarter.

“Looking back at Readly’s first four quarters as a listed company, we have delivered strong growth in line with our financial targets, and we have executed in line with our strategy.”

COMMENTS FROM MARIA HEDENGREN, CEO

Sweden continued to post stable growth and revenue was up 22.0 per cent compared with last year. Revenue from our other markets is trending in line with plans and increased 31.9 per cent year-on-year. During the quarter, we gross profit increased 38.4 per cent, reporting a gross margin of 33.7 per cent (32.3). The gross contribution margin improved to -10.4 per cent (-27.8) and operating result improved to SEK -54.3 million (-59.5).

Continued execution on our partnership strategy
During the quarter, we launched over 30 partnerships with well-known local and global brands including Samsung in Germany and the UK, N26 Bank in Germany, the UK insurance company Bupa, and the travel website Priceline in Australia. We also initiated a global partnership with H&M that covers a number of markets where Readly has a significant presence, including Sweden, the UK, Germany, the Netherlands and Italy. We have high ambitions within partnerships and in pace with our growth and building a stronger brand, our objective is to establish further-reaching partnerships with other leading and global brands to thereby leverage our strong and broad geographic positions in Europe. This will promote even more cost-efficient growth in the long term, while entailing slightly longer lead times in the short term since these partnerships could take more time to establish.

Several new titles and initiatives strengthen our offering
During the quarter, we signed agreements with 23 new publishers and added over 85 new titles including four daily newspapers. Among other things, we added titles such as Radio Times – The UK's largest guide to TV, streaming and radio and Voetbal International – The Netherlands' largest football magazine. With over 900 publishers and 5,000 titles, we have a robust business model that demonstrates our attractive power as a partner. Since 2018, we have been collaborating with some of our publisher partners to create content under the name "Readly Exclusives", where we have released approximately 270 issues of around 60 magazine titles. During the quarter we strengthened our portfolio of Readly Exclusives with the launch of Boom in collaboration with the Swedish publisher Gazzine. Boom is a completely new Swedish family magazine with a focus on parents, exclusively on Readly. With this launch, we are strengthening our offering to a key target group, and by working with unique content we can strengthen our offering in particularly important subject categories.

During the quarter, we also partnered with Motor Sport Magazine and the UK Formula 1 driver Jenson Button to launch an exclusive collection of what he considers the major highlights in motor sports from the last 100 years. The launch was the starting shot for Readly's new "Readly Retros" series in which we will publish iconic Motor Sport issues from the 1920s and onward throughout the year. Nearly one fifth of our users read old issues of magazines, and for publishers, this is a way of re-activating previously available content and bringing current and new readers to their magazines.

High reading engagement
We are in close dialogue with our subscribers and publishers in order to continually strengthen our offering, and we recently conducted a survey to learn more about why, and how, digital reading is important to our subscribers. The survey showed that 50 per cent of our subscribers have been reading more, and more often, since they began using Readly. This was confirmed by our customer data, which shows that we have engaged users who read approximately eight hours per month on average and our DAU/MAU remain at a relatively high level of 41 per cent. 66 per cent of our readers stated that they were concerned about the trend in "fake news", and that digital information overload has meant that many are turning to trusted and easily accessible sources with "all-you-can-read" structures where they can find what they're actually looking for. 72 per cent stated that they had not started a subscription with Readly due to a certain title but rather for the variety of content, and 96 per cent stated that they had begun reading new content that they did not know existed or had never previously read. As a result, more than half of our readers feel better informed, increasingly curious and inspired. These are important and interesting insights that confirm our mission: to create a leading digital service for high-quality, accessible, affordable and sustainable reading.

Well positioned for continued good growth
Looking back at Readly's first four quarters as a listed company, we have delivered strong growth in line with our financial targets, and we have executed in line with our strategy. The market for digital magazines and daily newspapers is enormous, and the digital share is growing even more rapidly. We have a strong financial position and we have a clear strategy in place to continue our growth journey that means we will continue to invest in product development and content to offer the best product experience. Moreover, we will continue to focus on cost-efficient growth, for example, via partnerships and gradually increasing organic growth. Our most recent customer survey found that the most common way for new subscribers to first find their way to Readly was through recommendations. We are continually reviewing opportunities for expansion into new markets even if we still have major growth opportunities in our existing ones.

Maria Hedengren,
CEO, Readly

Revenue and earnings

APRIL–JUNE 2021

TOTAL REVENUE AMOUNTED to SEK 110.8 million (83.4), an increase of 32.8 per cent compared with the year-earlier period. This increase was attributable primarily to the growth in full-paying subscribers. The number of full-paying subscribers (FPS) increased by 29.7 per cent to 420,135 (323,811), driven by healthy growth in core markets and in our other markets, which are continuing to develop steadily and according to plan.

Total revenue growth adjusted for VAT and currency effects was 35.2 per cent. The core markets of Germany, Sweden and the UK accounted for the majority of revenue growth. Revenue in Germany increased 25.5 per cent to SEK 42.1 million (33.6). In Sweden, revenue increased 22.0 per cent, totalling SEK 24.0 million (19.6), and revenue in the UK increased 59.7 per cent to SEK 25.5 million (16.0). Growth in the UK was driven primarily by a strong trend in the number of full-paying subscribers as well as by the reduced VAT rate for digital subscription services that was introduced in May 2020. Adjusted for VAT and currency effects, growth in the UK was 54.5 per cent. Revenue in other markets increased 31.9 per cent to SEK 17.9 million (13.6).

Gross profit increased by 38.4 per cent to SEK 37.3 million (27.0), corresponding to a gross margin of 33.7 per cent (32.3). The positive movement in the margin is partly attributable to an improved share of revenue distribution with publishers, as well as lower transaction costs and higher revenue from currency effects. The gross contribution for the period was SEK -11.5 million (-23.2), corresponding to a gross contribution margin of -10.4 per cent (-27.8). The improved gross contribution margin for the period was attributable primarily to increased revenue compared with the second quarter of 2020.

Total operating expenses increased by 15.6 per cent to SEK -165.1 million (-142.9). The increase was mainly related to higher publisher costs associated with the growth in revenue. Total operating expenses excluding marketing costs increased by 25.4 per cent to SEK -116.3 million (-92.7). Total operating expenses excluding publisher and marketing costs increased by 18.1 per cent to SEK -42.7 million (-36.2). The year-earlier quarter contained items affecting comparability for operating expenses totalling SEK -3.4 million attributable to the IPO.

The operating result was SEK -54.3 million (-59.4), corresponding to an operating margin of -49.0 per cent (-71.2).

Financial items

Net financial items totalled SEK -3.9 million (-6.7). The change compared with the year-earlier period was attributable primarily to interest expenses for the non-current liability to Kreos Capital. The exchange rate during the quarter had a negative effect on net financial items.

Tax

Tax expenses for the period totalled SEK -44.9 million (-35.5). The Group has unutilised loss carryforwards of SEK 809.2 million (582.2) that are not carried in the balance sheet.

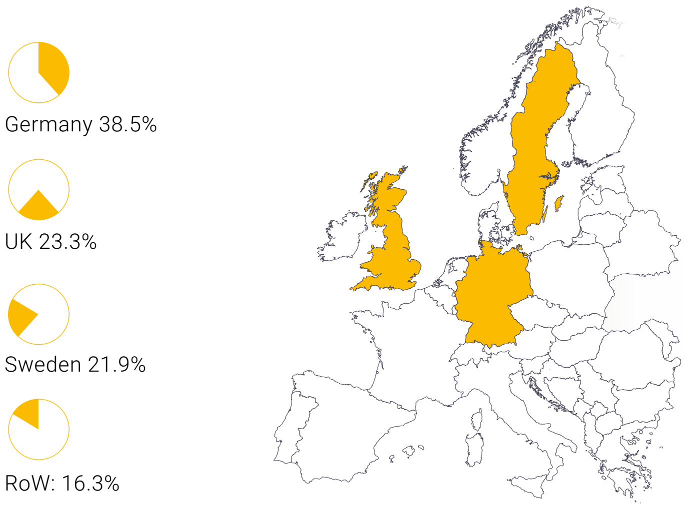
Profit for the period and earnings per share

The Group reported a loss for the period of SEK -58.2 million (-66.1), corresponding to earnings per share of SEK -1.6 (-2.4[2]) before and after dilution.

Number of employees

The average number of staff including consultants was 131 (95) during the second quarter, of which the average number of employees was 88 (69).

Percentage share of net sales broken down by geographic market for the period April–June 2021



2) The average number of shares and earnings per share have been adjusted in comparison periods for the 1:5 share split. See Definitions of Key Performance Indicators and calculations on pages 25–27.

Revenue and earnings

JANUARY–JUNE 2021

TOTAL REVENUE AMOUNTED to SEK 212.7 million (160.6), an increase of 32.4 per cent compared with the year-earlier period. This increase was attributable primarily to the growth in full-paying subscribers. The number of full-paying subscribers (FPS) increased by 29.7 per cent to 420,135 (323,811), driven by healthy growth in core markets and in our other markets, which are continuing to develop steadily and according to plan.

Revenue growth adjusted for VAT and currency effects was 33.9 per cent. The core markets of Germany, Sweden and the UK accounted for the majority of revenue growth. Revenue in Germany increased 22.3 per cent to SEK 80.5 million (65.8). In Sweden, revenue increased 20.8 per cent, totalling SEK 47.5 million (39.3), and revenue in the UK increased 62.5 per cent to SEK 48.4 million (29.8). Growth in the UK was driven primarily by a strong trend in the number of full-paying subscribers as well as by the reduced VAT rate for digital subscription services that was introduced in May 2020. Adjusted for VAT and currency effects, growth in the UK was 52.0 per cent. Revenue in other markets increased 39.0 per cent to SEK 33.7 million (24.3).

Gross profit increased by 36.4 per cent to SEK 71.2 million (52.2), corresponding to a gross margin of 33.5 per cent (32.5). The positive movement in the margin is partly attributable to an improved share of revenue distribution with publishers, as well as lower transaction costs and higher revenue from currency effects. The gross contribution for the period was SEK -27.9 million (-19.4), corresponding to a gross contribution margin of -13.1 per cent (-12.1). The development of the gross contribution margin in the period is due primarily to an increase in marketing costs compared with the year-earlier period, when investments in marketing in the first quarter were relatively low.

Total operating expenses increased by 25.6 per cent to SEK -323.9 million (-257.9). The increase is mainly related to higher marketing costs as well as higher publisher costs associated with revenue growth. Total operating expenses excluding marketing costs increased by 20.7 per cent to SEK -224.8 million (-186.3). Total operating expenses excluding publisher and marketing costs increased by 7.0 per cent to SEK -83.3 million (-77.5). The year-earlier period contained items affecting comparability for operating expenses totalling SEK -9.2 million attributable to the IPO.

The operating result was SEK -111.2 million (-97.3), corresponding to an operating margin of -52.3 per cent (-60.5).

3) The average number of shares and earnings per share have been adjusted in comparison periods for the 1:5 share split. See Definitions of Key Performance Indicators and calculations on pages 25–27.

Financial items

Net financial items totalled SEK -6.4 million (-4.9), attributable primarily to the share price movement that resulted in a revaluation effect of warrants that were allocated in connection with the credit facility that wassecured in 2020. The fair value of these was booked as a non-current liability. In the first quarter, Kreos Capital redeemed all warrants issued. The change in fair value on the redemption date was estimated at an increase of SEK 4.0 million. The change has been recognised as a financial expense in the corresponding amount. In addition, financial expenses were impacted by interest expenses coupled to the same credit facility. The exchange rate had a positive effect on cash and cash equivalents as well as net financial items.

Tax

Tax expenses for the period totalled SEK -88.5 thousand (-71.0). The Group has unutilised loss carryforwards of SEK 809.2 million (582.2) that are not carried in the balance sheet.

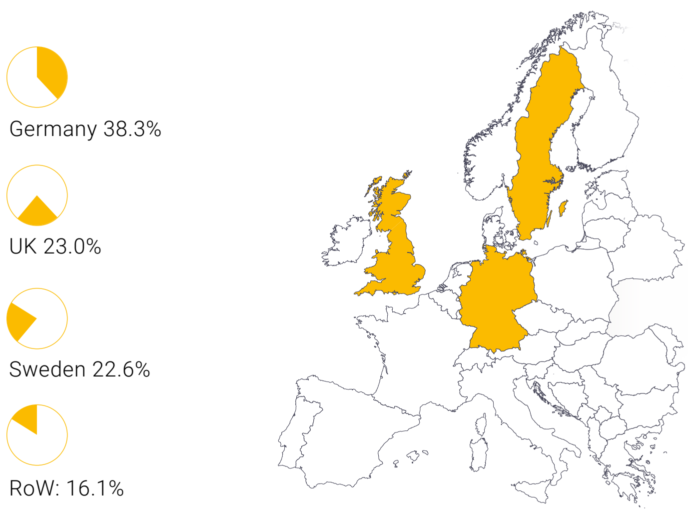
Profit for the period and earnings per share

The Group reported a loss for the period of SEK -117.7 million (-102.2), corresponding to earnings per share of SEK -3.2 (-3.7[3]) before and after dilution.

Number of employees

The average number of staff including consultants was 125 (95), of which the average number of employees was 85 (68).

Percentage share of net sales broken down by geographic market for the period January–June 2021



Cash flow

JANUARY – JUNE 2021 (JANUARY – JUNE 2020)

CASH FLOW FROM operating activities before changes in working capital was SEK -109.2 million (-94.1). The negative change in working capital of SEK -6.2 million (1.8) was impacted by non-recurring payments of respites for taxes and fees attributable to 2020 as well as increased accounts receivable linked to increased revenue. As of 30 June, there were also accrued marketing costs as a result of ongoing investments in growth.

Cash flow from investing activities was SEK -12.8 million(-5.4), of which SEK -10.8 million (-5.0) pertained to capitalised product development costs.

Cash flow from financing activities was SEK -7.3 million (140.1). The decrease in cash flow was attributable primarily to a loan secured with Kreos Capital in the second quarter of the preceding year. Amortisation of principal totalled SEK -9.5 million (0) as per 30 June 2021, while interest paid (recognised as cash flow from operating activities) amounted to SEK -2.2 million (0.9).

15,000 employee stock options (0) were utilised for the subscription of shares, which resulted in an increased cash flow totalling SEK 2.3 million.

Financial position

30 JUNE 2021 (31 DECEMBER 2020)

CASH AND CASH EQUIVALENTS at 30 June 2021 amounted to SEK 388.0 million (521.6). The change compared to 31 December is attributable primarily to increased marketing costs, which is according to plan and in line with the growth strategy.

The Group's shareholders' equity as per 30 June 2021 amounted to SEK 278.1 million (381.9), which represented equity per share of SEK 7.5 (12.5[4]). The decrease in equity was related mainly to higher costs for marketing activities as well as publisher costs associated with revenue growth.

Warrants allocated to the creditor upon signing a loan agreement with Kreos Capital were recognised as per 31 December as a non-current liability measured at fair value totalling SEK 5.5 million. Early in the first quarter, Kreos Capital redeemed all warrants issued. The estimated fair value at the redemption date totalled SEK 9.4 million, which was entered as equity in conjunction with the elimination of the liability. The change in fair value was thus estimated as an increase of SEK 4.0 million compared with 31 December 2020, which was recognised as a financial expense in a corresponding amount.

15,000 employee stock options (0) were utilised for the subscription of 1:5 shares, which resulted in a further increase in equity totalling SEK 2.3 million. The outstanding principal for the loan taken out with Kreos Capital during the second quarter of 2020 amounted to SEK 23.2 million as per 30 June 2021 after transaction costs of SEK 1.9 million, amortisation totalling SEK 23.8 million and interest expenses totalling SEK 9.8 million.

Total current liabilities amounted to SEK 169.5 million (169.3) as per 30 June 2021. The liabilities are attributable primarily to publisher payables associated with revenue growth.

Readly's primary strategic priority, both historically and going forward, is revenue growth. As a result of this, Readly reports negative earnings and cash flows for earlier periods. This is in line with the company's strategy as decided by the Board of Directors. For further information, see the section Risks and uncertainties on page 12.

4) Earnings per share for the comparison periods have been adjusted to the number of shares after listing. See definitions of Key Performance Indicators and calculations on page 25.

Market comments

Almost two years have passed since the start of the pandemic, and the magazine and newspaper industry has been hard hit as a result of the lockdowns and restrictions introduced around the world. A newly-published report from PwC (Global Entertainment & Media Outlook 2021–2025) shows that the market is expected to recover slightly over the coming years, and the pace of digitalisation has accelerated in the wake of the pandemic. The digital shift favours those players who have come the farthest in their journey of digitalisation, and it continues to impose demands on innovation and new revenue streams.

Increased digitisation rate means opportunities

Last year, digital sales and advertising represented approximately 24 per cent of the total market, which turned over nearly USD 60 billion. The pace of digitalisation is rapidly increasing, and by 2025 the digital share of the market is expected to total 30 per cent. The rapid increased of the digital share in an enormous market is naturally positive for those players who are at the forefront of digitalisation; demand for digital alternatives from consumers and falling print advertising revenue places great demands on publishers, many of whom are increasing their pace of digitalisation and degree of innovation. According to the World Association of News Publishers, which recently published its "World Press Trends 2020–2021" trendspotting report, nearly half of the respondents stated that the most important consideration for their companies' future was accelerating the digital transformation. At the same time, an overwhelming majority of the respondents stated that the greatest threat to the future of the industry was the fall in advertising revenue. This was also confirmed by PwC, which predicted that advertising revenue from printed magazines would decrease by -7.6 per cent CAGR by 2025, corresponding to a decrease from USD 12.7 billion to USD 8.6 billion. Even though revenue from digital advertising is expected to increase by 4.0 per cent CAGR by 2025 (from USD 10 billion to USD 12.2 billion), more will be required from the industry to withstand the loss in print. It puts demands on publishers to be more innovative in order to reach more readers and to identify new sources of revenue. At the same time, the digital shift is creating unique opportunities to experiment with new formats and advertising solutions and to reach entirely new customer groups at a global level, as well as to benefit from insights from data and to leverage historical issues. Readly is well positioned to support publishers to reach more readers with more effective advertising. At the end of last year, the analysis tool Readly Insight was launched, which with over 40 billion data points about ex. demography and reading behavior support publishers to tailor and optimise their content to create a higher reading engagement.

In addition, Readly has developed the advertising system Readly Ads. So far, the tool has only been launched in Sweden, but as Readly grows, the tool will be rolled out in more markets. Readly Ads enables publishers to use dynamic advertising in their publications, which based on data makes advertising more accurate.

An increased privacy protection requires a higher focus on marketing

It the beginning of the second quarter, Apple rolled out its latest version of the iOS 14.5 operating system, which includes a new feature called "App Tracking Transparency", which allows users to say no to having their activity tracked and shared between apps and across platforms. Apple has taken further steps forward within the privacy area and during the fall, similar features that limit tracking will also be implemented in Apple Mail and the Safari browser. The recent change is part of an increasing awareness for more user privacy and data control which we support and encourage. For us and many companies investing in performance marketing, this requires an increased focus on our attribution models and tracking, in order to continue to optimise and scale channels.

Readly is growing faster than the market

While lost advertising revenue is putting pressure on the industry, revenue from printed and digital magazines (advertising revenue excluded) is expected to increase slightly by 0.2 per cent CAGR from USD 36.4 billion in 2020 to USD 36.7 billion by 2025. The reason for the increase is primarily strong sales performance in Asia and that sales are expected to increase over the coming years in pace with society opening up and restrictions lifted. On the whole, revenue (advertising included) from the magazine market is expected to decrease by -0.6 per cent CAGR from USD 59.2 billion during 2020 to USD 57.5 billion by 2025. Despite a prediction of relatively modest growth in revenue from printed and digital magazines (advertising revenue excluded) through 2025, it is clear that the growth opportunities are tremendous and that many players are growing more rapidly than the market. Readly, for example, increased the number of full-paying subscribers by 37 per cent CAGR between Q2 2017 and Q2 2021 while revenue over the same period increased by over 40 per cent CAGR.

Strong position to drive sustainable change in the industry

In pace with society's return to the "new normal", revenue from magazines (advertising revenue excluded) is expected to increase slightly again and it is clear that the digital transformation is here to stay. The magazine market has a low digital degree of penetration compared with the music and film industry, for example, and it is driven by powerful trends such as digitalisation, sustainability and the fact that consumers are increasingly looking for more reliable sources of information. According to a customer survey that Readly conducted in 2020, nearly 70 per cent of readers, for example, stated that they were extremely concerned by the increase of "fake news" and that they were therefore turning to trustworthy and reliable sources, and a survey conducted by PwC Strategy& (published in February 2020) stated that magazines were the most reliable platform for news according to 82 per cent of respondents. In the same study, 50 per cent of those asked stated that a primary reason for reading more magazines was that they were reliable sources of information. As a market leader in Europe, this means overall that we are well positioned for continued strong growth. With a strong offering to publishers that allows us to contribute increased breadth and higher revenue, and with a strong offering that keeps up with the times for subscribers, we want to continue to drive change and to develop our leading offering that promotes a more sustainable future for both our industry and our surrounding world.

Other

Significant events during the period

The Annual General Meeting on 11 May resolved, in accordance with the proposal of the Nomination Committee, to re-elect Board members Patrick Svensk, Viktor Fritzén, Nathan Medlock, Malin Stråhle and Alexandra Whelan. Further, it was resolved to elect Stefan Betzold as a new Board member. Patrick Svensk was re-elected as Chairman of the Board. Joel Wikell declined re-election.

On 27 May, Readly announced that Tomas Montan had been appointed new Chief Product Officer and a member of senior management. Tomas Montan succeeds Nima Boustanian, as his employment as a consultant ended during the second quarter.

Significant events after the end of the period

Patrik Brännfors, Chief Business Development Officer and member of senior management, terminated his employment and will leave Readly during the third quarter.

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 Note 7 on pages 88–91, and Note 26 on page 102, of the 2020 Annual Report.

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 requirement 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 contributions. 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.

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 30 June 2021, 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, Jan–Jun 2021 (Jan–Jun 2020)
Revenue for the period totalled SEK 16.7 million (25.3) and pertains entirely to services provided to subsidiaries as well as to brands. The parent company reported profit for the period of SEK 0.8 million (6.2), of which net financial items totalled SEK -4.0 million (0.0). The year-on-year trend in net financial items during the period was attributable primarily to the change in the fair value of the warrants allocated to the creditor upon signing a loan agreement with Kreos Capital in the previous year. In the first quarter of 2021, Kreos Capital redeemed all warrants issued. The estimated fair value at the redemption date totalled SEK 9.4 million. The change in fair value was thus estimated as an increase of SEK 3.9 million compared with 31 December 2020, which was recognised as a financial expense in a corresponding amount.

Financial position as of 30 June 2021 (30 June 2020)
Cash and cash equivalents at 30 June 2021 amounted to SEK 202.6 million (95.2), a decrease attributable primarily to shareholder contributions rendered in the first quarter.

15,000 employee stock options (0) were utilised for the subscription of 1:5 shares, which resulted in an increase in equity totalling SEK 2.3 million.

Warrants allocated to the creditor upon signing a loan agreement with Kreos Capital were recognised as per 31 December as a non-current liability measured at fair value totalling SEK 5.5 million. The estimated fair value of SEK 9.4 million for the liability at the redemption date was entered as equity in conjunction with the elimination of the liability. The quota value was recognised as share capital, while the remaining amount was recognised against the share premium reserve in unrestricted equity.

Shares in subsidiaries amounted to SEK 660.8 million (600.4[5]) as per 30 June 2021, an increase attributable to capital contributions rendered.

Readly International AB (publ) shares for the period Jan–Jun 2021 (Jan–Jun 2020)
As per 30 June 2021 the parent company's share capital amounted to SEK 1,116,798, apportioned among 37,226,617 shares. Outstanding employee stock options as per 30 June 2021 totalled 306,750 (138,750), of which 108,750 with subscription rights to 1:5 shares. Outstanding warrants as per 30 June 2021 totalled 994,734 (780,273), of which 627,434 with subscription rights to 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 Note 7 on pages 88–91 and Note 26 on page 102 of the 2020 Annual Report.

5) The number of shares has been adjusted in comparison periods for the 1:5 share split. See definitions of Key Performance Indicators and calculations on page 25.

FINANCIAL STATEMENTS

Condensed Consolidated Income Statement

SEKt	Note	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
OPERATING REVENUE						
Net sales	2	109,543	82,761	210,144	159,190	349,828
Other operating revenue		1,270	685	2,552	1,435	2,776
Total revenue		**110,813**	**83,446**	**212,696**	**160,625**	**352,604**
OPERATING EXPENSES						
Publisher cost		-73,522	-56,494	-141,537	-108,469	-235,545
Other external costs		-64,867	-64,293[1]	-128,892	-107,171[2]	-220,224[3]
Personnel costs		-23,331	-19,658	-45,210	-37,244	-76,022
Depreciation and amortisation		-2,782	-2,435	-5,533	-4,990	-9,905
Other operating expenses		-597	–	-2,717	–	-682
Operating result		**-54,285**	**-59,434**	**-111,194**	**-97,250**	**-189,775**
Net financial items		-3,863	-6,674	-6,376	-4,867	-7,347
Net result before tax		**-58,148**	**-66,108**	**-117,570**	**-102,117**	**-197,122**
Income tax		-45	-35	-89	-71	-303
Net result for the period		**-58,193**	**-66,143**	**-117,658**	**-102,188**	**-197,424**
Net result for the period attributable to the parent company shareholders		**-58,193**	**-66,143**	**-117,658**	**-102,188**	**-197,424**
Basic and diluted earnings per share[4]		-1.6	-2.4	-3.2	-3.7	-6.5
Basic and diluted weighted average number of shares		37,226,617	27,457,035	37,205,875	27,351,600	30,466,591

1) Items affecting comparability associated with the listing of Readly amount to SEK 3,366 thousand.
2) Items affecting comparability associated with the listing of Readly amount to SEK 9,210 thousand.
3) Items affecting comparability associated with the listing of Readly amount to SEK 19,464 thousand.
4) The average number of shares and earnings per share have been adjusted in comparison periods for the 1:5 share split. See definitions of Key Performance Indicators and calculations on page 25.

Condensed Consolidated Statement of Comprehensive Income

SEKt	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
Net result for the period	**-58,193**	**-66,143**	**-117,658**	**-102,188**	**-197,424**
Items that may be reclassified to profit or loss					
Exchange rate differences on translating foreign operations	-221	-178	281	-126	73
Other comprehensive income for the period	**-221**	**-178**	**281**	**-126**	**73**
Total comprehensive income for the period	**-58,414**	**-66,322**	**-117,377**	**-102,314**	**-197,351**
Total comprehensive income attributable to the parent company shareholders	**-58,414**	**-66,322**	**-117,377**	**-102,314**	**-197,351**

FINANCIAL STATEMENTS

Condensed Consolidated Statement of Changes in Financial Position

SEKt	Note	30 Jun 2021	30 Jun 2020	31 Dec 2020
ASSETS				
Non-current assets				
Intangible assets		29,914	19,847	21,925
Property & Equipment		1,179	1,597	1,364
Right of use assets		2,887	6,056	4,542
Other non-current assets	3	9,880	6,654	7,677
Total non-current assets		**43,860**	**34,154**	**35,508**
Current assets				
Trade receivables	3	8,155	6,390	3,242
Other current assets		17,333	22,841	15,803
Cash and cash equivalents	3	388,005	169,305	521,574
Total current assets		**413,492**	**198,536**	**540,619**
TOTAL ASSETS		**457,352**	**232,690**	**576,127**
EQUITY AND LIABILITIES				
Equity	4	**278,095**	**40,309**	**381,904**
Non-current liabilities				
Lease liabilities	3	355	921	424
Long-term borrowings	5	9,453	29,451	19,001
Derivatives	5	–	3,493	5,477
Total non-current liabilities		**9,808**	**33,865**	**24,903**
Current liabilities				
Trade payables	3	22,542	24,221	24,780
Lease liabilities	3	1,915	4,437	3,359
Short-term borrowings	5	18,388	15,110	16,248
Derivatives		–	6,759	–
Other current liabilities		126,606	107,989	124,933
Total current liabilities		**169,450**	**158,515**	**169,320**
TOTAL EQUITY AND LIABILITIES		**457,353**	**232,690**	**576,127**

FINANCIAL STATEMENTS

Condensed Consolidated Statement of Changes in Equity

SEKt	Share capital	Other contributed capital	Translation difference	Retained earnings (including net result for the year)	Total equity
Opening balance 1 January 2021	**1,111**	**1,147,373**	**141**	**-766,701**	**381,904**
Net result	–	–	–	-117,658	-117,658
Other comprehensive income	–	-17	298	–	281
Total comprehensive income	**–**	**-17**	**298**	**-117,658**	**-117,377**
Transactions with owners					
Warrants	–	1,629	–	–	1,629
Redemption of warrants	6	11,765	–	–	11,771
Share-based remuneration	–	167	–	–	167
Total transactions with owners	**6**	**13,562**	**–**	**–**	**13,568**
Closing balance 30 June 2021	**1,117**	**1,160,919**	**439**	**-884,359**	**278,095**

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

SEKt	Share capital	New share issue in progress	Other contributed capital	Translation difference	Retained earnings (including net result for the year)	Total equity
Opening balance 1 January 2020	**818**	**–**	**623,184**	**68**	**-569,276**	**54,773**
Net result	–	–	–	–	-102,188	-102,188
Other comprehensive income	–	–	–	-126	–	-126
Total comprehensive income	**–**	**–**	**–**	**-126**	**-102,188**	**-102,314**
Transactions with owners						
New share issue, net of transaction costs	40	12	85,910	–	–	86,962
Warrants	–	–	18	–	–	18
Share-based remuneration	–	–	870	–	–	870
Total transactions with owners	**40**	**12**	**87,298**	**–**	**–**	**87,851**
Closing balance 30 June 2020	**858**	**12**	**710,982**	**-58**	**-671,464**	**40,309**

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Condensed Consolidated Statement of Cash Flows

SEKt	Note	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
Operating result (EBIT)		-54,286	-59,434	-111,194	-97,250	-189,775
Depreciation		2,782	2,422	5,533	4,633	9,548
Other items not affecting liquidity		-765	883	-690	1,227	1,872
Interest paid		-1,199	-2,550	-2,271	-2,643	-4,406
Paid tax		-64	-144	-645	-110	536
Cash flow from operating activities before changes in working capital		**-53,532**	**-58,823**	**-109,267**	**-94,143**	**-182,225**
Change in working capital		-13,009	13,054	-6,212	1,848	28,181
Cash flow from operating activities		**-66,541**	**-45,769**	**-115,479**	**-92,295**	**-154,044**
Investments in intangible and tangible assets		-6,537	-2,069	-10,824	-4,973	-9,461
Investments in financial assets		-916	-140	-1,963	-677	-1,416
Divestment of financial assets		–	371	–	371	–
Cash flow from investing activities		**-7,452**	**-1,838**	**-12,787**	**-5,363**	**-10,877**
New share issue, net of transaction costs	4	–	86,263	-17	86,263	508,960
Warrants in connection with new share issue		1,629	6,759	1,629	6,777	6,762
Redemption of warrants		–	–	2,329	–	13,990
Loans raised (net of transaction costs)	5	–	45,537	–	45,537	43,963
Warrants in connection with loans raised	5	–	3,469	–	3,469	3,489
Repayment of lease liabilities		-1,716	-1,074	-1,716	-1,993	-4,486
Repayment of loans		-4,811	–	-9,501	–	-9,605
Cash flow from financing activities		**-6,528**	**140,954**	**-7,276**	**140,053**	**564,012**
Cash flow for the period		**-80,521**	**93,347**	**-135,542**	**42,395**	**399,090**
Cash and cash equivalents at the beginning of the period		467,522	81,227	521,574	130,132	130,132
Exchange rate differences related to cash and cash equivalents		1,004	-5,269	1,973	-3,224	-7,648
Cash and cash equivalents at the end of the period		**388,005**	**169,305**	**388,005**	**169,305**	**521,574**

Condensed Parent Company Income Statement and Statement of Comprehensive Income

SEKt	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
OPERATING REVENUE					
Net sales	8,100	14,878	16,714	25,299	48,053
OPERATING EXPENSES					
Other external costs	-2,405	-5,050	-4,513	-12,404	-23,896
Personnel costs	-4,079	-3,785	-7,238	-6,460	-13,376
Depreciation and amortisation	-82	-82	-164	-82	-246
Other operating expenses	–	–	–	-143	-530
Operating result	**1,534**	**5,960**	**4,800**	**6,210**	**10,005**
Net financial items	-75	-33	-4,007	29	4,811
Net result before tax	**1,460**	**5,927**	**793**	**6,238**	**14,817**
Income tax	–	–	–	–	–
Net result for the period	**1,460**	**5,927**	**793**	**6,238**	**14,817**

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

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Condensed Parent Company Balance Sheet

SEKt	Note	30 Jun 2021	30 Jun 2020	31 Dec 2020
ASSETS				
Non-current assets				
Intangible assets		1,228	1,555	1,392
Participations in Group companies		660,757	490,357	600,357
Receivables from Group companies		1,185	1,141	1,161
Total non-current assets		**663,170**	**493,054**	**602,910**
Current assets				
Receivables from Group companies		123,387	5,650	16,395
Tax receivables		400	462	248
Other receivables		429	2,754	238
Cash and cash equivalents		202,593	95,222	390,500
Total current assets		**326,809**	**104,088**	**407,381**
TOTAL ASSETS		**989,979**	**597,142**	**1,010,291**
EQUITY AND LIABILITIES				
Restricted equity		1,117	870	1,111
Unrestricted equity		982,144	522,972	967,949
Equity		**983,261**	**523,842**	**969,062**
Non-current liabilities				
Liabilities to Group companies		95	95	95
Derivatives	5	–	3,469	5,477
Total non-current liabilities		**95**	**3,564**	**5,572**
Current liabilities				
Derivatives		–	6,759	–
Trade payables		593	1,269	1,072
Liabilities to Group companies		–	45,903	25,373
Other current liabilities	5	6,029	12,205	9,210
Total current liabilities		**6,622**	**69,736**	**35,655**
TOTAL EQUITY AND LIABILITIES		**989,979**	**597,142**	**1,010,291**

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 2020 Annual Report. The most significant accounting policies used in preparing this report are described in Note 1 on pages 78–84 of the 2020 Annual Report.

Changes in IFRS and amendments and interpretations of existing standards that took effect on 1 January 2021 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 2020 Annual Report have been applied in preparing the financial statements in this report, except as 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 exercised amount is apportioned between warrants and borrowing based on fair value. The warrants are reported as a derivative (liability measured at fair value) in the balance sheet. All changes in the fair value of derivative instruments are recognised directly in the income statement on the line Financial income or Financial expense. Borrowing is initially recognised at fair value, net after transaction costs. Borrowing is thereafter recognised at amortised cost, and the difference between the amount received, allocated to the loan, and the repayment amount is recognised 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.

Note 2 **Revenue from contracts with customers**

Net sales by geographic region

SEKt	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
Germany	42,139	33,566	80,493	65,803	140,251
Sweden	23,967	19,642	47,466	39,285	84,110
UK	25,549	15,997	48,392	29,786	72,231
RoW	17,887	13,556	33,792	24,316	53,236
Net sales	**109,542**	**82,761**	**210,143**	**159,190**	**349,828**

Note 3 **Classification of financial assets and liabilities**

The fair value of current receivables and liabilities recognised at amortised cost corresponds to their carrying amounts, since the discounting effect is not considered to be significant. The 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 June 2021, non-current liabilities attributable to derivatives are measured according to Level 2 in the fair value hierarchy.

Note 4 **Shareholders' equity**

As per 30 June 2021 the parent company's share capital amounted to SEK 1,116,798, apportioned among 37,226,617 shares.

15,000 employee stock options (0) were exercised in January 2021 for the subscription of 1:5 shares, which resulted in an increase in equity totalling SEK 2.3 million.

Outstanding employee stock options as per 30 June 2021 totalled 306,750 (138,750), of which 108,750 with subscription rights to 1:5 shares.

Outstanding warrants as per 30 June 2021 totalled 994,734 (780,273), of which 627,434 with subscription rights to 1:5 shares.

Changes in share capital

The following table illustrates the changes in share capital of Readly International AB (publ) for the 2019–2021 financial years. For the sake of comparison, all key performance indicators for earlier periods in the report have been recalculated for the 1:5 share split.

Date	Transaction	Change in no. of shares	Total no. of shares	Change in share capital, SEK	Total share capital, SEK
02/07/2019	New issue	934,518	5,399,238	140,178	809,886
08/08/2019	New issue	8,908	5,408,146	1,336	811,222
09/25/2019	Set-off issue	41,086	5,449,232	6,163	817,385
04/03/2020	New issue (exercise of warrants)	22,100	5,471,332	3,315	820,700
04/03/2020	New issue (exercise of warrants)	1,000	5,472,332	150	820,850
04/03/2020	New issue (exercise of warrants)	350	5,472,682	53	820,902
06/26/2020	New issue	350,184	5,822,866	52,528	873,430
09/11/2020	Share split	23,291,464	29,114,330	–	873,430
09/21/2020	New issue	7,627,118	36,741,448	228,814	1,102,243
10/19/2020	New issue (exercise of warrants)	50,000	36,791,448	1,500	1,103,743
12/14/2020	New issue (exercise of warrants)	190,000	36,981,448	5,700	1,109,443
12/29/2020	New issue (exercise of warrants)	50,000	37,031,448	1,500	1,110,943
01/11/2021	New issue (exercise of warrants)	75,000	37,106,448	2,250	1,113,193
01/26/2021	New issue (exercise of warrants Kreos)	120,169	37,226,617	3,605	1,116,798

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 totalled SEK 8.1 million (1.5) as per 30 June 2021. Interest paid in the first quarter of 2021 amounted to SEK 1.1 million (0.9), while amortisation of principal amounted to SEK 4.7 million (0).

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. Since only EUR 5 million of the total EUR 10 million granted was utilised in the credit facility, the creditor has only had the opportunity to utilise 24,034 warrants under the agreement, with a total increase of 120,169 in the number of shares after 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 allocated warrants was SEK 5.5 million. In the first quarter, Kreos Capital chose to redeem all warrants issued. The estimated fair value at the redemption date totalled SEK 9.4 million, which was entered as equity in conjunction with the elimination of the liability. The quota value was recognised as share capital, while the remaining amount was recognised as other capital contributed. The change in fair value was thus estimated as an increase of SEK 4.0 million compared with 31 December 2020, which was recognised as a financial expense 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.

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. The foreseeable future extends for at least, 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 of 2020, 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 tax loss carryforwards for which no deferred tax asset has been recognised amounted to SEK 809.2 million (582.2) as per 30 June 2021. 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 2020 Annual Report, Note 3 on page 86.

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 supplementary 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	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
FPS (Full-paying subscribers), number	420,135	323,811	420,135	323,811	369,764
Total revenue	110,813	83,446	212,696	160,625	352,604
Total revenue growth, %	32.8	33.0	32.4	31.7	33.2
ARPU[1] (Average revenue per user), SEK	91	93	91	93	93
Gross profit[1]	37,292	26,952	71,160	52,156	117,059
Gross profit margin[1], %	33.7	32.3	33.5	32.5	33.2
Gross contribution[1]	-11,539	-23,235	-27,906	-19,409	-38,155
Gross contribution margin[1], %	-10.4	-27.8	-13.1	-12.1	-10.8
EBITDA[1]	-51,503	-56,999	-105,661	-92,260	-179,869
EBITDA margin[1], %	-46.5	-68.3	-49.7	-57.4	-51.0
Operating result	-54,285	-59,434	-111,194	-97,250	-189,775
Operating margin, %	-49.0	-71.2	-52.3	-60.5	-53.8
Adjusted operating result (excl IAC)[1]	-54,285	-56,068	-111,194	-88,040	-170,311
Adjusted operating margin (excl IAC)[1], %	-49.0	-67.2	-52.3	-54.8	-48.3
Total operating expenses	-165,098	-142,880	-323,890	-257,875	-542,378
Net result for the period	-58,193	-66,143	-117,658	-102,188	-197,424
Items affecting comparability	–	-3,366	–	-9,210	-19,464
Net margin, %	-52.5	-79.3	-55.3	-63.6	-56.0
Cash flow from operating activities	-66,541	-45,769	-115,479	-92,295	-154,044
Average number of employees	88	69	85	68	71
KPI data per share					
Basic and diluted earnings per share[2], SEK	-1.6	-2.4	-3.2	-3.7	-6.5
Basic and diluted equity per share[2], SEK	7.5	1.5	7.5	1.5	12.5
Weighted number of outstanding shares, basic and diluted[2]	37,226,617	27,457,035	37,205,875	27,351,600	30,466,591
Number of outstanding shares at end of the period[2]	37,226,617	29,114,330	37,226,617	29,114,330	37,031,448

1) For reconciliation of APMs, see pages 26–27.
2) Earnings per share have been adjusted in the comparison periods for the 1:5 share split. See definitions of Key Performance Indicators and calculations on page 25.

Key Performance Indicator development

	2021		2020				2019			
SEKt, unless otherwise stated	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
FPS (Full-paying subscribers), number	420,135	397,071	369,764	339,557	323,811	290,156	278,555	261,828	252,937	239,633
Total revenue	110,813	101,883	98,623	93,350	83,446	77,179	73,498	69,272	62,721	59,248
Total revenue growth, %	32.8	32.0	34.2	34.8	33.0	30.3	34.7	35.4	31.6	39.3
ARPU, SEK	91	91	94	94	93	92	89	90	83	84
Gross profit	37,292	33,868	33,595	31,308	26,952	25,203	23,544	21,963	19,763	17,503
Gross profit margin, %	33.7	33.2	34.1	33.5	32.3	32.7	32.0	31.7	31.5	29.5
Gross contribution	-11,539	-16,367	-4,024	-14,722	-23,235	3,826	-6,979	-4,724	-1,049	-3,551
Gross contribution margin, %	-10.4	-16.1	-4.1	-15.8	-27.8	5.0	-9.5	-6.8	-1.7	-6.0
Operating result	-54,285	-56,908	-41,373	-51,152	-59,434	-37,816	-44,603	-33,421	-33,218	-31,297
Operating margin, %	-49.0	-55.9	-41.9	-54.8	-71.2	-49.0	-60.7	-48.2	-53.0	-52.8
Adjusted operating result	-54,285	-56,908	-40,302	-41,969	-56,068	-31,973	-41,182	-32,426	-33,218	-31,297
Adjusted operating margin, %	-49.0	-55.9	-40.9	-45.0	-67.2	-41.4	-56.0	-46.8	-53.0	-52.8
Net result for the period	-58,193	-59,465	-48,048	-47,189	-66,143	-36,044	-46,363	-33,977	-34,216	-32,010

Definitions of Key Performance Indicators and calculations

KPI	DEFINITION	PURPOSE
Number of shares	Number of shares after 1:5 share split.	To improve comparisons, all key performance indicators pertaining to the number of shares for earlier periods are calculated based on the number of shares after the 1:5 share split.
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.
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.
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, or 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.
Average revenue per user (ARPU)	Subscriber revenue on monthly basis divided by the outgoing number of FPSs in the corresponding month.	This measure is used to identify the share of total revenue that is attributable to each full-paying subscriber.
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 periods, 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.
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.
Operating result (EBIT)	Operating revenue less operating expenses.	A measure of the company's operating profit/loss before interest and tax that is used by investors, analysts and company management to evaluate the company's profitability.
Operating margin	Operating profit in relation to operating expenses.	A profitability measure that is used by investors, analysts and company management to evaluate the company's profitability.
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.
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.
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 that is used by investors, analysts and company management to evaluate the company's profitability.

Reconciliation of KPIs

Gross profit & Gross profit margin

SEKt	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
Total revenue	110,813	83,446	212,696	160,625	352,604
Publisher cost	-73,522	-56,494	-141,537	-108,469	-235,545
Gross profit	**37,292**	**26,952**	**71,160**	**52,156**	**117,059**
Gross profit margin, %	**33.7**	**32.3**	**33.5**	**32.5**	**33.2**

EBITDA and EBITDA margin

SEKt	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
EBITDA	-51,503	-56,999	-105,661	-92,260	-179,869
Total revenue	110,813	83,446	212,696	160,625	352,604
EBITDA margin, %	**-46.5**	**-68.3**	**-49.7**	**-57.4**	**-51.0**

Equity per share

SEKt	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
Weighted number of outstanding shares[1]	37,226,617	27,457,035	37,205,875	27,351,600	30,466,591
Total equity	278,095	40,309	278,095	40,309	381,904
Equity per share (SEK)	**7.5**	**1.5**	**7.5**	**1.5**	**12.5**

Net margin

SEKt	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
Net result for the period	-58,193	-66,143	-117,658	-102,188	-197,424
Total revenue	110,813	83,446	212,696	160,625	352,604
Net margin, %	**-52.5**	**-79.3**	**-55.3**	**-63.6**	**-56.0**

Operating result and operating margin

SEKt	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
Total revenue	110,813	83,446	212,696	160,625	352,604
Total operating expenses	-165,098	-142,880	-323,890	-257,875	-542,378
Operating result	**-54,285**	**-59,434**	**-111,194**	**-97,250**	**-189,775**
Operating margin, %	**-49.0**	**-71.2**	**-52.3**	**-60.5**	**-53.8**

1) Earnings per share have been adjusted in the comparison periods for the 1:5 share split. See definitions of Key Performance Indicators and calculations on page 25.

RECONCILIATION OF KPIS

Adjusted operating result (excl IAC)

SEKt	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
Operating result (EBIT)	-54,285	-59,434	-111,194	-97,250	-189,775
Items affecting comparability					
Costs related to preparation for IPO of Readly International AB (publ)	–	3,366	–	9,210	19,464
Adjusted operating result (excl IAC)	**-54,285**	**-56,068**	**-111,194**	**-88,040**	**-170,311**
Total revenue	110,813	83,446	212,696	160,625	352,604
Adjusted operating margin (excl IAC), %	**-49.0**	**-67.2**	**-52.3**	**-54.8**	**-48.3**

Total revenue growth

SEKt	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
Total revenue	110,813	83,446	212,696	160,625	352,604
Total revenue growth, %	**32.8**	**33.0**	**32.4**	**31.7**	**33.2**

Total operating expenses

SEKt	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
Publisher cost	-73,522	-56,494	-141,537	-108,469	-235,545
Marketing cost	-48,831	-50,187	-99,066	-71,564	-155,213
Other external costs	-16,036	-14,106	-29,827	-37,932	-65,010
Personnel costs	-23,331	-19,658	-45,210	-37,244	-76,022
Depreciation and amortisation	-2,782	-2,435	-5,533	-4,990	-9,905
Other operating expenses	-597	–	-2,717	–	-682
Total operating expenses	**-165,098**	**-142,880**	**-323,890**	**-257,875**	**-542,378**

Gross contribution & Gross contribution margin

SEKt	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
Total revenue	110,813	83,446	212,696	160,625	352,604
Publisher cost	-73,522	-56,494	-141,537	-108,469	-235,545
Marketing cost	-48,831	-50,187	-99,066	-71,564	-155,213
Gross contribution	**-11,539**	**-23,235**	**-27,906**	**-19,409**	**-38,155**
Gross contribution margin, %	**-10.4**	**-27.8**	**-13.1**	**-12.1**	**-10.8**

Supplementary information

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Financial calendar

Interim report January–September 2021	11 November 2021
Year-end report January–December 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 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. CEST on 12 August 2021.

Auditor's review

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

Publication

The interim information provided on pages 2–16 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 risks can be categorised as financial risks, business 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 2020 Annual Report, page 52 and pages 84–86.

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.

Signatures

The Board of Directors and the CEO give their assurance that the six-month report provides a fair view of the Parent Company's and the Group's operations, financial position and results of operations and describe the significant risks and uncertainties facing the Parent Company and the companies that are part of the Group.

Stockholm, 12 August 2021

Patrick Svensk
Chairman of the Board

Viktor Fritzén
Director

Nathan Medlock
Director

Malin Stråhle
Director

Alexandra Whelan
Director

Stefan Betzold
Director

Maria Hedengren
CEO

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

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