Readly

INTERIM REPORT
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SEP

2021

Continued stable growth and improved results

1 JULY–30 SEPTEMBER 2021

- Revenue for the period totalled SEK 118.9 million (93.4), an increase of 27.3 per cent compared with the third quarter 2020.
- The number of full-paying subscribers (FPS) increased 28.2 per cent to 435,372 (339,557) at the end of September.
- Gross profit increased 27.2 per cent to SEK 39.8 million (31.3), corresponding to a gross margin of 33.5 per cent (33.5).
- The gross contribution margin for the period was -9.6 per cent (-15.8).
- Operating result was SEK -48.0 million (-51.2), corresponding to an operating margin of -40.4 per cent (-54.8).
- Earnings per share were SEK -1.4 (-1.6) before and after dilution[1].

1 JANUARY–30 SEPTEMBER 2021

- Revenue totalled SEK 331.6 million (254.0), an increase of 30.5 per cent compared with the year-earlier period.
- The number of full-paying subscribers (FPS) increased 28.2 per cent to 435,372 (339,557) at the end of September.
- Gross profit increased 33.0 per cent to SEK 111.0 million (83.5), corresponding to a gross margin of 33.5 per cent (32.9).
- The gross contribution margin for the period was -11.9 per cent (-13.4).
- Operating result was SEK -159.2 million (-148.4), corresponding to an operating margin of -48.0 per cent (-58.4).
- Earnings per share were SEK -4.6 (-5.3) before and after dilution[1].

KEY DATA

SEKt, unless stated otherwise	Jul–Sep 2021	Jul–Sep 2020	YoY change, %	Jan–Sep 2021	Jan–Sep 2020	YoY change, %	Jan–Dec 2020
FPS (Full-paying subscribers), number	435,372	339,557	28.2	435,372	339,557	28.2	369,764
Total revenue	118,861	93,350	27.3	331,557	253,975	30.5	352,604
ARPU (Average revenue per user), SEK	93	94	-1.1	91	93	-2.2	93
Gross profit	39,829	31,308	27.2	110,989	83,464	33.0	117,059
Gross profit margin, %	33.5	33.5	–	33.5	32.9	–	33.2
Gross contribution	-11,449	-14,722	–	-39,355	-34,131	–	-38,155
Gross contribution margin, %	-9.6	-15.8	–	-11.9	-13.4	–	-10.8
Operating result	-47,993	-51,152	6.2	-159,187	-148,402	-7.3	-189,775
Operating margin, %	-40.4	-54.8	–	-48.0	-58.4	–	-53.8
Adjusted operating result	-47,993	-41,969	-14.4	-159,187	-130,009	-22.4	-170,311
Adjusted operating margin, %	-40.4	-45.0	–	-48.0	-51.2	–	-48.3
Net result for the period	-52,500	-47,189	-11.3	-170,158	-149,377	-13.9	-197,424
Basic and diluted earnings per share[1], SEK	-1.4	-1.6	12.5	-4.6	-5.3	13.3	-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.

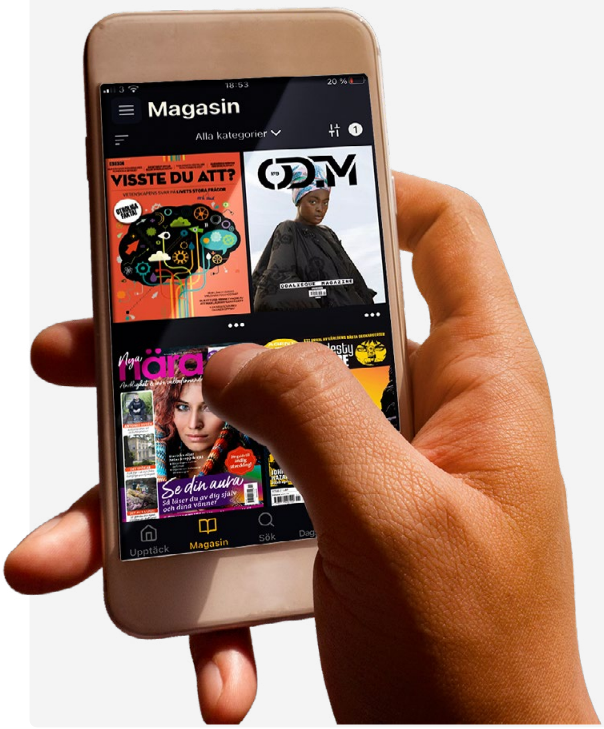
All-in-one app

Readly is a digital subscription service that gives users unlimited access to more than 7,500 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 1,200 publishers 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 2025.



435,372 full-paying subscribers

+7,500 titles

~1,200 publishers

17 languages in the app

COMMENTS FROM MARIA HEDENGREN, CEO

Continued stable growth and improved results

We delivered a good third quarter with continued stable growth and improved results despite the strong comparative figures, primarily due to last year's favourable VAT reductions and pandemic restrictions. The number of full-paying subscribers (FPS) increased 28.2 per cent to 435,372 (339,557) and revenue 27.3 per cent to SEK 118.9 million (93.4). Gross profit increased 27.2 per cent to SEK 39.8 million (31.3), corresponding to a gross margin of 33.5 per cent, and for the second consecutive quarter, the EBITDA margin, operating margin and gross contribution margin all improved.

Germany, our largest market, continued to perform well, and the slightly higher conversion rate from the preceding quarter was retained in the third quarter. Revenue increased 22.2 per cent to SEK 45.4 million (37.1) in the quarter and the German market accounted for about 39 per cent of total revenue. The growth rate in Germany decreased year-on-year mainly due to negative currency effects and the positive impact in the year earlier quarter of the temporary VAT reductions from 7 to 5 per cent, which were introduced between July and December and temporarily increased our ARPU. Underlying demand remains favourable and adjusted for VAT and currency effects growth increased 26.2 per cent (21.6) year-on-year.

"We delivered a good third quarter with continued stable growth and improved results despite the strong comparative figures, primarily due to last year's favourable VAT reductions and pandemic restrictions."

COMMENTS FROM MARIA HEDENGREN, CEO

In the UK, revenue increased 26.4 per cent (51.9) to SEK 26.2 million (20.7). The lower growth rate compared with the same period last year was largely due to the fact that last year's third quarter was clearly affected by the favorable VAT reductions from 20 to 0 per cent introduced in May 2020 and that we now note a somewhat subdued growth rate due to eased restrictions. Altogether, we retain a positive long-term outlook.

The development in Sweden remained stable and revenue increased 22.8 per cent (12.8) year-on-year to SEK 26.0 million (21.2). Growth in other markets remained favourable and revenue increased 42.8 per cent (73.3) year-on-year to SEK 19.4 million (13.6). We noted a particularly positive development in Austria and Switzerland.

Through the acquisition of Toutabo we establish a leading position in Europe's largest magazine market

Early in October, we signed an agreement to acquire Toutabo SA, one of the leading digital subscription services for magazines and daily newspapers in France. Through the acquisition, we have established a leading position in Europe's largest magazine market, the value of which, including daily newspapers, is estimated at USD 7.2 billion in 2021. Since 2005, Toutabo has built a French portfolio of titles with more than 1,000 magazines and 300 daily newspapers from about 280 publishers, and over the years has created an experienced team, and strong relationships with publishers and commercial partners. With the acquisition of Toutabo, we have leading positions in the largest markets for magazines in Europe, which has an estimated total value of USD 25 billion in 2021. The acquisition was completed in early November and represents the next step in Readly's growth journey, and makes us well-positioned for continued growth and expansion.

Continued focus on strategic partnerships

Activity levels remain high in commercial partnerships and during the quarter we launched more than 40 partnerships, including BMW and Nespresso in the UK, Vodafone in the UK and Italy, Handelsbanken in Sweden and an extended global partnership with Klarna. Our successful global partnership with Lidl is continuing to expand into new geographies with the roll-out of the partnership in the Netherlands during the quarter. As we communicated in the last quarter, we have noted longer lead times following the strategic focus on large global partnerships, but in the long-term it will pave the way for more cost-efficient growth and increased brand awareness. As society starts getting back to "the new normal", we are increasing focus on the important travel sector. In November, we will launch an integrated partnership with a leading international airline for their frequent flyer rewards programme and also launch a partnership with an American airline to feature Readly in their airport lounges. The technical integration for the rewards programme can easily be adapted for other points-based loyalty programs, and we are looking forward to establishing more exciting partnerships in the travel sector.

New collaborations strengthens our offering

During the quarter, we established partnerships with 32 new publishers and added more than 225 new titles. Over time, more and more publishers have understood the advantage of collaborating with us and the value we can add. We have a strong offering to publishers that enables: increased reach, a new revenue stream and valuable customer data.

To-date this year, we have welcomed more than 100 publishers and we now collaborate with more than 1,200 publishers. This demonstrates our attractiveness as a partner and the strength of our business model. We have a strong offering in our markets and look forward to expanding our portfolio with more than 1,300 French titles, which will enable us expanding to more French-speaking markets. The Readly Exclusive offering is growing well and two new exclusive titles were launched on 1 October. The popular technology magazine M3 has made a comeback to the platform and Unga Aktiesparare launched the Aktieportföljen magazine.

Well positioned for the future

During the year, prices for digital advertising on the larger platforms such as Google and Facebook increased sharply, which places heavy demands on optimization of capital allocation. Mi3, a leading trade journal, points to as much as a 45 per cent price increase over the past 18 months. We have closely monitored the development of the pandemic and the digital advertising prices in our markets and we are adapting our strategy in all growth channels. For example, since the beginning of the year, we have increased our focus on large-scale strategic partnerships, which is a cost-efficient growth channel, where we have increased our focus on the recovering travel sector. Furthermore, we continuously optimise capital allocation on our markets by monitoring lifetime value in relation to acquisition cost per subscriber and allocate capital to those markets that demonstrate the best return on investment, such as in the DACH-region (Germany, Austria, and Switzerland). But given the increasing marketing prices, the organic growth rate may decrease somewhat in favor of long-term profitable growth. That being said, our growth target of 30 per cent for the full year 2021 remains.

We are continuing to develop Readly as planned and despite strong comparative figures, we delivered a good third quarter with continued solid growth and improved results. Going forward, we will continue to focus on developing and innovating our product to even further improve the experience of our platform and to increase growth. We are still at an early stage in the digitalisation of the magazine industry, and Readly is well positioned to continue to lead the transformation.

Maria Hedengren,
CEO, Readly

REVENUE AND EARNINGS JULY–SEPTEMBER 2021 (JULY–SEPTEMBER 2020)

Revenue and earnings

JULY–SEPTEMBER 2021

TOTAL REVENUE AMOUNTED to SEK 118.9 million (93.4), an increase of 27.3 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 28.2 per cent to 435,372 (339,557), driven by continued stable growth in all markets.

Total revenue growth adjusted for VAT and currency effects was 27.2 per cent. The core markets of Germany, Sweden and the UK accounted for the majority of revenue growth. Revenue in Germany increased 22.2 per cent to SEK 45.4 million (37.1). The growth rate in Germany was negatively impacted by a temporary reduction in VAT between July and December last year and currency effects. Adjusted for VAT and currency effects, the growth rate in Germany was 26.2 per cent. In Sweden, revenue increased 22.8 per cent, totalling SEK 26.0 million (21.2), and revenue in the UK increased 26.4 per cent to SEK 26.2 million (20.7). Growth in the UK was driven primarily by a stable development in the number of full-paying subscribers as well as advantageous currency effects. Adjusted for VAT and currency effects, growth in the UK was 21.5 per cent. Revenue in other markets increased 42.8 per cent to SEK 19.4 million (13.6).

Gross profit increased 27.2 per cent to SEK 39.8 million (31.3), corresponding to a gross margin of 33.5 per cent (33.5). The gross contribution for the period was SEK -11.4 million (-14.7), corresponding to a gross contribution margin of -9.6 per cent (-15.8). The improved gross contribution margin for the period was attributable primarily to increased revenue compared with the third quarter of 2020.

Total operating expenses increased 15.5 per cent to SEK -166.9 million (-144.5). The increase mainly related to higher publisher costs associated with the growth in revenue. Total operating expenses excluding marketing costs increased 17.4 per cent to SEK -115.6 million (-98.5). Total operating expenses excluding publisher and marketing costs increased 0.3 per cent to SEK -36.5 million (-36.4). The year-earlier quarter contained items affecting comparability for operating expenses totalling SEK -9.2 million attributable to the IPO. Adjusted for items affecting comparability, operating expenses increased excluding publisher and marketing costs, mainly due to higher personnel costs and other external costs.

The operating result was SEK -48.0 million (-51.2), corresponding to an operating margin of -40.4 per cent (-54.8).

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.

Financial items

Net financial items totalled SEK -4.5 million (4.0), which mainly consist of interest expenses attributable to the non-current liability to Kreos Capital. The exchange rate during the quarter had a negative effect on net financial items.

Income tax

Tax expenses for the period totalled SEK 0 thousand (-0.1). The Group has unutilised tax loss carryforward, mainly attributable to Sweden, of SEK 807.9 million (582.2) that are not carried in the balance sheet.

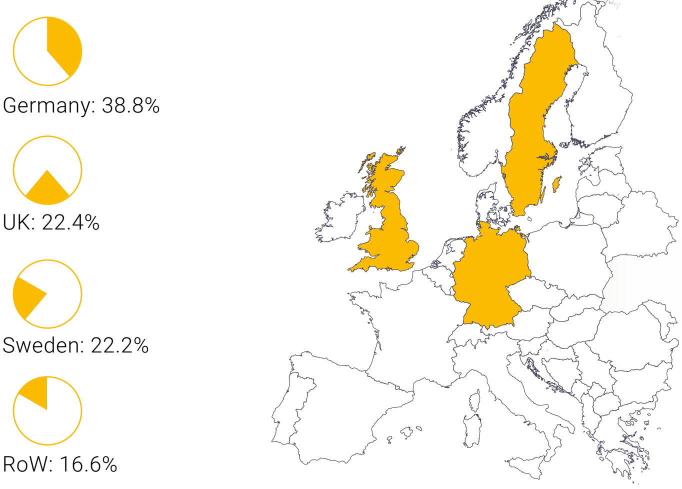
Profit for the period and earnings per share

The Group reported a loss for the period of SEK -52.5 million (-47.2), corresponding to earnings per share of SEK -1.4 (-1.6) before and after dilution.

Number of employees

The average number of staff including consultants was 139 (112) during the third quarter, of which the average number of employees was 95 (70).

Percentage share of net sales broken down by geographic market for the period July–September 2021



REVENUE AND EARNINGS JANUARY–SEPTEMBER 2021 (JANUARY–SEPTEMBER 2020)

Revenue and earnings

JANUARY–SEPTEMBER 2021

TOTAL REVENUE AMOUNTED to SEK 331.6 million (254.0), up 30.5 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 28.2 per cent to 435,372 (339,557), driven by good growth in core markets and in our other markets.

Total revenue growth adjusted for VAT and currency effects was 31.5 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 125.9 million (102.9). The growth rate in Germany was negatively impacted by a temporary reduction in VAT between July and December last year and currency effects. Adjusted for VAT and currency effects, the growth rate in Germany was 27.8 per cent. In Sweden, revenue increased 21.5 per cent, totalling SEK 73.5 million (60.5), and revenue in the UK increased 47.7 per cent to SEK 74.6 million (50.5). Growth in the UK was driven primarily by a stable 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 39.4 per cent. Revenue in other markets increased 40.3 per cent to SEK 53.2 million (37.9).

Gross profit increased 33.0 per cent to SEK 111.0 million (83.5), corresponding to a gross margin of 33.5 per cent (32.9). The positive movement in the margin is partly attributable to an improved share of revenue distribution with publishers and higher revenue from currency effects. The gross contribution for the period was SEK -39.4 million (-34.1), corresponding to a gross contribution margin of -11.9 per cent (-13.4). 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.

Total operating expenses increased 22.0 per cent to SEK -490.7 million (-402.4). The increase was mainly related to increased marketing costs and also higher publisher costs associated with the growth in revenue. Total operating expenses excluding marketing costs increased 19.5 per cent to SEK -340.4 million (-284.8). Total operating expenses excluding publisher and marketing costs increased 4.9 per cent to SEK -119.8 million (-114.3). The year-earlier period contained items affecting comparability for operating expenses totalling SEK -18.4 million attributable to the IPO.

The operating result was SEK -159.2 million (-148.4), corresponding to an operating margin of -48.0 per cent (-58.4).

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 -10.9 million (-0.8). The increase compared with the year-earlier period is partly explained by the re-valuation effect of SEK 4.0 million from the warrants that Kreos Capital redeemed in the first quarter. In addition, net financial items mainly comprise interest expenses attributable to the credit facility raised in 2020. Exchange rates also had a negative effect on cash and cash equivalents as well as net financial items.

Income tax

Tax expenses for the period totalled SEK -0.1 million (-0.1). The Group has unutilised tax loss carryforwards, mainly attributable to Sweden, of SEK 807.9 million (582.2) that are not carried in the balance sheet.

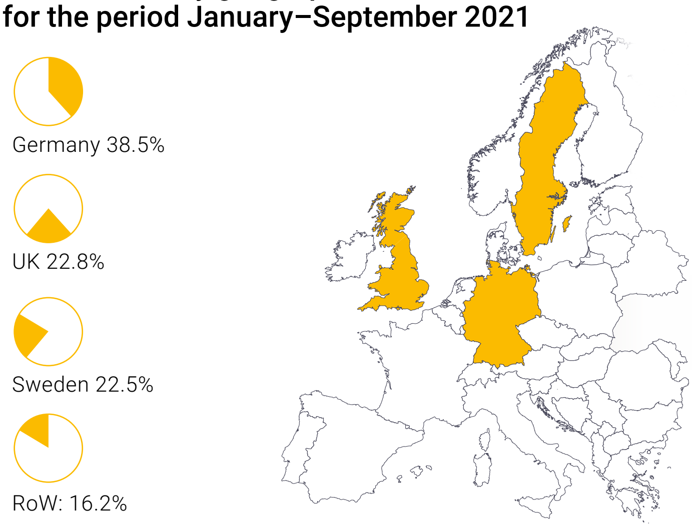
Profit for the period and earnings per share

The Group reported a loss for the period of SEK -170.2 million (-149.4), corresponding to earnings per share of SEK -4.6 (-5.3) before and after dilution.

Number of employees

The average number of staff including consultants was 130 (110), of which the average number of employees was 88 (68).

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



Cash flow

JANUARY–SEPTEMBER 2021 (JANUARY–SEPTEMBER 2020)

CASH FLOW FROM operating activities before changes in working capital was SEK -155.2 million (-142.6). The change in working capital of SEK 17.9 million (32.1) was impacted by higher operating liabilities attributable to the publishers and accrued marketing costs associated with Readly's growth initiatives.

Cash flow from investing activities was SEK -14.5 million (-7.2), of which SEK -14.9 million (-5.1) pertained to capitalised product development costs. Cash flow from investing activities was positively impacted by the repayment of a deposit.

Cash flow from financing activities was SEK -13.8 million (555.3). The decrease in cash flow was attributable primarily to issue proceeds of SEK 450 million related to the listing of Readly in the third quarter of the preceding year and a loan secured with Kreos Capital. Amortisation of principal totalled SEK 14.5 million (5.1) as per 30 September 2021, while interest paid (recognised as cash flow from operating activities) amounted to SEK 2.8 million (1.8).

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 SEPTEMBER 2021 (31 DECEMBER 2020)

CASH AND CASH EQUIVALENTS at 30 September 2021 amounted to SEK 355.1 million (521.6). The change compared to 31 December is attributable primarily to increased marketing costs and publisher costs, which is according to plan and in line with the growth strategy.

The Group's shareholders' equity as per 30 September 2021 amounted to SEK 225.4 million (381.9), which represented equity per share of SEK 6.1 (12.5[4]). The decrease in equity 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, 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 23.8 million as per 30 September 2021 after transaction costs of SEK 1.9 million, amortisation totalling SEK 29.9. million and interest expenses totalling SEK 11.5 million.

Total current liabilities amounted to SEK 190.6 million (169.3) as per 30 September 2021. The liabilities are attributable primarily to publisher payables and marketing costs 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 overview

Increasing demand for digital subscriptions

The rise of digital habits during the pandemic has caused a surge of digital subscriptions across the media industry. According to Deloitte's tenth edition of the Media Consumer Survey in Australia, released in September, subscription entertainment shows no sign of slowing. 42 per cent of Australians say that they have more subscription services than they did a year ago. Two out of three respondents want to search and discover all content in one location, and more than half want to be able to subscribe to 'bundles' of services in one location[5]. Furthermore, the survey shows that the younger generations are leading the way – 95 per cent of all Gen Z have at least one paid digital entertainment subscription service, closely followed by 93 per cent of Millennials. Research from Readly also shows that seniors (60+) across several markets have become increasingly more digital since the pandemic started. Almost half (44 per cent) of Brits aged 60+ reported more digital behaviour over the last year. For instance, 12 per cent have tried reading apps (magazines, newspapers, books) for the first time during lockdowns. Across all ages, digital habits have increased, with 49 per cent of Brits trying out more new digital services than usual to facilitate their lifestyle and 73 per cent of Brits believing that their lifestyle will remain more digital after covid. It is amongst the senior age group that a significant digital shift has become apparent; 77 per cent of the 60+ age demographic believe their lifestyle will remain more digital after the pandemic[6].

Higher digital advertising prices and lower platform fees

Prices for digital advertising rose sharply over the past year[7]. For example, according to the Mi3 trade journal in Australia, Facebook's and Google's advertising prices rose a full 45 per cent on average over the past 18 months[8]. This places higher demands on cost control for those who are dependent on digital advertising. Factors that influenced the price trend included increased demand for digital advertising in the wake of the pandemic and Apple's iOS changes. Apple has launched a new policy that forbids some data collection and sharing, unless individuals choose to accept tracking on their iOS 14 devices. This will

5) https://campaignbrief.com/subscription-fatigue-not-yet-but-on-the-way-deloittes-media-consumer-survey-reveals/
6) https://news.cision.com/readly/r/the-rise-of-digitally-savvy-seniors-44--of-brits-aged-60-plus-have-become-more-digital-during-the-pa,c3428526
7) www.businessinsider.com/facebook-google-amazon-advertising-break-down-ad-prices-2021-7?r=US&IR=T
8) www.mi-3.com.au/16-08-2021/draft-digital-ad-prices-rocket-skyward-forcing-social-spend-re-think

impact how, for example Facebook, receives and processes conversion events from tools such as Facebook pixel. At the same time, Google has announced that it is cutting its fee on subscription services sold via Google Play from 30 per cent to 15 per cent for Android, starting on 1 January 2022. The reduced fee is positive for Readly, as many customers come into contact with our offering via mobile devices.

Consequences of false news highlights the need for trusted journalism

The negative consequences of false news have again created concerns linked to covid-19 as this was identified as one reason why some people choose not to vaccinate themselves against the virus[9]. The main social media platforms, which have for many years been criticised as breeding grounds for the spread of false news, have been identified as a major problematic factor. And this may be why data from the market research company Statista now suggests a counter-trend.

According to data gathered in a survey conducted by Statista held in 2021, 19 per cent of responding U.S. adults said that they got their news from social media on a regular basis, down from 23 per cent in the previous year. In the same survey, there were also more individuals, compared to last year, who stated that they never used social media to read news[10]. According to Readly's latest user survey the majority of respondents (73 per cent) believe fake news will increase within the next 2–3 years.

The phasing out of third-party cookies places new demands on digital marketing

Leading players such as Apple and Mozilla have stopped supporting third-party cookies and Google has announced that they will phase out third-party cookies over the next two years. The reason for this is that consumers do not want to be tracked after years of reading about how their personal data has been hacked, irresponsibly shared and used for profit making through surveillance. The third-party cookie system is therefore being shut off by the browsers and consumers will disappear from digital advertisers' radar[11].

As a consequence, publishers expect ad revenues to decrease significantly, since they use third-party cookies to show relevant advertising to targeted users. Alternatives are being explored to replace browser-based audience targeting with other ways to reach consumers based on their interests and current online content consumption[12]. Readly is using first-party cookies to develop and improve Readly and to communicate with subscribers for marketing purposes[13]. In terms of acquisition marketing, Readly's contextual campaigns will be more broadly used. Knowledge about current subscribers will be the foundation for identifying web pages or apps where their peers also are found.

9) theconversation.com/big-tech-has-a-vaccine-misinformation-problem-heres-what-a-social-media-expert-recommends-164987
10) https://www.statista.com/statistics/248931/social-networking-devices-preferred-for-sharing-news-in-the-us/
11) https://digiday.com/marketing/this-fall-tech-companies-will-try-to-push-private-browsing-into-the-mainstream/
12) https://netlabe.com/how-can-publishers-prepare-for-the-end-of-the-third-party-cookies-db91147f985e
13) https://gb.readly.com/cookie

Other

Significant events during the period
No other significant events occurred in the period.

Significant events after the end of the period
Readly has entered into an agreement to acquire 97.3 per cent of shares in Toutabo SA on a cash and debt-free basis. The acquisition was completed on November 2 and from this date Toutabo SA will be consolidated. The integration between Toutabo and Readly has begun in connection with the completion of the transaction. Read more about the acquisition in Note 7 on page 22.

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 the categories: 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 September 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–Sep 2021 (Jan–Sep 2020)
Revenue for the period totalled SEK 25.7 million (38.6) and pertains entirely to services provided to subsidiaries as well as to brands. The parent company reported profit for the period of SEK 4.3 million (12.1), of which net financial items totalled SEK -4.0 million (6.5). 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 4.0 million compared with 31 December 2020, which was recognised as a financial expense in a corresponding amount.

Financial position as of 30 Sep 2021 (31 Dec 2020)
Cash and cash equivalents at 30 September 2021 amounted to SEK 111.4 million (390.5), 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) as per 30 September 2021, an increase attributable to capital contributions rendered.

Readly International AB (publ) shares for the period Jan–Sep 2021 (Jan–Sep 2020)
As per 30 September 2021 the parent company’s share capital amounted to SEK 1,116,799, apportioned among 37,226,617 shares. Employee stock options outstanding as per 30 September 2021 totalled 306,750 (138,517), of which 108,750 with subscription rights to 1:5 shares. Outstanding warrants as per 30 September 2021 totalled 644,550 (780,273), of which 277,250 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.

FINANCIAL STATEMENTS

Condensed Consolidated Income Statement

SEKt	Note	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
OPERATING REVENUE						
Net sales	2	117,071	92,678	327,215	251,868	349,828
Other operating revenue		1,790	672	4,342	2,106	2,776
Total revenue		**118,861**	**93,350**	**331,557**	**253,975**	**352,604**
OPERATING EXPENSES						
Publisher cost		-79,031	-62,042	-220,568	-170,511	-235,545
Other external costs		-63,430	-62,704[1]	-192,322	-169,188[2]	-220,224[3]
Personnel costs		-21,683	-16,511	-66,893	-53,755	-76,022
Depreciation and amortisation		-2,272	-2,405	-7,805	-7,395	-9,905
Other operating expenses		-438	-839	-3,155	-1,527	-682
Operating result		**-47,993**	**-51,152**	**-159,187**	**-148,402**	**-189,775**
Net financial items		-4,497	4,021	-10,873	-846	-7,347
Net result before tax		**-52,491**	**-47,131**	**-170,060**	**-149,248**	**-197,122**
Income tax		-9	-58	-98	-129	-303
Net result for the period		**-52,500**	**-47,189**	**-170,158**	**-149,377**	**-197,424**
Net result for the period attributable to the parent company shareholders		**-52,500**	**-47,189**	**-170,158**	**-149,377**	**-197,424**
Basic and diluted earnings per share[4]		-1.4	-1.6	-4.6	-5.3	-6.5
Basic and diluted weighted average number of shares		37,226,617	30,274,978	37,212,865	28,333,171	30,466,591

1) Items affecting comparability associated with the listing of Readly amount to SEK 9,183 thousand.
2) Items affecting comparability associated with the listing of Readly amount to SEK 18,393 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	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Net result for the period	**-52,500**	**-47,189**	**-170,158**	**-149,377**	**-197,424**
Items that may be reclassified to profit or loss					
Exchange rate differences on translating foreign operations	-121	11	160	-115	73
Other comprehensive income for the period	**-121**	**11**	**160**	**-115**	**73**
Total comprehensive income for the period	**-52,621**	**-47,177**	**-169,998**	**-149,492**	**-197,351**
Total comprehensive income attributable to the parent company shareholders	**-52,621**	**-47,177**	**-169,998**	**-149,492**	**-197,351**

FINANCIAL STATEMENTS

Condensed Consolidated Statement of Changes in Financial Position

SEKt	Note	30 Sep 2021	30 Sep 2020	31 Dec 2020
ASSETS				
Non-current assets				
Intangible assets		32,699	19,844	21,925
Property & Equipment		1,073	1,486	1,364
Right of use assets		2,946	4,981	4,542
Other non-current assets	3	7,400	7,533	7,677
Total non-current assets		**44,118**	**33,844**	**35,508**
Current assets				
Trade receivables	3	4,373	6,928	3,242
Other current assets		16,569	11,068	15,803
Cash and cash equivalents	3	355,133	564,329	521,574
Total current assets		**376,075**	**582,325**	**540,619**
TOTAL ASSETS		**420,192**	**616,169**	**576,127**
EQUITY AND LIABILITIES				
Equity	4	**225,441**	**415,632**	**381,904**
Non-current liabilities				
Lease liabilities	3	–	375	424
Long-term borrowings	5	4,194	24,573	19,001
Derivatives	5	–	3,710	5,477
Total non-current liabilities		**4,194**	**28,657**	**24,903**
Current liabilities				
Trade payables	3	30,001	21,522	24,780
Lease liabilities	3	2,082	3,904	3,359
Short-term borrowings	5	19,623	16,110	16,248
Other current liabilities		138,851	130,345	124,933
Total current liabilities		**190,557**	**171,880**	**169,320**
TOTAL EQUITY AND LIABILITIES		**420,192**	**616,169**	**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 for the period	–	–	–	-170,158	-170,158
Other comprehensive income	–	-17	177	–	160
Total comprehensive income	**–**	**-17**	**177**	**-170,158**	**-169,998**
Transactions with owners					
Warrants	–	1,629	–	–	1,629
Redemption of warrants	6	11,641	–	–	11,646
Share-based remuneration	–	259	–	–	259
Total transactions with owners	**6**	**13,529**	**–**	**–**	**13,534**
Closing balance 30 September 2021	**1,117**	**1,160,885**	**318**	**-936,859**	**225,441**

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

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

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Condensed Consolidated Statement of Cash Flows

SEKt	Note	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Operating result (EBIT)		-47,993	-51,152	-159,187	-148,402	-189,775
Depreciation		2,272	2,405	7,805	7,038	9,548
Other items not affecting liquidity		844	-496	154	732	1,872
Interest paid		-836	-972	-3,107	-2,101	-4,406
Paid tax		-184	239	-829	129	536
Cash flow from operating activities before changes in working capital		**-45,897**	**-49,975**	**-155,164**	**-142,605**	**-182,225**
Change in working capital		24,070	30,210	17,858	32,058	28,181
Cash flow from operating activities		**-21,827**	**-19,765**	**-137,306**	**-110,546**	**-154,044**
Investments in intangible and tangible assets		-4,232	-1,216	-15,056	-6,189	-9,461
Investments in financial assets		2,536	-626	573	-932	-1,416
Cash flow from investing activities		**-1,696**	**-1,843**	**-14,483**	**-7,206**	**-10,877**
New share issue, net of transaction costs	4	–	423,359	-17	509,622	508,960
Warrants in connection with new share issue		–	–	1,629	6,779	6,762
Redemption of warrants		–	–	2,329	–	13,990
Loans raised (net of transaction costs)	5	–	–	–	43,585	43,963
Warrants in connection with loans raised	5	–	–	–	3,489	3,489
Repayment of lease liabilities		-1,516	-1,079	-3,232	-3,072	-3,547
Repayment of loans		-4,976	-5,085	-14,477	-5,085	-9,605
Cash flow from financing activities		**-6,942**	**417,195**	**-13,768**	**555,318**	**564,012**
Cash flow for the period		**-30,015**	**395,587**	**-165,557**	**437,566**	**399,090**
Cash and cash equivalents at the beginning of the period		388,005	169,305	521,574	130,132	130,132
Exchange rate differences related to cash and cash equivalents		-2,857	-563	-884	-3,369	-7,648
Cash and cash equivalents at the end of the period		**355,133**	**564,329**	**355,133**	**564,329**	**521,574**

FINANCIAL STATEMENTS

Condensed Parent Company Income Statement and Statement of Comprehensive Income

SEKt	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
OPERATING REVENUE					
Net sales	8,982	13,322	25,696	38,621	48,053
OPERATING EXPENSES					
Other external costs	-1,954	-10,002[1]	-6,467	-22,407[2]	-23,896[3]
Personnel costs	-3,451	-3,817	-10,689	-10,277	-13,376
Depreciation and amortisation	-82	-82	-246	-164	-246
Other operating expenses	–	-34	–	-178	-530
Operating result	**3,495**	**-613**	**8,294**	**5,597**	**10,005**
Net financial items	2	6,524	-4,005	6,552	4,811
Net result before tax	**3,497**	**5,911**	**4,290**	**12,149**	**14,817**
Income tax	–	–	–	–	–
Net result for the period	**3,497**	**5,911**	**4,290**	**12,149**	**14,817**

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

1) Items affecting comparability associated with the listing of Readly amount to SEK 9,183 thousand.
2) Items affecting comparability associated with the listing of Readly amount to SEK 18,393 thousand.
3) Items affecting comparability associated with the listing of Readly amount to SEK 19,464 thousand.

Condensed Parent Company Balance Sheet

SEKt	Note	30 Sep 2021	30 Sep 2020	31 Dec 2020
ASSETS				
Non-current assets				
Intangible assets		1,146	1,473	1,392
Participations in Group companies		660,757	560,357	600,357
Receivables from Group companies		1,193	1,147	1,161
Total non-current assets		**663,096**	**562,978**	**602,910**
Current assets				
Receivables from Group companies		217,505	21,794	16,395
Tax receivables		464	541	248
Other receivables		1,158	183	238
Cash and cash equivalents		111,395	469,707	390,500
Total current assets		**330,522**	**492,224**	**407,381**
TOTAL ASSETS		**993,618**	**1,055,202**	**1,010,291**
EQUITY AND LIABILITIES				
Restricted equity		1,117	870	1,111
Unrestricted equity		985,732	952,066	967,949
Equity		**986,849**	**952,936**	**969,062**
Non-current liabilities				
Liabilities to Group companies		96	95	95
Derivatives	5	–	3,710	5,477
Total non-current liabilities		**96**	**3,805**	**5,572**
Current liabilities				
Trade payables		640	2,598	1,072
Liabilities to Group companies		–	69,503	25,373
Other current liabilities	5	6,033	26,360	9,210
Total current liabilities		**6,673**	**98,461**	**35,655**
TOTAL EQUITY AND LIABILITIES		**993,618**	**1,055,202**	**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	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Germany	45,406	37,142	125,899	102,945	140,251
Sweden	26,045	21,213	73,511	60,499	84,110
UK	26,221	20,737	74,614	50,523	72,231
Rest of world	19,399	13,586	53,191	37,902	53,236
Net sales	**117,071**	**92,678**	**327,215**	**251,868**	**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.

Note 4 **Shareholders' equity**

As per 30 September 2021 the Group's share capital amounted to SEK 1,116,799, 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.

Employee stock options outstanding as per 30 September 2021 totalled 306,750 (138,517), of which 108,750 with subscription rights to 1:5 shares.

Warrants outstanding as per 30 September 2021 totalled 664,550 (780,273), of which 277,250 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
2 Jul 2019	New issue	934,518	5,399,238	140,178	809,886
8 Aug 2019	New issue	8,908	5,408,146	1,336	811,222
25 Sep 2019	Set-off issue	41,086	5,449,232	6,163	817,385
3 Apr 2020	New issue (exercise of warrants)	22,100	5,471,332	3,315	820,700
3 Apr 2020	New issue (exercise of warrants)	1,000	5,472,332	150	820,850
3 Apr 2020	New issue (exercise of warrants)	350	5,472,682	53	820,902
26 Jun 2020	New issue	350,184	5,822,866	52,528	873,430
11 Sep 2020	Share split	23,291,464	29,114,330	–	873,430
21 Sep 2020	New issue	7,627,118	36,741,448	228,814	1,102,243
19 Oct 2020	New issue (exercise of warrants)	50,000	36,791,448	1,500	1,103,743
14 Dec 2020	New issue (exercise of warrants)	190,000	36,981,448	5,700	1,109,443
29 Dec 2020	New issue (exercise of warrants)	50,000	37,031,448	1,500	1,110,943
11 Jan 2021	New issue (exercise of warrants)	75,000	37,106,448	2,250	1,113,193
26 Jan 2021	New issue (exercise of warrants Kreos)	120,169	37,226,617	3,605	1,116,799

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 (SEK 49.5 million), while transaction costs for the loan amounted to SEK 1.9 million.

Interest expenses attributable to the loan totalled SEK 11.5 million (4.0) as per 30 September 2021. Interest paid in the third quarter of 2021 amounted to SEK 1.5 million (1.8), while amortisation of principal amounted to SEK 5.8 million (5.1).

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 807.9 million (582.2) as per 30 September 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.

Note 7 **Acquisition of Toutabo SA**

As per October 5, Readly International AB (publ) has entered into an agreement to acquire 97.3 per cent of the shares outstanding in Toutabo SA ("Toutabou"), as part of strengthening Readly's leading position in Europe. The acquisition was completed as per November 2. As of this date, Toutabo SA has been consolidated. The integration of Toutabo and Readly began in conjunction with the transaction's implementation.

The total purchase price was approximately EUR 8.2 million on a cash and debt-free basis (subject to any post signing adjustments), with an initial purchase consideration of approximately EUR 3.9 million to be paid in conjunction with the completion of the acquisition and an earn-out consideration of up to approximately EUR 4.3 million to be paid before the end of January 2024 conditional upon the fulfilment of specific targets. On transfer, payment was made in cash and in part through new shares in Readly.

Toutabo is a leading French subscription provider with a strong B2C and B2B offering mainly focusing on digital subscriptions of magazines and daily newspapers through the digital subscription and "all-you-can-read" app ePresse. In 2020, the company reported net sales of approximately EUR 6.6 million, a gross margin of 35 per cent and an EBITDA of EUR -173,000. Toutabo has 14 employees and is headquartered in Paris. The acquisition will strengthen Readly's leading position in Europe and enable Readly to attract French-speaking consumers in existing markets worldwide and empower French publishers to increase their revenue and digital presence.

There is not much time between the date of acquisition and the date for the publication of this interim report and sufficient information is not available to provide additional details about the financial impact of the acquisition. Information about the financial impact of the acquisition will be included in the year-end report for 2021.

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	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
FPS (Full-paying subscribers), number	435,372	339,557	435,372	339,557	369,764
Total revenue	118,861	93,350	331,557	253,975	352,604
Total revenue growth, %	27.3	34.8	30.5	32.8	33.2
ARPU[1] (Average revenue per user), SEK	93	94	91	93	93
Gross profit[1]	39,829	31,308	110,989	83,464	117,059
Gross profit margin[1], %	33.5	33.5	33.5	32.9	33.2
Gross contribution[1]	-11,449	-14,722	-39,355	-34,131	-38,155
Gross contribution margin[1], %	-9.6	-15.8	-11.9	-13.4	-10.8
EBITDA[1]	-45,721	-48,747	-151,382	-141,006	-179,869
EBITDA margin[1], %	-38.5	-52.2	-45.7	-55.5	-51.0
Operating result	-47,993	-51,152	-159,187	-148,402	-189,775
Operating margin, %	-40.4	-54.8	-48.0	-58.4	-53.8
Adjusted operating result (excl IAC)[1]	-47,993	-41,969	-159,187	-130,009	-170,311
Adjusted operating margin (excl IAC)[1], %	-40.4	-45.0	-48.0	-51.2	-48.3
Total operating expenses	-166,854	-144,502	-490,744	-402,376	-542,378
Net result for the period	-52,500	-47,189	-170,158	-149,377	-197,424
Items affecting comparability	–	-9,183	–	-18,393	-19,464
Net margin, %	-44.2	-50.6	-51.3	-58.8	-56.0
Cash flow from operating activities	-21,827	-19,765	-137,306	-110,546	-154,044
Average number of employees	95	70	88	68	71
KPI data per share					
Basic and diluted earnings per share[2], SEK	-1.4	-1.6	-4.6	-5.3	-6.5
Basic and diluted equity per share[2], SEK	6.1	13.7	6.1	14.7	12.5
Weighted number of outstanding shares, basic and diluted[2]	37,226,617	30,274,978	37,212,865	28,333,171	30,466,591
Number of outstanding shares at end of the period[2]	37,226,617	36,741,448	37,226,617	36,741,448	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 stated otherwise	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
FPS (Full-paying subscribers), number	435,372	420,135	397,071	369,764	339,557	323,811	290,156	278,555	261,828	252,937
Total revenue	118,861	110,813	101,883	98,623	93,350	83,446	77,179	73,498	69,272	62,721
Total revenue growth, %	27.3	32.8	32.0	34.2	34.8	33.0	30.3	34.7	35.4	31.6
ARPU, SEK	93	91	91	94	94	93	92	89	90	83
Gross profit	39,829	37,292	33,868	33,595	31,308	26,952	25,203	23,544	21,963	19,763
Gross profit margin, %	33.5	33.7	33.2	34.1	33.5	32.3	32.7	32.0	31.7	31.5
Gross contribution	-11,449	-11,539	-16,367	-4,024	-14,722	-23,235	3,826	-6,979	-4,724	-1,049
Gross contribution margin, %	-9.6	-10.4	-16.1	-4.1	-15.8	-27.8	5.0	-9.5	-6.8	-1.7
Operating result	-47,993	-54,285	-56,908	-41,373	-51,152	-59,434	-37,816	-44,603	-33,421	-33,218
Operating margin, %	-40.4	-49.0	-55.9	-41.9	-54.8	-71.2	-49.0	-60.7	-48.2	-53.0
Adjusted operating result	-47,993	-54,285	-56,908	-40,302	-41,969	-56,068	-31,973	-41,182	-32,426	-33,218
Adjusted operating margin, %	-40.4	-49.0	-55.9	-40.9	-45.0	-67.2	-41.4	-56.0	-46.8	-53.0
Net result for the period	-52,500	-58,193	-59,465	-48,048	-47,189	-66,143	-36,044	-46,363	-33,977	-34,216

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	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Total revenue	118,861	93,350	331,557	253,975	352,604
Publisher cost	-79,031	-62,042	-220,568	-170,511	-235,545
Gross profit	**39,829**	**31,308**	**110,989**	**83,464**	**117,059**
Gross profit margin, %	**33.5**	**33.5**	**33.5**	**32.9**	**33.2**

EBITDA and EBITDA margin

SEKt	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
EBITDA	-45,721	-48,747	-151,382	-141,006	-179,869
Total revenue	118,861	93,350	331,557	253,975	352,604
EBITDA margin, %	**-38.5**	**-52.2**	**-45.7**	**-55.5**	**-51.0**

Equity per share

SEKt	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Weighted number of outstanding shares[1]	37,226,617	30,274,978	37,212,865	28,333,171	30,466,591
Total equity	225,441	415,632	225,441	415,632	381,904
Equity per share (SEK)	**6.1**	**13.7**	**6.1**	**14.7**	**12.5**

Net margin

SEKt	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Net result for the period	-52,500	-47,189	-170,158	-149,377	-197,424
Total revenue	118,861	93,350	331,557	253,975	352,604
Net margin, %	**-44.2**	**-50.6**	**-51.3**	**-58.8**	**-56.0**

Operating result and operating margin

SEKt	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Total revenue	118,861	93,350	331,557	253,975	352,604
Total operating expenses	-166,854	-144,502	-490,744	-402,376	-542,378
Operating result	**-47,993**	**-51,152**	**-159,187**	**-148,402**	**-189,775**
Operating margin, %	**-40.4**	**-54.8**	**-48.0**	**-58.4**	**-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	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Operating result (EBIT)	-47,993	-51,152	-159,187	-148,402	-189,775
Items affecting comparability					
Costs related to preparation for IPO of Readly International AB (publ)	–	9,183	–	18,393	19,464
Adjusted operating result (excl IAC)	**-47,993**	**-41,969**	**-159,187**	**-130,009**	**-170,311**
Total revenue	118,861	93,350	331,557	253,975	352,604
Adjusted operating margin (excl IAC), %	**-40.4**	**-45.0**	**-48.0**	**-51.2**	**-48.3**

Growth in total revenue

SEKt	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Total revenue	118,861	93,350	331,557	253,975	352,604
Total revenue growth, %	**27.3**	**34.8**	**30.5**	**32.8**	**33.2**

Total operating expenses

SEKt	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Publisher cost	-79,031	-62,042	-220,568	-170,511	-235,545
Marketing cost	-51,278	-46,030	-150,344	-117,594	-155,213
Other external costs	-12,152	-16,674	-41,978	-51,593	-65,010
Personnel costs	-21,683	-16,511	-66,893	-53,755	-76,022
Depreciation	-2,272	-2,405	-7,805	-7,395	-9,905
Other operating expenses	-438	-839	-3,155	-1,527	-682
Total operating expenses	**-166,854**	**-144,502**	**-490,744**	**-402,376**	**-542,378**

Gross contribution & Gross contribution margin

SEKt	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Total revenue	118,861	93,350	331,557	253,975	352,604
Publisher cost	-79,031	-62,042	-220,568	-170,511	-235,545
Marketing cost	**-51,278**	-46,030	**-150,344**	-117,594	-155,213
Gross contribution	**-11,449**	**-14,722**	**-39,355**	**-34,131**	**-38,155**
Gross contribution margin, %	**-9.6**	**-15.8**	**-11.9**	**-13.4**	**-10.8**

Supplementary information

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Financial calendar

Year-end report January–December 2021	3 February 2022
2021 Annual Report	25 March 2022
Interim report January–March 2022	5 May 2022
2022 Annual general meeting	10 May 2022
Interim report January–June 2022	11 August 2022
Interim report January–September 2022	11 November 2022
Year-end report January–December 2022	16 February 2023

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. CET on 11 November 2021.

Publication

The interim information provided on pages 2–19 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.

Signatures

The CEO gives assurance that the interim 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, 10 November 2021

Maria Hedengren
CEO

Auditor's review report

Readly International AB (Corp. Reg. No. 556912-9593)

Introduction

We have reviewed the condensed interim financial information (interim report) for Readly International AB as per 30 September 2021 and the nine-month period ending on this date. The Board of Directors and the CEO are responsible for preparing and presenting this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

Focus and scope of the review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden. The review procedures performed in a review do not allow us to obtain such an assurance that we become aware of all of the important circumstances that could have been identified in an audit. The conclusion expressed on the basis of a review does not, therefore, have the same assurance as a conclusion based on an audit.

Conclusion

Based on our review, no circumstances have arisen that give us reason to believe that this interim report is not, in all material respects, prepared in accordance with IAS 34 and the Swedish Annual Accounts Act for the Group and in accordance with the Swedish Annual Accounts Act for the parent company.

Stockholm, 10 November 2021

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