



YEAR-END REPORT 2021



Stable growth, improved results and updated financial targets

1 OCTOBER – 31 DECEMBER 2021

- Revenue for the period totalled SEK 134.8 million (98.6), an increase of 36.6 per cent compared with the fourth quarter of 2020.
- The number of full-paying subscribers (FPS) increased by 29.4 per cent to 478,362 (369,764) at the end of the quarter.
- Gross profit increased 34.4 per cent to SEK 45.1 million (33.6), corresponding to a gross margin of 33.5 per cent (34.1).
- The gross contribution margin for the period was 4.1 per cent (-4.1).
- Operating result was SEK -50.3 million (-41.4), corresponding to an operating margin of -37.4 per cent (-41.9).
- Adjusted operating result (excl. IAC) was SEK -45.8 million (-40.3), corresponding to an operating margin of -34.0 per cent (-40.9).
- Earnings per share were SEK -1.3 (-1.3) before and after dilution¹.

1 JANUARY – 31 DECEMBER 2021

- Revenue totalled SEK 466.3 million (352.6), an increase of 32.2 per cent compared with the year-earlier period.
- The number of full-paying subscribers (FPS) increased by 29.4 per cent to 478,362 (369,764) at the end of the December.
- Gross profit increased 33.4 per cent to SEK 156.1 million (117.1), corresponding to a gross margin of 33.5 per cent (33.2).
- The gross contribution margin for the year was -7.2 per cent (-10.8).
- Operating result was SEK -209.5 million (-189.8), corresponding to an operating margin of -44.9 per cent (-53.8).
- Adjusted operating result (excl. IAC) was SEK -204.9 million (-170.3), corresponding to an operating margin of -44.0 per cent (-48.3).
- Earnings per share were SEK -5.9 (-6.5) before and after dilution¹.

KEY DATA

SEKt, unless stated otherwise	Oct–Dec 2021	Oct–Dec 2020	YoY change, %	Jan–Dec 2021	Jan–Dec 2020	YoY change, %
FPS (Full-paying subscribers), number	478,362	369,764	29.4	478,362	369,764	29.4
Total revenue	134,751	98,629	36.6	466,308	352,604	32.2
ARPU (Average revenue per user), SEK	95	94	0.8	92	93	-1.0
Gross profit	45,138	33,595	34.4	156,127	117,059	33.4
Gross margin, %	33.5	34.1	–	33.5	33.2	–
Gross contribution	5,576	-4,024	–	-33,780	-38,155	–
Gross contribution margin, %	4.1	-4.1	–	-7.2	-10.8	–
Operating result	-50,341	-41,373	-21.7	-209,528	-189,775	-10.4
Operating margin, %	-37.4	-41.9	–	-44.9	-53.8	–
Adjusted operating result	-45,755	-40,302	13.5	-204,943	-170,311	-20.3
Adjusted operating margin, %	-34.0	-40.9	–	-44.0	-48.3	–
Net result for the period	-49,443	-48,048	-2.9	-219,601	-197,424	-11.2
Basic and diluted earnings per share ¹ , SEK	-1.3	-1.3	-0.6	-5.9	-6.5	9.2

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 daily newspapers – all in one app. 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.

In 2021, Readly distributed approximately 210,000 issues of magazines and newspapers that have been read 120 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.

478,362 full-paying subscribers
+ 7,500 titles
~ 1,200 publishers
17 languages in the app



Stable growth, improved results and updated financial targets

We ended an eventful year with a good quarter in which we reported continued stable growth and improved results. Revenues for the quarter increased 36.6 per cent to SEK 134.8 million (98.6) and for the full-year by 32.2 per cent to SEK 466.3 million (352.6). The acquisition of Toutabo SA in France was completed at the beginning of November and figures for the quarter therefore include two months of results from Toutabo.

Organic growth for the quarter increased by 24.5 per cent and for the full-year by 28.9 per cent. Adjusted for VAT and currency effects, organic growth rose 23.7 per cent and 29.3 per cent, respectively. As previously announced, we expected lower organic growth as we adapted the marketing spend to rising marketing prices to maintain healthy unit economics. Therefore, we reduced the marketing spend during the quarter and allocated marketing investments to markets where we see the best subscriber lifetime value in relation to acquisition cost. The number of full-paying subscribers increased 29.4 per cent to 478,362 (369,764) mainly driven by continued good performance in Germany and the addition of new French subscribers from the acquisition of Toutabo.

Compared with the year-earlier period, gross profit increased 34.4 per cent to SEK 45.1 million (33.6), corresponding to a gross margin of 33.5 per cent for both the quarter and the full-year. We consistently improved our EBITDA- and profit margin during the year. Adjusted for items affecting comparability of SEK -4.6 million, the EBITDA margin improved to -30.7 per cent (-38.3) and operating margin to -34.0 per cent (-40.9) for the quarter. The gross contribution improved to SEK 5.6 million (-4.0), corresponding to a positive gross contribution margin of 4.1 per cent (-4.1). This is the first time since the listing of Readly that we have reported a positive gross contribution margin for the Group in an individual quarter, which is in line with our plan to achieve profitability.



“Despite substantially increased marketing prices, we delivered a stable full year in which we increased total revenues by 32.2 per cent. We consistently improved results during the year and are following our plan to achieve profitability.”

COMMENTS FROM MATS BRANDT, INTERIM CEO

As a consequence of increased marketing prices we have updated our growth target, from annual organic growth of 30–35 per cent to annual growth of at least 25 per cent on average over the next three years (CAGR), including acquired growth. We will retain our objectives to achieve a long-term gross margin of 35 per cent and to be profitable at EBITDA level by 2025 at the latest.

Continued favorable performance in Germany

Performance in our largest market Germany remained good, with an increased growth rate and continued stable conversion rate. Revenue during the quarter rose by 28.0 per cent (22.3) and adjusted for VAT and currency effects by 31.8 per cent. As long as we continue to see good returns from marketing investments, Germany will remain one of the markets prioritised for growth. The lower growth rate in the UK and Sweden was expected and primarily a result of lower marketing investments as we allocated more capital to other markets showing better returns. The UK and Sweden are two important core markets with good potential, and although we prioritised growth in other markets in the quarter, our long-term view is positive. Developments in France was good and the integration of Toutabo is proceeding as planned. Other markets continue to make good progress, with particularly strong growth in Italy, Switzerland and Austria.

Focus on partnerships to increase cost-efficient growth

During the quarter, we launched 40 new partnerships, for example with Barclays Bank in the UK, United Airlines in the US, Windtre Mobile in Italy and global partnerships with Tiktok and Singapore Airlines. Our focus to extend partnerships into more countries is generating results and during the quarter we expanded a partnership with Samsung in Germany and the UK to the US and a partnership with Corporate Benefits from Germany to Italy, the Netherlands and Austria. During the year, we launched more than 140 new partnerships and we will continue to focus on partnerships to drive cost-efficient growth and to increase brand awareness.

Growing catalogue of daily newspapers

During the quarter, we initiated 24 new collaborations with publishers and welcomed 153 new titles to Readly. New titles included Rolling

Stone (UK), Men's Health Australia (AU), Women's Health Australia (AU), TopGear Nederland (NL) and Sports Illustrated (DE). A growing number of daily newspapers are choosing to extend their reach, gain access to data and strengthen revenues by using Readly as a distribution channel. Die Presse, one of Austria's largest daily newspapers, became available on the platform in November and the Swiss daily NZZ International and the Sunday edition Neue Zürcher Zeitung am Sonntag became available in December. A strong portfolio of titles from Italy were also added in the year's final quarter. More than 270 Italian magazines are now available including several new titles since the end of the year from the publisher Lunasia and Media Maker, of which three are Readly Exclusives, the first of their kind in the Italian market. In Sweden, we relaunched the defunct music magazine Sonic as part of our new content series Readly Retros. An exclusive nostalgic issue was published where the music journalist Fredrik Strage has chosen his favourite articles published between 2000 and 2017. In summary, Readly has welcomed almost 130 publishers and more than 1,500 titles, including 18 daily newspapers, during the year.

Focus on product development and organic growth

Despite substantially increased marketing prices, we delivered a stable full year in which we increased total revenues by 32.2 per cent. We consistently improved results during the year and are following our plan to achieve profitability. We have established a platform for the next stage of our growth journey, which will focus on product development, innovation and cost-efficient growth, and with our establishment in France, we have leading positions on the largest markets in Europe. As interim CEO, my main focus is to ensure that we continue to deliver on our strategy and follow our plan until a permanent CEO has been recruited. I look forward to working together with the Board and all of the committed employees at Readly to move our positions forward and consolidate our market-leading position in Europe and to continue building on the foundation to deliver long-term value for our shareholders.

Mats Brandt
Interim CEO
Readly

REVENUE AND RESULT OCTOBER–DECEMBER 2021 (OCTOBER–DECEMBER 2020)

Revenue and result

OCTOBER–DECEMBER 2021

TOTAL REVENUE INCREASED 36.6 per cent to SEK 134.8 million (98.6). The increase was largely due to growth in the number of full-paying subscribers and acquired revenue from Toutabo SA. The number of full-paying subscribers increased by 29.4 per cent to 478,362 (369,764) mainly driven by the favourable trend in Germany and new subscribers from the acquisition of Toutabo. The lower growth rate in the UK and Sweden was expected and primarily a result of lower marketing investments. Developments in France was good and our other markets are making continued good progress, with particularly strong growth in Italy, Switzerland and Austria. Organic revenue growth in the fourth quarter (excluding Toutabo SA) was 24.5 per cent, adjusted for VAT and currency effects organic growth was 23.7 per cent.

Total revenue growth adjusted for VAT and currency effects was 35.8 per cent in the quarter. The core markets of Germany, Sweden and the UK accounted for the majority of revenue growth. Revenue in Germany increased 28.0 per cent to SEK 47.8 million (37.3). Growth in Germany was attributable primarily to the sustained healthy development in full-paying subscribers. 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 31.8 per cent. In Sweden, revenue increased 10.6 per cent to SEK 26.1 million (23.6), and revenue in the UK increased 16.4 per cent to SEK 25.3 million (21.7). Adjusted for VAT and currency effects, growth in the UK was 10.8 per cent. Revenue from Toutabo SA amounted to SEK 11.9 million and represented 8.9 per cent of net sales. Revenue in other markets increased 46.3 per cent to SEK 22.4 million (15.3).

Gross profit increased by 34.4 per cent to SEK 45.1 million (33.6), corresponding to a gross margin of 33.5 per cent (34.1). The gross contribution for the period was SEK 5.6 million (-4.0), corresponding to a gross contribution margin of 4.1 per cent (-4.1). The improved gross contribution margin for the period was attributable primarily to increased revenue in relation to marketing costs compared with the fourth quarter of 2020.

Total operating expenses increased 32.2 per cent to SEK -185.1 million (-140.0). The increase was mainly related to higher publisher costs associated with the growth in revenue. Total operating expenses excluding marketing costs increased 42.1 per cent to SEK -145.5 million (-102.4). Total operating expenses excluding publisher and marketing costs increased by 49.7 per cent to SEK -55.9 million (-37.3). Operating expenses included non-recurring costs related to the acquisition of Toutabo SA of SEK -4.6 million (transaction and integration costs). Adjusted for non-recurring costs, operating expenses increased excluding publisher and marketing costs, mainly due to higher personnel costs and other external costs.

The operating result was SEK -50.3 million (-41.4), corresponding to an operating margin of -37.4 per cent (-41.9). Operating expenses adjusted for non-recurring costs of SEK -4.6 million (transaction and integration costs) related to the acquisition of Toutabo SA totalled SEK -45.8 million, corresponding to an operating margin of -34.0 per cent.

Financial items

Net financial items totalled SEK 1.0 million (-6.5). Exchange rates had a positive effect on net financial items during the quarter. Interest expenses attributable to the non-current liability to Kreos Capital totalled SEK 1.3 million.

Tax

Tax expenses for the period totalled SEK -0.1 million (-0.2). The Group had unutilised loss carryforwards, which mainly pertain to Sweden, of SEK 1 028 million (807.9) as per 31 December 2021 that are not carried in the balance sheet.

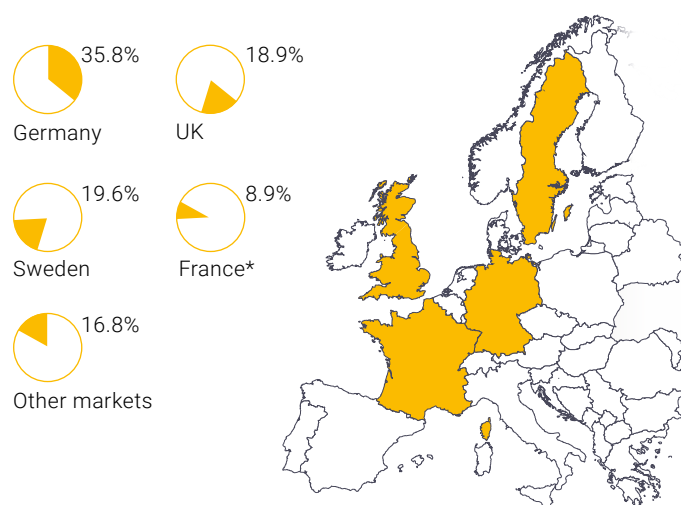
Profit for the period and earnings per share

The Group reported a loss for the period of SEK -49.4 million (-48.0), corresponding to earnings per share of SEK -1.3 (-1.3) before and after dilution.

Number of employees

The average number of staff including consultants was 150 (109) during the fourth quarter, of which the average number of employees was 106 (77).

Percentage share of net sales broken down by geographic market for the period Oct–Dec 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.

*) Acquired growth relates to Toutabo SA's sales in November and December.

REVENUE AND RESULT JANUARY–DECEMBER 2021 (JANUARY–DECEMBER 2020)

Revenue and result

JANUARY–DECEMBER 2021

TOTAL REVENUE INCREASED 32.2 per cent to SEK 466.3 million (352.6). This increase was attributable primarily to the growth in full-paying subscribers. The number of full-paying subscribers (FPS) increased 29.4 per cent to 478,362 (369,764), driven by healthy growth in core markets and in our other markets, which are continuing to develop according to plan. Growth in revenue and full-paying subscribers was also driven by our acquisition of Toutabo SA. Organic revenue growth for the year (excluding Toutabo SA) was 28.9 per cent, adjusted for VAT and currency effects organic growth was 29.3 per cent.

Total revenue growth adjusted for VAT and currency effects was 32.7 per cent. The core markets of Germany, Sweden and the UK accounted for the majority of revenue growth. Revenue in Germany increased 23.8 per cent to SEK 173.6 million (140.3). 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 28.9 per cent. In Sweden, revenue increased 18.4 per cent to SEK 99.6 million (84.1), and revenue in the UK increased 38.3 per cent to SEK 99.9 million (72.2). 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 30.8 per cent. Revenue from Toutabo SA amounted to SEK 11.9 million and represented 2.6 per cent of net sales. Revenue in other markets increased 42.1 per cent to SEK 75.6 million (53.2).

Gross profit increased by 33.4 per cent to SEK 156.1 million (117.1), corresponding to a gross margin of 33.5 per cent (33.2). 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 -33.8 million (-38.2), corresponding to a gross contribution margin of -7.2 per cent (-10.8).

Total operating expenses increased 24.6 per cent to SEK -675.8 million (-542.4). The increase was mainly related to rising marketing costs and also higher publisher costs associated with the growth in revenue. Total operating expenses excluding marketing costs increased 25.5 per cent to SEK -485.9 million (-387.2). Total operating expenses excluding publisher and marketing costs increased by 15.9 per cent to SEK -175.7 million (-151.6). Operating expenses included non-recurring costs related to the acquisition of Toutabo SA of SEK -4.6 million (transaction and integration costs). Adjusted for non-recurring costs, operating expenses increased excluding publisher and marketing costs, mainly due to higher personnel costs and other external costs.

The operating result was SEK -209.5 million (-189.8), corresponding to an operating margin of -44.9 per cent (-53.8). Operating expenses adjusted for non-recurring costs of SEK -4.6 million (transaction and integration costs) related to the acquisition of Toutabo SA totalled SEK -204.9 million, corresponding to an operating margin of -44.0 per cent.

Financial items

Net financial items totalled SEK -9.9 million (-7.3). The increase compared with the preceding year is partly explained by the revaluation 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 had a positive effect on cash and cash equivalents as well as net financial items.

Tax

Tax expenses for the year totalled SEK -0.2 million (-0.3). The Group had unutilised loss carryforwards, which mainly pertain to Sweden, of SEK 1 028 million (807.9) as per 31 December 2021 that are not carried in the balance sheet.

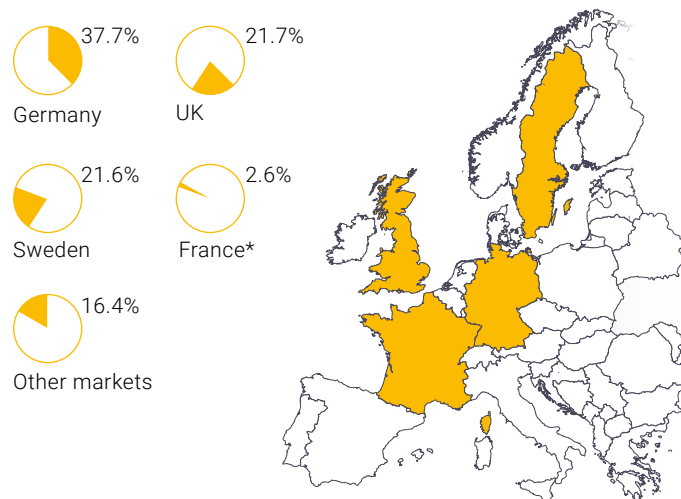
Profit for the year and earnings per share

The Group reported a loss for the year of SEK -219.6 million (-197.4), corresponding to earnings per share of SEK -5.9 (-6.5) before and after dilution.

Number of employees

The average number of staff including consultants was 124 (104), of which the average number of employees was 89 (71).

Percentage share of net sales broken down by geographic market for the period Jan–Dec 2021



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.

*) Acquired growth relates to Toutabo SA's sales in November and December.

Cash flow

JANUARY–DECEMBER 2021 (JANUARY–DECEMBER 2020)

CASH FLOW FROM operating activities before changes in working capital was SEK -204.1 million (-182.2). The change in working capital of SEK 38.6 million (28.2) 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 -30.6 million (-10.9), of which SEK -21.7 million (-8.3) pertained to capitalised product development costs. Acquisitions of subsidiaries, after deduction for acquired cash funds, amounted to SEK 7.3 million.

Cash flow from financing activities was SEK -20.2 million (564.0). 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 19.6 million (9.6) as per 31 December 2021, while interest paid (recognised as cash flow from operating activities) amounted to SEK 3.5 million (3.0).

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

31 DECEMBER 2021 (31 DECEMBER 2020)

CASH AND CASH EQUIVALENTS as per 31 December 2021 amounted to SEK 306.2 million (521.6). The change compared to the preceding year is attributable primarily to increased marketing costs and publisher costs, which is according to plan and in line with the growth strategy, and attributable to the financing of acquisitions of subsidiaries.

The Group's shareholders' equity as per 31 December 2021 amounted to SEK 201.7 million (381.9), which represented equity per share of SEK 5.4 (12.5⁴). 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 2020 as a non-current liability measured at fair value totalling SEK 5.5 million. 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, 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 19.4 million as per 31 December 2021 after transaction costs of SEK 1.9 million.

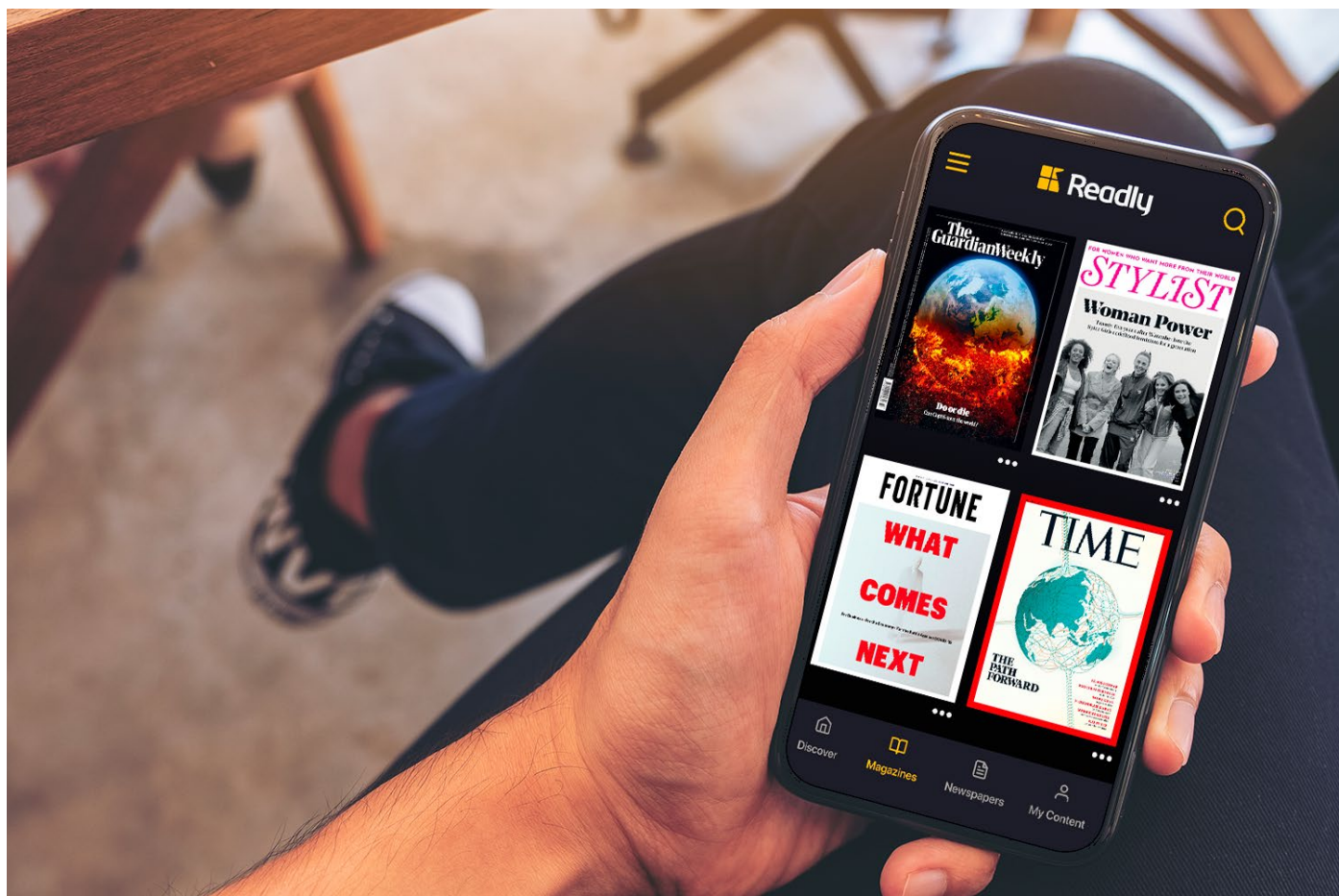
Amortisation during the year totalled SEK 16.6 million and interest expenses SEK 6.7 million.

Total current liabilities amounted to SEK 259.8 million (169.3) as per 31 December 2021. The liabilities are partly attributable to increased publisher and marketing costs associated with revenue growth and operating liabilities of acquired companies. The short-term portion of the contingent consideration totals SEK 33 million.

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



Marketing prices continue to rise

During the quarter, Readly's advertising costs on Facebook increased by more than 50 per cent compared with the corresponding period in the preceding year. Increasing media costs is a trend that is likely to continue as demand grows for online media.⁵ According to Statista, costs increased globally by more than 35 per cent in the preceding year and a further increase in prices of 19 per cent is expected in 2022.⁶

New EU regulations permit zero-level VAT on newspapers and magazines

On 7 December, EU finance ministers (ECOFIN) adopted changes to the EU VAT directive which allow member states to permit zero-level VAT for newspapers and magazines in both printed and electronic formats. The issue to offer immediate relief to the journalistic publications sector, which has been severely affected by the coronavirus pandemic, was driven by the professional organisation News Media Europe⁷.

For a number of years, the EU has permitted member states to apply reduced VAT rates for electronic publications, in order to modernise VAT rules for the digital economy and keep pace with technological developments. Several member states have since reduced VAT, including Germany, Sweden and Italy. The UK has had zero-level VAT on electronic publications since May 2020⁸. Lower VAT rates are positive for Readly's subscription revenue and increase publisher revenue.

Google reduces fees

Apple and Google have been criticised for their high service fees on subscription revenue via apps. At the end of October, Google announced that it would, as of 1 January 2022, reduce fees on Google Play from 30 to 15 per cent for the first 12 months of a new subscription⁹. After 12 months, the fees will follow the earlier fee model, which is already 15 per cent. As most of Readly's subscription sales are online this will only have a marginal impact on revenue in the short term.

5) <https://www.mediapost.com/publications/article/365661/more-evidence-that-ad-cpm-cpc-prices-keep-rising.html>

6) <https://www.statista.com/statistics/276671/global-internet-advertising-expenditure-by-type/>

7) <http://www.newsmediaeurope.eu/news/news-publishers-hail-new-vat-rules-that-allow-for-zero-rating-of-journalistic-publications/>

8) <https://www.gov.uk/guidance/zero-rating-books-and-printed-matter-for-vat-notice-70110>

9) <https://android-developers.googleblog.com/2021/10/evolving-business-model.html>

Rising paper prices accelerate digitalisation

Newsprint prices have risen sharply in 2021 due to mill closures, rising transport costs, increased raw material prices and a shift in focus by suppliers to produce packaging material. At the end of the year, it was reported that paper prices had risen by as much as 50 per cent for some newspaper publishers¹⁰. For example, Norske Skog announced in November plans to raise newsprint prices by more than 30 per cent, which will be a heavy blow to customers, including a number of Australia's newspaper publishers. According to an article in The Sydney Morning Herald, this may force publishers to raise consumer prices and advertising rates, and reduce the frequency of printing and the number of pages¹¹. In parallel, this is one of several trends that is helping to accelerate the digitalisation of magazines and newspapers. During the year, Readly noted rising interest from newspaper publishers who wish to add their titles to the platform. Readly distributed more than 40 daily newspaper titles in 2021 and at the end of the year welcomed one of Austria's main daily newspapers – Die Presse¹², the Swiss daily NZZ International and the Sunday edition Neue Zürcher Zeitung am Sonntag.

Greater trust in news media

In December 2021, a UK report was published where a group of legislators urged the UK government to introduce tougher safety measures online. The draft online safety bill could make digital and social media companies more responsible for protecting users from, for example, fake news¹³. A new agency was established by the Swedish government in 2021 – The Swedish Psychological Defence Agency – to boost the population's ability to identify and counter informational influence and disinformation¹⁴. Many consumers do this through their choice of media. According to the Reuters Institute's Digital News Report 2021, trust in news media has risen by an average of

6 percentage points during the year, where 44 per cent of respondents in the global survey say they trust most news most of the time. Trust in news from social media was unchanged (24 per cent), which means the trust gap between the sources has grown¹⁵. Readly's global survey, conducted in collaboration with Yougov, showed that 61 per cent of respondents are concerned about the spread of fake news and 43 per cent believe they are exposed to fake news on a daily basis¹⁶. Readly is constantly striving to evolve its offering to readers through the acquisition and distribution of content from leading publishers and expanding its portfolio of daily newspapers. In 2021, our range of daily newspapers grew to comprise more than 40 titles by the end of the year.

Almost six in ten publishers report rising revenue in 2021

According to the Journalism, Media, and Technology Trends and Predictions 2022 report from Reuters Institute, 59 per cent of 246 surveyed chief executives and editors said revenue increased in 2021, including from subscriptions and digital advertising¹⁷. 79 per cent of news executives also said increased revenue from subscriptions and membership will be among their main priorities in 2022. Publishers also noted increased revenue by distributing their titles on Readly. This allows them to reach a global audience and boosts readership for their back catalogue. In 2021, readership of magazines from foreign publishers¹⁸ rose on average 38 per cent compared with 2020 and today accounts for one fifth of all read issues. Sweden's largest daily newspaper, Aftonbladet, is one of many publishers that noted the positive effects of making older issues available. Ahead of the 20th anniversary of 9/11, it published its issue from 2001, which became the most read issue in 2021. Readly distributed more than SEK 300 million in subscription revenues to publishers.

10) <https://www.economist.com/business/2021/11/06/soaring-newsprint-costs-make-life-even-harder-for-newspapers>

11) <https://www.smh.com.au/business/companies/newsprint-price-pressure-sparks-concern-for-local-news-publishers-20211031-p594pw.html>

12) <https://news.cision.com/de/readly/r/die-presse-bereichert-das-readly-portfolio-fur-tageszeitungen-aus-osterreich,c3456346>

13) <https://www.independent.co.uk/news/google-ofcom-london-boris-johnson-damian-collins-b1975484.html>

14) <https://www.washingtonpost.com/world/2022/01/06/sweden-fake-news-psychological-defence-agency/>

15) <https://reutersinstitute.politics.ox.ac.uk/digital-news-report/2021>

16) Yougov enkät, 24 nov - 2 dec, 2021. 12 374 respondenter i SE, DE, UK, AT, CH, FR, NL, US, IT och AU.

17) <https://pressgazette.co.uk/newsroom-predictions-for-2022-reuters-institute/>

18) The title is published in a country other than the country in which the subscriber created his or her Readly account.

Other

Significant events during the period

The acquisition of Toutabo SA was completed on 2 November, and the company was consolidated as of this date. The integration of Toutabo began in conjunction with the transaction's implementation. Read more about the acquisition in Note 7 on page 23.

Joe Armstrong, Chief Operating Officer and member of the senior management team, announced his resignation and will leave Readly in the first quarter of 2022. His role will not be replaced and responsibility will be assumed by Readly's CFO, Johan Adalberth.

Significant events after the end of the period

The Board of Directors of Readly has set new financial targets. From annual organic growth of 30–35 per cent to average annual growth of not less than 25 per cent over the next three years (CAGR), including acquired growth. The objectives to achieve a long-term gross margin of 35 per cent and to be profitable at EBIT-DA level by 2025 at the latest remains.

Maria Hedengren, CEO, stepped down as CEO and handed responsibility to interim CEO Mats Brandt on 31 January. Maria will remain at the Board's disposal during her notice period of 12 months.

Joakim Johansson, Chief Technology Officer and member of the senior management team, will leave Readly in the first quarter of 2022. Until a new permanent CTO has been recruited, Frederik Blauenfeldt Jeppsson will step in as interim CTO and member of the senior management team.

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.

Legal risks

Entities in the Group may from time to time be involved in litigations that are not considered to have a material impact on the Group. Disclosure of disputes, tax audits and legal proceedings is subject to critical estimates and judgements.

Uncertainty about the impact of Covid-19

In a business such as Readly's, the spread of Covid-19 could have an impact with negative financial and other consequences. This could affect future availability of continued funding, but could also impact other areas. It is still uncertain what the long-term consequences that the pandemic will have on the world at large and how this may impact Readly and its continued growth.

As per 31 December 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–Dec 2021 (Jan–Dec 2020)

Revenue for the year totalled SEK 33.1 million (48.1) and pertains entirely to services provided to subsidiaries as well as to brands. The parent company reported loss for the period of SEK -236,5 million (14.8), of which net financial items totalled SEK -247,0 million (4.8). 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 the preceding year, which was recognised as a financial expense in a corresponding amount. During the period, shares in subsidiaries were impaired in an amount of SEK 1.2 million (0).

Financial position as of 31 Dec 2021 (31 Dec 2020)

Cash and cash equivalents as per 31 December 2021 amounted to SEK 63.0 million (390.5) where the reduction is partly attributable to the financing of acquisitions of subsidiaries and to shareholder contributions rendered during the year.

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 2020 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 694.2 million (600.4) as per 31 December 2021, where the change is mainly attributable to the acquisition of Toutabo SA, see note 7 for Purchase Price Allocation, and shareholder contributions rendered during the year. During the year shares in subsidiaries have been written off by SEK 243,2 (0) million.

Readly International AB (publ) shares for the period Jan–Dec 2021 (Jan–Dec 2020)

As per 31 December 2021, the parent company's share capital amounted to SEK 1,137,142, apportioned among 37,904,738 shares. Employee stock options outstanding as per 31 December 2021 totalled 303,083 (128,750), of which 108,083 with subscription rights to 1:5 shares. Warrants outstanding as per 31 December 2021 totalled 569,300 (670,273), of which 203,000 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	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
OPERATING REVENUE					
Net sales		133,512	97,960	460,727	349,828
Other operating revenue		1,239	669	5,581	2,776
Total revenue		134,751	98,629	466,308	352,604
OPERATING EXPENSES					
Publisher costs		-89,613	-65,034	-310,181	-235,545
Other external costs		-60,447 ¹	-51,036 ²	-252,769 ¹	-220,224 ³
Personnel costs		-28,084	-22,267	-94,977	-76,022
Depreciation and amortisation		-4,349	-2,510	-12,155	-9,905
Other operating expenses		-2,599	845	-5,754	-682
Operating result		- 50,341	-41,373	-209,528	-189,775
Net financial items		1,002	-6,501	-9,871	-7,347
Net result before tax		-49,339	-47,874	-219,399	-197,122
Income tax		-104	-174	-202	-303
Net result for the period		-49,443	-48,048	-219,601	-197,424
Net result for the period attributable to the parent company shareholders		-49,436	-48,048	-219,594	-197,424
Attributable to non-controlling interests		-7	-	-7	-
Basic and diluted earnings per share ⁴		-1.3	-1.3	-5.9	-6.5
Basic and diluted weighted average number of shares		37,668,870	36,820,470	37,327,803	30,466,591

1) Items affecting comparability associated with the acquisition and integration of Toutabo SA amount to SEK 4,585 thousand.

2) Items affecting comparability associated with the listing of Readly amount to SEK 1,071 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	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Net result for the period	-49,443	-48,048	-219,601	-197,424
Items that may be reclassified to profit or loss				
Exchange rate differences on translating foreign operations	2,862	188	2,983	73
Other comprehensive income for the period	2,862	188	2,983	73
Total comprehensive income for the period	-46,581	-47,860	-216,618	-197,351
Total comprehensive income attributable to the parent company shareholders	-46,618	-47,860	-216,655	-197,351
Total comprehensive income attributable to non-controlling interests	37	-	37	-

FINANCIAL STATEMENTS

Condensed Consolidated Statement of Changes in Financial Position

SEKt	Note	30 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Goodwill	7	70,744	—
Other intangible assets	7	80,678	21,925
Property & Equipment		997	1,364
Right of use assets		11,244	4,542
Other non-current assets	3	9,297	7,677
Total non-current assets		172,961	35,508
Current assets			
Trade receivables	3	6,615	3,242
Other current assets		21,722	15,803
Cash and cash equivalents	3	306,209	521,574
Total current assets		335,546	540,619
TOTAL ASSETS		507,507	576,127
EQUITY AND LIABILITIES			
Equity			
	4		
Equity attributable to the parent company shareholders		200,010	381,904
Equity attributable to non-controlling interests		1,704	—
Total equity		201,714	381,904
Non-current liabilities			
Lease liabilities	3	7,107	424
Other financial liabilities	7	8,072	—
Deferred tax liabilities	7	10,632	—
Long-term borrowings	5	16,721	19,001
Derivatives	5	—	5,477
Provisions		3,488	—
Total non-current liabilities		46,020	24,903
Current liabilities			
Other financial liabilities	7	33,134	—
Trade payables	3	41,697	24,780
Lease liabilities	3	3,266	3,359
Short-term borrowings	5	24,476	16,248
Other current liabilities		157,199	124,933
Total current liabilities		259,772	169,320
TOTAL EQUITY AND LIABILITIES		507,507	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	Non-controlling interests	Total equity
Opening balance 1 January 2021	1,111	1,147,373	141	-766,701	381,904	—	381,904
Net result for the period	—	—	—	-219,594	-219,594	-7	-219,601
Other comprehensive income	—	—	2,939	—	2,939	44	2,983
Total comprehensive income	—	—	2,939	-219,594	-216,655	37	-216,618

Transactions with owners

Issue of shares upon acquisition, net of transaction costs	20	21,188	—	—	21,208	—	21,208
Non-controlling interests that arose on acquisition of subsidiary	—	—	—	—	—	1,667	1,667
Warrants	—	1,629	—	—	1,629	—	1,629
Redemption of warrants	6	11,749	—	—	11,755	—	11,755
Share-based remuneration	—	151	—	—	151	—	151
Total transactions with owners	26	34,718	—	—	34,744	1,667	36,408
Closing balance 31 December 2021	1,137	1,182,091	3,080	-986,295	200,013	1,704	201,714

SEKt	Share capital	Other contributed capital	Translation difference	Retained earnings (including net result for the year)	Total	Non-controlling interests	Total equity
Opening balance 1 January 2020	818	623,184	68	-569,276	54,773	—	54,773
Net result for the period	—	—	—	-197,424	-197,424	—	-197,424
Other comprehensive income	—	—	73	—	73	—	73
Total comprehensive income	—	—	73	-197,424	-197,352	—	-197,352

Transactions with owners

New share issue, net of transaction costs	285	508,675	—	—	508,960	—	508,960
Warrants	—	18	—	—	18	—	18
Redemption of warrants	9	13,981	—	—	13,990	—	13,990
Share-based remuneration	—	1,515	—	—	1,515	—	1,515
Total transactions with owners	294	524,189	—	—	524,483	—	524,483
Closing balance 31 December 2020	1,111	1,147,373	141	-766,701	381,904	—	381,904

FINANCIAL STATEMENTS

Condensed Consolidated Statement of Cash Flows

SEKt	Note	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Operating result (EBIT)		-50,341	-41,373	-209,528	-189,775
Depreciation		4,350	2,510	12,155	9,548
Other items not affecting liquidity		-2,274	1,140	-2,120	1,872
Interest paid		-1,017	-792	-4,124	-4,406
Paid tax		345	407	-484	536
Cash flow from operating activities before changes in working capital		-48,937	-38,107	-204,101	-182,225
Change in working capital		20,773	-3,877	38,631	28,181
Cash flow from operating activities		-28,163	-41,984	-165,470	-154,044
Acquisition of subsidiary, after deduction for acquired cash and cash equivalents		-7,314	—	-7,314	—
Investments in intangible and tangible assets		-3,985	-3,272	-22,123	-9,461
Investments in financial assets		788	-400	-1,175	-1,416
Cash flow from investing activities		-10,511	-3,672	-30,612	-10,877
New share issue, net of transaction costs	4	—	-662	—	508,960
Transaction costs for issues		-139	—	-156	—
Warrants in connection with new share issue		—	—	1,629	6,762
Redemption of warrants		—	13,990	2,329	13,990
Loans raised (net of transaction costs)	5	—	-1,574	—	43,963
Warrants in connection with loans raised	5	—	20	—	3,489
Repayment of lease liabilities		-2,662	-475	-4,378	-3,547
Repayment of loans		-10,075	-4,520	-19,576	-9,605
Cash flow from financing activities		-12,876	6,779	-20,152	564,012
Cash flow for the period		-51,551	-38,877	-216,234	399,090
Cash and cash equivalents at the beginning of the period		355,133	564,329	521,574	130,132
Exchange rate differences related to cash and cash equivalents		2,627	-3,877	869	-7,648
Cash and cash equivalents at the end of the period		306,209	521,575	306,209	521,574

FINANCIAL STATEMENTS

Condensed Parent Company Income Statement and Statement of Comprehensive Income

SEKt	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
OPERATING REVENUE				
Net sales	7,432	9,432	33,129	48,053
OPERATING EXPENSES				
Other external costs	-1,339	-1,490 ¹	-7,806	-23,896 ²
Personnel costs	-3,703	-3,099	-14,392	-13,376
Depreciation and amortisation	-82	-82	-327	-246
Other operating expenses	-75	-353	-75	-530
Operating result	2,234	4,409	10,529	10,005
Net financial items	-243,028	-1,741	-247,033	4,811
Net result before tax	-240,794	2,667	-236,504	14,817
Appropriations	-200,000 ³	—	-200,000 ³	—
Result before tax	-440,794	2,667	-436,504	14,817
Income tax	—	—	—	—
Net result for the period	-440,794	2,667	-436,504	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 1,071 thousand.

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

3) Appropriations refers to Group Contributions.

FINANCIAL STATEMENTS

Condensed Parent Company Balance Sheet

SEKt	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets		1,064	1,392
Participations in Group companies		694,160	600,357
Receivables from Group companies		1,276	1,161
Total non-current assets		696,500	602,910
Current assets			
Receivables from Group companies		–	16,395
Tax receivables		194	248
Other receivables		198	238
Cash and cash equivalents		62,975	390,500
Total current assets		63,367	407,381
TOTAL ASSETS		759,868	1,010,291
EQUITY AND LIABILITIES			
Restricted equity		1,137	1,111
Unrestricted equity		566,144	967,949
Equity		567,281	969,062
Non-current liabilities			
Liabilities to Group companies		96	95
Derivatives	5	–	5,477
Other current liabilities	5	8,072	–
Total non-current liabilities		8,168	5,572
Current liabilities			
Trade payables		1,753	1,072
Liabilities to Group companies		143,849	25,373
Other current liabilities	5	38,816	9,210
Total current liabilities		184,418	35,655
TOTAL EQUITY AND LIABILITIES		759,868	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 fair value are measured at this value. Please refer to Note 5 for further information.

Note 2 Revenue from contracts with customers

Distribution of net sales by service

SEKt	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Readly's digital magazine service	128,435	97,850	455,107	349,410
Other sales revenue	5,077	110	5,620	418
Net sales	133,512	97,960	460,727	349,828

Net sales by geographic region

SEKt	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Germany	47,751	37,306	173,650	140,251
Sweden	26,106	23,612	99,617	84,110
UK	25,269	21,708	99,883	72,231
France	11,947	—	11,947	—
Rest of world	22,439	15,334	75,631	53,236
Net sales	133,512	97,960	460,727	349,828

NOTE 3–4

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.

Readly has as financial liability relating to the earn-out consideration attributable to the acquisition of Toutabo SA that is measured at fair value through profit or loss. The earn-out consideration is measured according to level 3 of the fair value hierarchy, meaning on the basis of unobservable inputs.

Note 4 Shareholders' equity

As per 31 December 2021, the Group's share capital amounted to SEK 1,137,142, apportioned among 37,904,738 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 31 December 2021 totalled 303,083 (128,750), of which 108,083 with subscription rights to 1:5 shares.

Warrants outstanding as per 31 December 2021 totalled 569,300 (670,273), of which 203,000 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
22 Nov 2021	New issue (non-cash issue upon acquisition)	678,121	37,904,738	20,344	1,137,142

NOTE 5–6

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.

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.

In the preceding year, capital was raised in a number of rounds, meaning that the Group has adequate funding for the years ahead. 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 concern 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 1 028 million (807.9) as per 31 December 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

Note 7 Acquisitions

Summary of acquisitions

On 2 November 2021, Readly International AB acquired 98.4 per cent of Toutabo SA. Through the acquisition, Readly will strengthen its leading position in Europe and gain access to a best-in-class French content portfolio. The journey in France will benefit from the combination of Toutabo's leading position, local expertise and strong relationship with publishers and commercial partners, and Readly's tech resources, product development, global reach, and capabilities to create growth. The purchase price amounted to approximately EUR 10.2 million, corresponding to approximately SEK 102.5 million. Of the total purchase price, approximately EUR 4.1 million (approx. SEK 41.2 million) comprises expected future earn-out considerations for 2022-2024. These earn-out considerations are subject to certain targets being met and may amount to a maximum of EUR 4.1 million. The remaining purchase price was paid on transfer and comprised a cash consideration, approximately EUR 4.0 million, and to a certain extent newly issued shares. The fair value of the 678,121 shares issued as part of the purchase consideration amounted to SEK 21.3 million.

The issue of consideration shares for the acquisition means that the number of shares in Readly increased from 37,226,617 to 37,904,738.

Since the date of acquisition, Toutabo SA has contributed SEK 11.9 million to net sales. Had the acquisition been implemented on 1 January 2021, the company would have contributed SEK 68.2 million to net sales.

Details concerning the purchase price, acquired net assets and goodwill are presented below:

	Purchase price
Cash and cash equivalents	39.9
New issue	21.3
Contingent consideration	41.2
Total purchase price	102.5

According to the purchase price allocation, the assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
Tangible and intangible assets	3.4
Intangible assets: Publisher contracts	16.3
Intangible assets: Customer contracts	15.8
Intangible assets: Trademarks	7.7
Trade receivables and other receivables	16.1
Cash and cash equivalents	32.6
Trade payables and other operating liabilities	-24.3
Loans	-21.8
Deferred tax liability	-10.5
Acquired identifiable net assets	35.6
Non-controlling interests	-1.7
Goodwill	68.9
Purchase price	102.5

Goodwill

Goodwill in the purchase price allocation amounts to SEK 68.9 million. The goodwill that arose in conjunction with the acquisition is because the Group's position in the market in question for the acquisition is expected to be strengthened, in addition to the accumulated know-how in the acquired company. This goodwill is not expected to be tax deductible in case of future impairment.

Acquisition-related costs

Acquisition-related costs, which were not directly attributable to the share issue, amounted to SEK 4.0 million and relate to fees for external legal representatives and consultants. These costs were recognised in other external costs in the consolidated statement of income and other comprehensive income.

There were no business combinations in the 2020 financial year.

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	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
FPS (Full-paying subscribers), number	478,362	369,764	478,362	369,764
Total revenue	134,751	98,629	466,308	352,604
Total revenue growth, %	36.6	34.2	32.2	33.2
ARPU ¹ (Average revenue per user), SEK	95	94	92	93
Gross profit ¹	45,138	33,595	156,127	117,059
Gross profit margin ¹ , %	33.5	34.1	33.5	33.2
Gross contribution ¹	5,576	-4,024	-33,780	-38,155
Gross contribution margin ¹ , %	4.1	-4.1	-7.2	-10.8
EBITDA ¹	-45,991	-38,863	-197,373	-179,869
EBITDA margin ¹ , %	-34.1	-39.4	-42.3	-51.0
Operating result	-50,341	-41,373	-209,528	-189,775
Operating margin, %	-37.4	-41.9	-44.9	-53.8
Adjusted operating result (excl IAC) ¹	-45,756	-40,302	-204,943	-170,311
Adjusted operating margin (excl IAC) ¹ , %	-34.0	-40.9	-44.0	-48.3
Total operating expenses	-185,092	-140,002	-675,836	-542,378
Net result for the period	-49,443	-48,048	-219,601	-197,424
Items affecting comparability	-4,585	-1,071	-4,585	-19,464
Net margin, %	-36.7	-48.7	-47.1	-56.0
Cash flow from operating activities	-28,164	-41,984	-165,470	-154,044
Average number of employees	106	77	89	71
KPI data per share				
Basic and diluted earnings per share ² , SEK	-1.3	-1.3	-5.9	-6.5
Basic and diluted equity per share ² , SEK	5.4	10.4	5.4	12.5
Weighted number of outstanding shares, basic and diluted ²	37,668,870	36,820,470	37,327,803	30,466,591
Number of outstanding shares at end of the period ²	37,904,738	37,031,448	37,904,738	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

SEKt, unless stated otherwise	2021				2020				2019	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
FPS (Full-paying subscribers), number	478,362	435,372	420,135	397,071	369,764	339,557	323,811	290,156	278,555	261,828
Total revenue	134,751	118,861	110,813	101,883	98,629	93,350	83,446	77,179	73,498	69,272
Total revenue growth, %	36.6	27.3	32.8	32.0	34.2	34.8	33.0	30.3	34.7	35.4
ARPU, SEK	95	93	91	91	94	94	93	92	89	90
Gross profit	45,138	39,829	37,292	33,868	33,595	31,308	26,952	25,203	23,544	21,963
Gross profit margin, %	33.5	33.5	33.7	33.2	34.1	33.5	32.3	32.7	32.0	31.7
Gross contribution	5,576	-11,449	-11,539	-16,367	-4,024	-14,722	-23,235	3,826	-6,979	-4,724
Gross contribution margin, %	4.1	-9.6	-10.4	-16.1	-4.1	-15.8	-27.8	5.0	-9.5	-6.8
Operating result	-50,341	-47,993	-54,285	-56,908	-41,373	-51,152	-59,434	-37,816	-44,603	-33,421
Operating margin, %	-37.4	-40.4	-49.0	-55.9	-41.9	-54.8	-71.2	-49.0	-60.7	-48.2
Adjusted operating result	-45,755	-47,993	-54,285	-56,908	-40,302	-41,969	-56,068	-31,973	-41,182	-32,426
Adjusted operating margin, %	-34.0	-40.4	-49.0	-55.9	-40.9	-45.0	-67.2	-41.4	-56.0	-46.8
Net result for the period	-49,443	-52,500	-58,193	-59,465	-48,048	-47,189	-66,143	-36,044	-46,363	-33,977

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	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Total revenue	134,751	98,629	466,308	352,604
Publisher costs	-89,613	-65,034	-310,181	-235,545
Gross profit	45,138	33,595	156,127	117,059
Gross profit margin, %	33.5	34.1	33.5	33.2

EBITDA and EBITDA margin

SEKt	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
EBITDA	-45,991	-38,863	-197,373	-179,869
Total revenue	134,751	98,629	466,308	352,604
EBITDA margin, %	-34.1	-39.4	-42.3	-51.0

Equity per share

SEKt	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Weighted number of outstanding shares ¹	37,668,870	36,820,470	37,327,803	30,466,591
Total equity	201,714	381,904	201,714	381,904
Equity per share (SEK)	5.4	10.4	5.4	12.5

Net margin

SEKt	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Net result for the period	-49,443	-48,048	-219,601	-197,424
Total revenue	134,751	98,629	466,308	352,604
Net margin, %	-36.7	-48.7	-47.1	-56.0

Operating result and operating margin

SEKt	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Total revenue	134,751	98,629	466,308	352,604
Total operating expenses	-185,092	-140,002	-675,836	-542,378
Operating result	-50,341	-41,373	-209,528	-189,775
Operating margin, %	-37.4	-41.9	-44.9	-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	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Operating result (EBIT)	-50,341	-41,373	-209,528	-189,775
Items affecting comparability				
Costs related to preparation for IPO of Readly International AB (publ)	–	1,071	–	19,464
Transaction and integration costs upon acquisition of Toutabo SA	4,585	–	4,585	–
Adjusted operating result (excl IAC)	-45,755	-40,302	-204,943	-170,311
Total revenue	134,751	98,629	466,308	352,604
Adjusted operating margin (excl IAC), %	-34.0	-40.9	-44.0	-48.3

Growth in total revenue

SEKt	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Total revenue	134,751	98,629	466,308	352,604
Total revenue growth, %	36.6	34.2	32.2	33.2

Total operating expenses

SEKt	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Publisher costs	-89,613	-65,034	-310,181	-235,545
Marketing costs	-39,562	-37,619	-189,906	-155,213
Other external costs	-20,884	-13,417	-62,862	-65,010
Personnel costs	-28,084	-22,267	-94,977	-76,022
Depreciation	-4,349	-2,510	-12,155	-9,905
Other operating expenses	-2,599	845	-5,754	-682
Total operating expenses	-185,092	-140,002	-675,836	-542,378

Gross contribution & Gross contribution margin

SEKt	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Total revenue	134,751	98,629	466,308	352,604
Publisher costs	-89,613	-65,034	-310,181	-235,545
Marketing costs	-39,562	-37,619	-189,906	-155,213
Gross contribution	5,576	-4,024	-33,780	-38,155
Gross contribution margin, %	4.1	-4.1	-7.2	-10.8

Supplementary information

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Financial calendar

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 through the agency of the contact persons above at 7:30 a.m. CET on 3 February 2022.

Auditor's review

This year-end report has not been audited or reviewed by the company's auditors.

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 Board of Directors and the CEO give their assurance that the year-end 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, 3 February 2022

Patrick Svensk
Chairman of the Board

Viktor Fritzén
Director

Nathan Medlock
Director

Malin Stråhle
Director

Alexandra Whelan
Director

Stefan Betzold
Director

Mats Brandt
Interim CEO



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