



Flexion Mobile Plc
Q3 Report
31 December 2018

Q3 report ending 31 December 2018

Flexion continues to grow. Total revenue increased to GBP 1.3m (GBP 0.5m) and its core business grew by 232% to GBP 1.2m (GBP 0.4m), resulting in a year to date growth of 282%. During the quarter, several large transactions were signed including the biggest deal in the Company's history, with an expected order value in excess of GBP 4m over time. In addition, the Company announced a strategic partnership with Samsung which increases visibility within the gaming community.

October to December performance

- IAP (In App Purchase) revenue increased by 232% to GBP 1.2m (GBP 0.4m¹)
- Total revenue increased by 154% to GBP 1.3m (GBP 0.5m)
- Gross profit increased by 2% to GBP 0.22m (GBP 0.20m)
- Adjusted EBITDA fell by 157% to GBP -0.7m (GBP -0.3m) impacted by a one-off GBP 0.2m integration fee
- EBIT decreased to GBP -0.7m (GBP -0.1m)
- Earnings per share amounted to GBP -1.73 pence (GBP -0.33 pence)
- Operating cash flow increased to GBP 0.1m (GBP -0.3m)
- Cash amounted to GBP 7.0m (GBP 2.1m)

April to December performance

- IAP (In App Purchase) revenue increased by 282% to GBP 3.4m (GBP 0.9m)
- Total revenue increased by 159% to GBP 3.5m (GBP 1.3m)
- Gross profit increased by 32% to GBP 0.7m (GBP 0.5m)
- Adjusted EBITDA fell by 72% to GBP -1.6m (GBP -0.9m)
- EBIT decreased to GBP -1.4m (GBP -0.5m)
- Earnings per share fell to GBP -3.30 pence (GBP -1.23 pence)
- Operating cash flow improved to GBP -0.5m (GBP -0.9m)
- Cash amounted to GBP 7.0m (GBP 2.1m)

Important events during the quarter

- Flexion signed the biggest deal in the Company's history for three top-tier and one mid-tier titles. Estimated transaction / guaranteed value in excess of GBP 4m over time (R²)
- Flexion signed an agreement with Chinese developer ONEMT for their mid-tier title Rise of the Kings (R²)
- Flexion announced a partnership with Samsung where Flexion offers a range of services to game developers for Galaxy Apps (NR³)
- Flexion extended its co-publishing agreement with Chinese Developer YOOZOO to continue with the top-tier title Legacy of Discord and launch the mid-tier title Rise of Ragnarok (NR³)
- Flexion signed an agreement with leading European mobile game developer Nanobit. The agreement covers their mid-tier title My Story: Choose Your Own Path (NR³)

Important events after the quarter

- Flexion closed the biggest title in its company history when it signed a top-tier title with a division of a major film studio. Estimated transaction / guaranteed value of USD 2m over the two-year term
- Flexion launched its Plugin for Unity which provides developer access to the Flexion distribution platform already during game development (NR³)
- Flexion signed an agreement with Gumi to launch the strong mid-tier title Alchemist Code through the Unity Plugin. Initial store is Samsung Galaxy Apps (NR³)

¹ Comparable number for the same quarter of the previous financial year in brackets

² (R) Released as a regulatory press release

³ (NR) Released as a non-regulatory press release

Notes from the CEO



Just before the Christmas break, we signed the biggest deal in the Company's history. Our team has been working on this deal for quite some time and in closing it, Flexion has achieved a major milestone. These new titles bring huge potential for revenue. With this deal we have signed seven new titles in total during the quarter, three of them being top-tier, and the other four being mid-tier. The deal also shows we are serious about growth, which will further increase our footprint in the market helping us attract new developers and channels. We intend to close more deals like this over time. Top-tier titles have the potential to generate more than USD 100,000 per month in revenue and mid-tier titles more than USD 30,000 per month in revenue to Flexion. I am pleased to conclude that we are on track to deliver on our mid-term vision having signed 7 large monetising games and with a strong pipeline going forward.

Our market, the alternative Android games market, is getting more attention from both games media and developers. Developers and new market entrants are now openly questioning the two dominant stores, Google and Apple and when Epic Games decided to bypass Google Play with Fortnite, currently the most successful game of all times, we thought that they might launch their own game stores. We didn't expect this to happen as soon as this quarter, but it did and in December, they announced the new Epic Game Store for PC games. With this, they will compete with Steam, the market leader in PC game distribution. An Epic Gamestore for Android games is also expected to come to our market during 2019 and we expect it to get good traction with developers and further strengthen our case.

Outside the game market, large players such as Netflix and Spotify are now also moving away from the traditional app stores and are instead selling their subscription through their own payment platforms. These trends are further evidence of a general movement towards open fragmented markets, like the alternative Android games market we operate in. This is what we have been building for the last 5 years and we are now perfectly positioned to support developers and app stores as the market enters its next growth phase.

At the Samsung Developer Conference in October we announced our strategic partnership with Samsung and we are now their main partner for games. This has given

us an extra boost on the developer relations side but also improved visibility within Samsung. In November, we followed up with a trip to G-star, the biggest Game Show in Korea, and signed an agreement with a Korean sales agent who will be targeting for us some of the top Korean game developers. The Korean market is the 4th biggest Android game market in the world and is highly competitive. Traditionally, it has been dominated by Korean developers, but Chinese developers have moved in and opened the market. We aim to capitalise on a stronger demand for overseas distribution as we are looking for our first Korean top title.

The governmental freeze on new game launches in China has finally come to an end in December. This is great for Chinese developers who have suffered for almost 9 months. This is an exciting opportunity for us as their focus is shifting back to their home market making our full service offer a perfect fit for Chinese developers reaching new international markets.

Finally, I would like to introduce Victor Horbach as our Chief Revenue Officer. Victor joined us last spring as Head of Developer relations, from the large Dutch game developer Spil Games. Since joining Flexion, he has had a very positive impact on the sales team and he has been instrumental in closing some of our deals.

Jens Lauritzson
CEO

Financial Development

October 2018 to December 2018

REVENUE

Our core business, IAP (In-App Purchase) revenue, grew by 232% to GBP 1,242,394 (GBP 374,113) now generating 99% of total revenue. This was primarily driven by improved performance of existing titles in our distribution channels.

Subscription revenue continued to decline by 81% to GBP 16,706 (GBP 87,833) as the company continues to wind down some of its non-strategic contracts.

Legacy revenue also dropped by 95% to GBP 1,514 (GBP 33,419). The last month we had material legacy revenue was January 2018. We still have a few smaller unsupported services with marginal impact on revenue.

The quarter saw total revenue growing by 154% to GBP 1,260,614 (GBP 495,365).

GROSS PROFIT

Gross profit grew by 2% to GBP 222,626 (GBP 217,937).

Cost of sales grew by 274% to GBP 1,037,988 (GBP 277,428). The main reason for cost of sales growing more than total sales is the focus on top-tier titles where the margin is lower than the one for legacy services.

GENERAL AND ADMINISTRATIVE EXPENSES

Due to our continued expansion in headcount, staff and contractors cost increased as planned by 31% to GBP 520,276 (GBP 396,684).

Other overheads grew by 317% to GBP 419,074 (GBP 100,613) primarily impacted by a one-off technical integration fee of GBP 191,314 related to the four-title transaction that we signed during the quarter.

These effects resulted in an overall increase in general and administrative expenses of 89% to GBP 939,350 (GBP 497,297).

NET RESULT

The adjusted EBITDA fell by 157% to GBP -721,613 (GBP -280,479) largely driven by the increased cost of sales and the above mentioned integration fee.

Other Income decreased to GBP 10,000 (GBP 170,050) as the company's Horizon 2020 EU grant project is coming to an end. Any remaining positive or negative adjustments, including the payment of the last 10% of the grant amount and release of 5% grant guarantee, will be reported after the EU has determined the final grant amount. This will be likely communicated in the financial quarter ending June 2019. The company is not aware of any events or actions that would not make it eligible for the full grant amount.

Operating loss (EBIT) increased to GBP -729,028 (GBP -123,319) due to above mentioned decrease in other income.

The loss after tax grew to GBP -710,027 (GBP -106,132). This is in line with the company's strategy to invest raised capital to drive growth.

FINANCIAL POSITION

The financial position is healthy with a cash balance of GBP 6,992,760 (GBP 2,085,936), no interest-bearing debt, trade and other receivables of GBP 895,168 (GBP 570,727), trade and other payables of GBP 2,480,556 (GBP 999,855). The main driver for the changes in working capital is short term cyclicity of invoicing. Total equity increased due to the February 2018 fund raise to GBP 5,639,150 (GBP 1,814,751).

CASH FLOW

Operating cash flow improved by GBP 417,412 to a positive balance of GBP 94,145 (GBP -323,267) and net working capital (change in trade and other receivables less change in trade and other payables) improved by GBP 854,775 to GBP 810,869 (GBP -43,906), partially mitigating the effect of the loss of the period on the operating cash flow.

The cash balance at the end of the quarter was a healthy 6,992,760 (GBP 2,085,936) resulting in a runway of 162 months. The increase in runway is driven by short term cyclicity of invoicing.

April 2018 to December 2018

The nine months of the 2018/19 financial year showed steady revenue growth within our core business area, IAP revenue, increasing by 282% to GBP 3,361,898 (GBP 880,697).

Total revenue grew by 159% to GBP 3,450,382 (GBP 1,332,257). Subscription revenue fell by 74% to GBP 83,556 (GBP 323,540). Legacy revenue fell as expected by 96% to GBP 4,928 (GBP 128,020).

The gross profit increased by 32% to GBP 720,148 (GBP 543,997) over the period.

General and administrative expenses increased by 57% to GBP 2,307,652 (GBP 1,474,224) reducing the EBITDA by 72% to GBP -1,602,171 (GBP -932,444).

Operating loss (EBIT) increased to GBP -1,404,846 (GBP -455,818) as the contribution of the EU grant was substantially lower.

Profit after tax fell by 243% to GBP -1,348,567 (GBP -393,714).

Operating cashflow improved by 45% to GBP -510,084 (GBP -924,851).

The cash balance at the end of the period was GBP 6,992,760 (GBP 2,085,936), a 235% improvement.

Other information

Segmental information

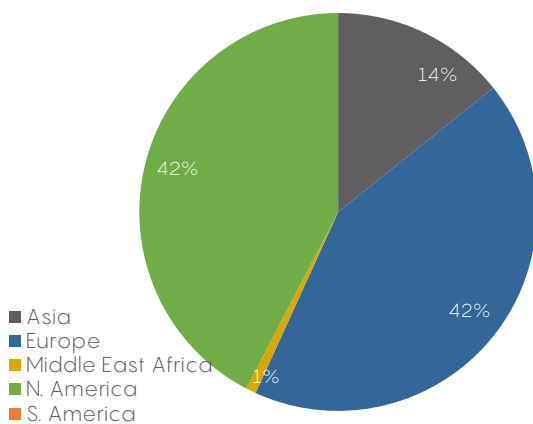
IAP REVENUE

Flexion's focus is to grow its core business by signing additional free2play games with In-App Purchase, integrating more channels and increasing monetization of existing games.

IAP revenue is revenue receivable from end-user transactions of sold in-application items within the games. Revenue is reported net of VAT, billing transaction costs, local taxes, bad debt/refunds and distribution channel fees deducted at source when transactions are deemed to be successful.

The geographical breakdown of IAP revenue for the quarter ending 31 December 2018 is presented below.

Geographical IAP Revenue Distribution



The main markets for IAP revenue over the quarter were North America and Europe, both with 42% market share. Asia amounted to 14%, Middle East Africa to 1% and South America 0%.

SUBSCRIPTION REVENUE

New commercial models are evolving in the games market and the subscription model is one that offers significant opportunities for developers. Subscription models can either be offered within current games alongside the IAP model or as so-called bundled subscriptions that offer access to a portfolio of games. Flexion is currently preparing the business for future opportunities with the subscription model relating to free-to-play games with IAP.

Subscription revenue is defined as revenue from game applications using recurring subscriptions. The revenue is derived from end-user subscription fees. Revenue is reported net of VAT, billing transaction costs, local taxes, bad debt/refunds and distribution channel fees deducted at source when transactions are deemed to be successful.

LEGACY REVENUE

Legacy revenue is non-strategic revenue including revenue from purchases or subscription fees of game applications in feature phones. This revenue is actively being phased out as it doesn't carry any strategic value. The last month with material legacy revenue was January 2018.

Review

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

Number of staff and long-term contractors

At the end of the reporting period the company had 44 staff and long-term contractors.

Parent company reporting

There is no material difference between group and parent company reporting as the company's two subsidiaries are dormant and have been dissolved during the quarter.

Material risks and factors of uncertainty

Material risks and uncertainties of the company include but are not limited to risks related to market, technology, contracts, regulatory requirements, key staff, financial requirements and counterparties. A detailed risk description is given in the Company Description.

Financial calendar

Q4 report for 2018/19:	19 Jun. 2019
Q1 report for 2019/20:	22 Aug. 2019
Q2 report for 2019/20:	21 Nov. 2019

Certified Adviser

FNCA Sweden AB, info@fnca.se, telephone: +46 8 528 00 399.

Further information

For further information, contact CFO Niklas Koresaar at +44 207 351 59 44 or ir@flexionmobile.com or visit the company's website: www.flexionmobile.com.

MAR Publishing Statement

This statement is information that Flexion Mobile Plc is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08:00 CET on 27 February 2019.

Financial reports in brief

Consolidated statement of profit or loss and other comprehensive income for the quarterly period ended 31 December 2018

	QTD Dec-18 3 months 2018/19 Unaudited GBP	QTD Dec-17 3 months 2017/18 Unaudited GBP	YTD Dec-18 9 months 2018/19 Unaudited GBP	YTD Dec-17 9 months 2017/18 Unaudited GBP	YTD Mar-18 12 months 2017/18 Audited GBP
IAP revenue	1,242,394	374,113	3,361,898	880,697	1,559,342
Subscription revenue	16,706	87,833	83,556	323,540	353,722
Legacy revenue	1,514	33,419	4,928	128,020	142,817
Total revenue	1,260,614	495,365	3,450,382	1,332,257	2,055,881
Cost of sales	(1,037,988)	(277,428)	(2,730,234)	(788,260)	(1,360,606)
Gross profit	222,626	217,937	720,148	543,997	695,275
Staff and contractors cost	(520,276)	(396,684)	(1,622,142)	(1,135,432)	(1,606,040)
Other overheads	(419,074)	(100,613)	(685,510)	(338,792)	(603,720)
General and administrative expenses	(939,350)	(497,297)	(2,307,652)	(1,474,224)	(2,209,760)
Share based payments	(4,889)	(1,118)	(14,667)	(2,217)	(3,350)
Adjusted EBITDA¹	(721,613)	(280,479)	(1,602,171)	(932,444)	(1,517,835)
Other Income	10,000	170,050	245,910	511,498	685,249
Depreciation of tangible assets	(5,313)	(5,312)	(15,938)	(15,936)	(21,251)
Amortization of intangible assets	(12,102)	(7,578)	(32,647)	(18,936)	(27,779)
Operating loss (EBIT)	(729,028)	(123,319)	(1,404,846)	(455,818)	(881,616)
Tax	19,001	17,187	56,279	62,104	75,005
Loss after tax	(710,027)	(106,132)	(1,348,567)	(393,714)	(806,611)
Attributable to:					
Equity holders of the parent	(710,027)	(106,132)	(1,348,567)	(393,714)	(806,611)
Loss for the period	(710,027)	(106,132)	(1,348,567)	(393,714)	(806,611)
Total comprehensive loss for the period	(710,027)	(106,132)	(1,348,567)	(393,714)	(806,611)
Attributable to:					
Owners of the parent	(710,027)	(106,132)	(1,348,567)	(393,714)	(806,611)
	(710,027)	(106,132)	(1,348,567)	(393,714)	(806,611)

¹ Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortisation and other income, which contains grant award contribution.

Consolidated statement of financial position for the quarterly period ended 31 December 2018

	Dec-18 2018/19 Unaudited GBP	Dec-17 2017/18 Unaudited GBP	Mar-18 2017/18 Audited GBP
Assets			
Non-current assets			
Property, plant and equipment	21,251	42,503	37,190
Intangible assets	244,349	157,926	165,776
Total non-current assets	265,600	200,429	202,966
Current assets			
Trade and other receivables	895,168	570,727	701,280
Cash and cash equivalents	6,992,760	2,085,936	7,358,115
Total current assets	7,887,928	2,656,663	8,059,395
Total assets	8,153,528	2,857,092	8,262,361
Equity and liabilities			
Equity			
Share capital	82,266	63,856	80,266
Share premium	4,957,133	3,422,130	8,703,183
Other reserves	46,030	13,583	14,716
Retained earnings	553,721	(1,684,818)	(2,097,712)
Total equity	5,639,150	1,814,751	6,700,453
Non-current liabilities			
Deferred tax liabilities	33,822	42,486	40,615
Total non-current liabilities	33,822	42,486	40,615
Current liabilities			
Trade and other payables	2,480,556	999,855	1,521,293
Total current liabilities	2,480,556	999,855	1,521,293
Total liabilities	2,514,378	1,042,341	1,561,908
Total equity and liabilities	8,153,528	2,857,092	8,262,361

Consolidated statement of cash flows for the quarterly period ended 31 December 2018

	QTD Dec-18 3 months 2018/19 Unaudited GBP	QTD Dec-17 3 months 2017/18 Unaudited GBP	YTD Dec-18 9 months 2018/19 Unaudited GBP	YTD Dec-17 9 months 2017/18 Unaudited GBP	YTD Mar-18 12 months 2017/18 Audited GBP
Cash flow from operating activities					
Operating loss (EBIT) — continuing operations	(729,028)	(123,319)	(1,404,846)	(455,818)	(881,616)
Operating loss (EBIT)	(729,028)	(123,319)	(1,404,846)	(455,818)	(881,616)
Adjustments for:					
Finance income	-	-	-	-	-
Share based payments	4,889	1,118	14,667	2,217	3,350
Depreciation of tangible assets	5,313	5,312	15,938	15,936	21,251
Amortization of intangible assets	12,102	7,578	32,647	18,936	27,779
Grant income	(10,000)	(170,050)	(245,910)	(511,498)	(685,249)
Working capital:					
Change in trade and other receivables	414,968	209,617	(121,384)	236,147	92,706
Change in trade and other payables	395,901	(253,523)	1,198,804	(230,771)	488,339
Operating cash flow	94,145	(323,267)	(510,084)	(924,851)	(933,440)
Grant payment	-	-	-	868,951	868,951
Net cash flow from operating activities	94,145	(323,267)	(510,084)	(55,900)	(64,489)
Cash flow from investing activities					
Expenditure on property, plant and equipment	-	-	-	-	-
Capitalised development cost	(62,736)	(25,311)	(111,221)	(75,933)	(92,626)
Bank interest received	-	-	-	-	-
Net cash flow from investing activities	(62,736)	(25,311)	(111,221)	(75,933)	(92,626)
Cash flow from financing activities					
Net proceeds from issue of equity instruments	-	-	255,950	-	5,297,463
Net cash flow from financing activities	-	-	255,950	-	5,297,463
Net change in cash and cash equivalents	31,409	(348,578)	(365,355)	(131,833)	5,140,348
Cash and cash equivalents at beginning of period	6,961,351	2,434,512	7,358,115	2,217,767	2,217,767
Cash and cash equivalents at end of period	6,992,760	2,085,936	6,992,760	2,085,936	7,358,115

Consolidated statement of changes in equity for the quarterly period ended 31 December 2018

	Share capital GBP	Share premium GBP	Other reserves GBP	Retained earnings GBP	Total GBP	Total GBP
Balance at 1 October 2017	1,277	3,484,709	12,465	(1,578,686)	1,919,765	1,919,765
Loss for the year	-	-	-	(106,132)	(106,132)	(106,132)
Total comprehensive income	1,277	3,484,709	12,465	(1,684,818)	1,813,633	1,813,633
Shares based payments	-	-	1,118	-	1,118	1,118
Bonus issue	62,579	(62,579)	-	-	-	-
Balance at 31 December 2017	63,856	3,422,130	13,583	(1,684,818)	1,814,751	1,814,751
Balance at 1 October 2018	82,266	4,957,133	38,712	1,263,748	6,341,859	6,341,859
Loss for the year	-	-	-	(710,027)	(710,027)	(710,027)
Total comprehensive income	82,266	4,957,133	38,712	553,721	5,631,832	5,631,832
Shares based payments	-	-	4,889	-	4,889	4,889
Deferred Tax	-	-	2,429	-	2,429	2,429
Balance at 31 December 2018	82,266	4,957,133	46,030	553,721	5,639,150	5,639,150

Main KPI numbers

Summary of the Company's Key Performance Indicators

		QTD Dec-18 3 months 2018/19	QTD Sep-18 3 months 2018/19	QTD Jun-18 3 months 2018/19	QTD Mar-18 3 months 2017/18	QTD Dec-17 3 months 2017/18	QTD Sep-17 3 months 2017/18
IAP revenue	GBP	1,242,394	1,126,259	993,245	689,286	374,113	295,658
Subscription revenue	GBP	16,706	23,352	43,317	22,531	87,833	121,298
Total revenue	GBP	1,260,614	1,151,360	1,038,408	723,626	495,365	456,117
Gross profit	GBP	222,626	257,990	239,532	151,280	217,937	209,355
Adjusted EBITDA	GBP	-721,613	-439,797	-440,761	-554,721	-280,479 ⁹	-300,139
Operating loss (EBIT)	GBP	-729,028	-363,002	-312,816	-395,125	-123,319	-141,713
IAP revenue growth ¹	%	232%	281%	371%	130%	45%	93%
Subscription revenue growth ¹	%	-81%	-81%	-62%	-78%	27%	146%
Total revenue growth ¹	%	154%	152%	173%	54%	23%	56%
Gross profit margin ²	%	18%	22%	23%	21%	58%	46%
Adjusted EBITDA margin ³	%	-57%	-38%	-42%	-77%	-75%	-66%
Operating loss (EBIT) margin ⁴	%	-58%	-32%	-30%	-55%	-59%	-31%
Average monthly operational cashflow ⁵	GBP	31,382	-143,839	-57,571	7,359	-107,755	148,967
Runway left ⁶	Months	162	88	94	n/a	123	35
Number of shares at period end (adjusted for share split and bonus issue)		41,132,958	41,132,958	41,132,958	40,132,958	31,927,750	31,927,750
Amount of weighted average shares outstanding for period (adjusted for share split and bonus issue)		41,132,958	41,132,958	40,417,890	32,737,031	31,927,750	31,927,750
Loss per share — basic and diluted, attributable to ordinary equity holders of the parent (pence) ⁷	GBP	(1.73)	(0.83)	(0.73)	(1.27)	(0.33)	(0.38)
Headcount ⁸		44	42	40	36	36	33

¹ Growth rates are measured to the comparable period in the previous financial year

² Gross profit to total revenue

³ Adjusted EBITDA to total revenue

⁴ EBIT to total revenue

⁵ Average operational cashflow divided by number of months in the measured period

⁶ Cash at end of period divided by average 12 monthly operational cash burn

⁷ Basic and diluted earnings are considered the same since, where a loss is incurred, the effect of outstanding share options and warrants is considered anti-dilutive and ignored in the calculation

⁸ Headcount is defined by the Company as all staff plus all long-term contractors

⁹ Dec-17 EBIT was previously published excluding GBP 621 of foreign exchange differences (EBIT in Q2-2018 report: GBP -281,100)

The Flexion share

The share

The share was listed in Nasdaq First North on 13 June 2018 under the trading symbol (ticker) FLEXM.

Ownership table

Top 5 shareholders as of 31 December 2018

	Number of shares and votes	%	Aggregated %
Mobile Sensations Ltd	11,585,972 ¹	28.2%	28.2%
Palmstierna Invest AB	3,735,000	9.1%	37.2%
Industrial Equity AB	2,332,750	5.7%	42.9%
Avanza Pension	2,213,332	5.4%	48.3%
Julius Baer & Co Sweden	1,662,000	4.0%	52.3%
Other shareholders	19,603,904	47.7%	100.0%
Total number of shares	41,132,958	100.0%	

¹ Mobile Sensations Ltd held 11,585,972 shares since the listing of the Company.

Share data

	QTD Dec-18	QTD Dec-17	YTD Dec-18	YTD Dec-17	YTD Mar-18
	3 months	3 months	9 months	9 months	12 months
	2018/19	2017/18	2018/19	2017/18	2017/18
Number of shares at period end (adjusted for share split and bonus issue)	41,132,958	31,927,750	41,132,958	31,927,750	40,132,958
Amount of weighted average shares outstanding for period (adjusted for share split and bonus issue)	41,132,958	31,927,750	40,900,081	31,927,750	32,737,031
Loss per share — basic and diluted, attributable to ordinary equity holders of the parent (pence) ¹ .	(1.73)	(0.33)	(3.30)	(1.23)	(2.47)

¹ Basic and diluted earnings are considered the same, since where a loss is incurred, the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. The adjusted share options outstanding as at 31 December 2018 totalled 3,895,750 (31 December 2017: 2,404,500) and are potentially dilutive.

Notes

1. Basis of preparation

The condensed consolidated financial statements for the nine months ended 31 December 2018 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. The annual financial statements of the Company are prepared in accordance with IFRS as adopted by the European Union. The Company's office is in London and the registered number of Flexion Mobile is 04306881. The interim condensed consolidated financial statements are presented in GBP and have been prepared using historical cost accounting. After making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the board of directors continue to adopt the going concern basis in preparing the interim reports. The financial information presented herein does not constitute full statutory accounts under Section 434 of the Companies Act 2006 and was not subject to a formal review by the auditors. The financial information in respect of the year ending 31 March 2018 has been extracted from the statutory accounts which have been delivered to the Registrar of Companies. The Company's Independent Auditor's report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The financial information for the three months ended 31 December 2018 and 31 December 2017 is unaudited. The financial information for the nine months ended 31 December 2018 and 31 December 2017 is unaudited. The financial information for the twelve months ended 31 March 2018 is audited.

The interim report does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's financial statements for the year ended 31 March 2018.

2. Significant accounting policies

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 March 2018.

IFRS 16 'Leases' was in issue at 31 December 2018 but was not effective at 31 December 2018 and has not been adopted for these financial statements. IFRS 16 is effective for accounting periods beginning on or after 1 January 2019. The new standard will replace IAS 17 'Leases' and will eliminate the classification of

leases as either operating leases or finance leases and, instead, introduce a single lessee accounting model. The adoption of IFRS 16 is not expected to have a significant impact on the Group's net results or net assets. The new standard will be incorporated in the preparation of the Company's financial statements from the effective date above.

3. Related party transactions

No related party transactions other than directors' emoluments have taken place during the quarter.

4. Property, plant and equipment

Property, plant and equipment comprises of leasehold improvements and have a carried value of GBP 21,251 (GBP 42,503). In the third quarter for the year ending 31 March 2019 depreciation amounted to GBP 5,313. Depreciation year to date amounted to GBP 15,938.

5. Intangible assets

Intangible assets comprise of capitalized development costs for internally generated software and had a carrying value of GBP 244,348 (GBP 157,926). In the third quarter for the year ending 31 March 2019 amortization amounted to GBP 12,102. Amortization year to date amounted to GBP 32,647.

6. Trade and other receivables

	Dec-18 2018/19 Unaudited GBP	Dec-17 2017/18 Unaudited GBP
Assets		
Trade receivables	4,398	41,681
Other receivables	194,357	(27,088)
Prepayments and accrued income	696,413	556,134
Trade and other receivables	895,168	570,727

7. Trade and other payables

	Dec-18 2018/19 Unaudited GBP	Dec-17 2017/18 Unaudited GBP
Liabilities		
Trade payables	541,779	68,436
Social security and other taxes	57,360	46,797
Accrued expenses	1,870,714	799,755
Other payables	10,703	84,867
Trade and other payables	2,480,556	999,855

8. Contingent liabilities

During the quarter the Company has entered into minimum guarantee commitments with certain developers whereby the Company guarantees: a minimum, pre-defined, monthly amount of revenue to the developer over a defined guarantee period. As the company has the right to recover any guarantee payments made over the guarantee period, these guarantees will not be capitalized but treated as current assets subject to periodic impairment reviews.

At the end of the quarter the Company was committed to making the following minimum guarantee payments under ongoing minimum guarantees:

	Dec-18 2018/19 Unaudited GBP	Dec-17 2017/18 Unaudited GBP
Minimum guarantees which expire		
Within one year	3,601,822	-
Within two to five years	-	-
Total minimum guarantees	3,601,822	-

At the end of the quarter the Company was committed to making the following payments under non-cancellable operating leases:

	Dec-18 2018/19 Unaudited GBP	Dec-17 2017/18 Unaudited GBP
Operating leases which expire		
Within one year	90,750	90,750
Within two to five years	-	90,750
Total operating leases	90,750	181,500

9. Events after the reporting period

On 19 February 2019 the Company entered into an agreement with a division of a major film studio for a game title whereby the Company guarantees USD 2.0m of revenue to the film studio over a 2-year guarantee period.

About Flexion

Introduction

Flexion makes it easy for developers to maximise the revenue of their Android games. The company is a leading distribution platform for free-to-play (freemium) Android games on the alternative Android market. The company works with many of the top tier game developers and helps them distribute their games on a growing number of channels such as Amazon, Samsung and leading regional channels in India, South Korea and Japan. Flexion is based in London with a development studio in Budapest. Flexion employs 44 staff and long-term contractors and is listed on Nasdaq First North in Stockholm with ticker name FLEXM:SS.



Market

Flexion's go-to-market strategy covers the alternative Android market - Android based stores outside Google Play and China. This market is estimated to be worth USD 2bn today and USD 5bn in 2021. Flexion's addressable market is the Android mobile games market, a USD 33bn market which covers more than 80% of the world's mobile devices and 50% of mobile games revenue. The remaining market is covered by Apple's iOS which is not currently supported by Flexion.

The largest player in the Android games market is the Google Play store with USD 18bn / 60% market share. The domestic Chinese market holds an estimated USD 13bn / 33% market share and the remaining market (alternative Android) which Flexion estimates to hold a USD 2bn / 6% market share. The Android market is expected to grow by 100% until 2021 and Flexion estimates the alternative Android market to grow faster by approximately 150% over the same period.

Flexion's service offer

Flexion provides a full service offer to developers and manages all steps from Android game file to revenue and data. This means that a developer can benefit from additional distribution and revenue with minimal efforts.



Unique technology

At the core of Flexion's technology is the enabling and enhancement software that allows Flexion to distribute third party Android game in its channels. In addition, this unique technology can enhance the games by adding new features and functionalities which are required in the increasingly fragmented Android market. Flexion's technology is patented in the US and patent pending in Europe.

Business model

Flexion operates a simple revenue share model, taking a percentage from payments made in distributed games. In a typical revenue flow, the channel collects payments from end-users and deducts a channel fee. Flexion receives the remaining amount and deducts a fee for its services before paying the balance to the developer.

Value proposition

Flexion's go-to-market strategy is to become the dominant distributor on the alternative Android market i.e. on the Android market outside Google Play and China. The value proposition is to generate incremental high margin revenue for developers from their existing Android games. With Flexion's current platform size, developers will generate an additional 10% on top of their Google Play revenue. As the alternative Android market grows and Flexion increases its distribution footprint, this percentage is expected to increase. The developer's margin contribution from this revenue is relatively high as it is generated without the developer incurring high marketing or user acquisition costs.

Mid-term vision

Flexion's go-to-market strategy involves building a business that can manage and operate around 100 top games. A third of these games will be top-tier games where each game has the potential to generate net revenue in excess of USD 100,000 per month when deployed through Flexion's service. The remaining two thirds of the games will be mid-tier games with the potential to generate more than USD 30,000 in net revenue per game per month. Revenue per game will increase over time as the alternative Android market and Flexion's distribution power grows. The games are sourced globally with 50% found among Google Play's current top 400 grossing games. In order to speed up the sales process Flexion intend to invest in various forms of incentives for top developers to join Flexion early.

KPIs

Over time and when our portfolio has grown from today's size, Flexion will increase the number of reported KPIs to show how we are executing on our go-to-market strategy.