



Q3 Report — 31 December 2019

Flexion hits new quarterly revenue record during the busy Black Friday and Christmas period. The third financial quarter recorded total revenue of GBP 2.5m representing 41% growth (YoY). The Company signed two new titles and announced a partnership with Huawei's App Gallery.

October to December performance

- Total revenue increased by 41% to GBP 2.5m (GBP 1.8m) *
- Gross profit increased by 26% to GBP 0.3m (GBP 0.2m)
- Adjusted EBITDA improved by 26% to GBP -0.5m (GBP -0.7m)
- Operating loss reduced by 22% to GBP -0.6m (GBP -0.7m)
- Earnings per share amounted to GBP -1.33 pence (GBP -1.73 pence)
- Recoverable MG payments amounted to GBP 1.6m (nil)
- Cash amounted to GBP 2.4m (GBP 7.0m)

April to December performance

- Total revenue increased by 41% to GBP 6.7m (GBP 4.8m)
- Gross profit increased by 8% to GBP 0.8m (GBP 0.7m)
- Adjusted EBITDA stable at GBP -1.5m (GBP -1.5m)
- Operating loss increased by 11% to GBP -1.6m (GBP -1.4m)
- Earnings per share amounted to GBP -3.63 pence (GBP -3.29 pence)

Important events during the quarter

- Hitting USD 1m monthly revenue run-rate
- Partnership agreement signed with Huawei, the second biggest mobile device manufacturer in the world
- Two more titles signed; Saint Seiya Awakening by YOOZOO Games and Dragon Champions by AppQuantum

Important events after the quarter

- One more title signed; Chapters: Interactive Stories by Crazy Maple Studios Inc

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

Notes from the CEO



Our third quarter is always very busy with Black Friday and the Christmas holidays offering great marketing opportunities for our mobile games. We started the quarter by hitting the important milestone of USD 1 million monthly revenue run rate. This gave us strong momentum and was followed by several sizeable promotions from our partners:

Amazon, Samsung, Huawei and One Store. These campaigns drove our user growth and revenues. In USD terms (our main trading currency) we saw another steady growth of approximately 15% quarter on quarter. However, the significant strengthening of the GBP (post Brexit withdrawal agreement) reduced this growth in GBP terms.

I am pleased that we signed two new titles in December and a third title in January. As of December 2019, we have twelve titles live in our portfolio and three games pending launch. This means that we have signed seven titles during the last twelve months. It is a great achievement that I am very proud of. With this world leading portfolio and increasing distribution power I am expecting more inbound developer leads but also stronger partnerships with existing developers. Our games portfolio currently generates more than USD 30m per month in Google Play for the developers we work with, this indicates that we have room for long-term growth. The positive effects of the busy Christmas quarter helps keep the momentum high as we move into the slower fourth quarter.

We announced our new partnership with Huawei and launched our first set of games in their app store, AppGallery. It is still early, but we are very excited about this long-term opportunity. There are currently no signs that Huawei will get access to Google Mobile Services (GMS) on their upcoming devices, which means that they will rely on their own version of Android and Mobile Services (HMS) in the future. AppGallery, is an alternative to Google Play on new devices sold outside of China and will be the main source for apps and games during 2020. The media have portrayed this as a big loss for Huawei, but we think it is a great opportunity for Flexion. As a reference, we are already providing games for Amazon's Fire devices which also run Android without GMS but the Huawei opportunity could potentially be much bigger for us. Huawei has allocated billions of USD to build their developer ecosystem and if successful, Huawei will be the only device manufacturer besides Apple that controls their own ecosystem. To succeed, they need to continue to produce great devices but more importantly also provide customers with games

and apps that they are accustomed to. We are well-positioned to become a strategic partner to Huawei and help them achieve this.

We completed a significant technical platform improvement project during the quarter. As a result, Flexion now offers developers a single secure server connection for purchase validation to all our app stores. Developers can therefore avoid costly server integrations for each store without compromising on security. This is a unique offering and another example of how we are using our technical capabilities to further strengthen our market position

During the last twelve months, our focus has been on developing strong partnerships with the leading alternative app stores and rolling out our portfolio of games in these stores. This has put us in a leading position in our market and I am very proud of how quickly we managed to do this. So far, we have mainly built our business on organic traffic from promotions by our app store partners. This is a successful model as it is offering an alternative to what the developers can achieve in their two main stores, Google and Apple. It is a powerful model that leverages the strength of our portfolio of games. The stronger the portfolio, the easier it is for us to secure promotions. This will continue to be a very important model for us.

Now starts the next phase!

We are excited about the emerging opportunity to enter and lead the efforts in user acquisition (UA) within our market. This is an expected and natural next step for our market driven by improved developer payouts (lower stores fees than offered by Google and Apple). Given the tight margins for most developers, improved payouts could potentially shift significant UA budgets into our market. We are now preparing ourselves technically and commercially for this and we are ready to start trials with some of our strategic partners in the next quarter. We also experience an increasing fragmentation in the market with more new channels being established to reach the end consumer, both in terms of more traditional appstores like for example Huawei but also more non-traditional channels.

We aim to be a first mover and leader in this new space. More on this over the coming quarters.

We wish all our shareholders, partners and employees a happy and successful 2020!

Jens Lauritzson - CEO



Financial Development



Niklas Koresaar - CFO

October 2019 to December 2019

REVENUE

Our core business, IAP (In-App Purchase) revenue, grew by 42% to GBP 2,475,937 (GBP 1,742,137) and total revenue grew by 41% to GBP 2,486,022 (GBP 1,760,357). This represent 8% growth in total revenues during the quarter (QoQ/Sep-19 quarter to Dec-19 quarter). The growth during the quarter (QoQ) was negatively affected by stronger GBP to USD exchange rate (Oct-2019 Brexit withdrawal agreement) which reduced growth in total revenue (and gross profit) by 7% .i.e. our total revenue grew on a USD basis (our main trading currency) by approximately 15% during the quarter QoQ.

GROSS PROFIT

Cost of sales increased by 43% to GBP 2,205,081 (GBP 1,537,731). Gross profit grew by 26% to GBP 280,941 (GBP 222,626). The lower growth in gross profit compared to revenue is due to a partial margin reduction in late Dec-18 on an existing title. During the quarter QoQ gross profit grew by 1%. This growth was negatively affected by the strengthening of the GBP as described above.

GENERAL AND ADMINISTRATIVE EXPENSES

Headcount increased by 6 to 50 (44). Staff and contractors costs increased by 4% to GBP 538,644 (GBP 520,249). Other overheads fell by 29% to GBP 311,090 (GBP 439,115) primarily due to the USD 191,314 technical integration fee booked in Dec-18. These factors resulted in an overall decrease in general and administrative expenses of 11% to GBP 849,734 (GBP 959,364).

During the quarter (QoQ), the headcount increased by 3 to 50, adjusted staff cost (as now reported in the KPIs section) decreased by GBP 1,848 to GBP 636,539 and other overheads increased by GBP 79,667 to GBP 311,090 primarily due to the revaluation adjustment of non-GBP nominated currencies.

ADJUSTED EBITDA AND NET RESULT

Other income is now nil (GBP 10,000) as the Company's Horizon 2020 EU grant project has come to an end. Adjusted EBITDA improved by 26% to GBP -521,771 (GBP -702,155). During the quarter (QoQ), adjusted EBITDA fell by 16% to GBP -521,771 (GBP 449,966). Operating loss (EBIT) decreased by 22% to GBP -568,793 (GBP -726,738) and loss after tax decreased by 22% to GBP -550,499 (GBP -709,310).

CASH FLOW

Operating cash flow decreased by GBP -734,412 to GBP -691,821 (GBP 42,591) due to short term fluctuations in timings of invoices and overdue payments.

FINANCIAL POSITION

Cash amounted to GBP 2,436,124 (GBP 6,992,760) and the company held no interest-bearing debt. The cash position was negatively affected by a late payment of revenue of GBP 250,000 related to a specific marketing campaign (paid in Feb-20). Trade and other receivables amounted to GBP 2,944,455 (GBP 885,474) and included GBP 1,596,808 (GBP nil) of MG payments. Trade and other payables amounted to GBP 1,998,711 (GBP 2,480,559).

MG PAYMENTS

Total MG payments increased to GBP 1,596,808 (GBP nil). During the quarter (QoQ) this balance reduced by GBP 323,711. Approximately 40% of this quarterly reduction relates to positive FX revaluations. The maximum future MG payments exposure was GBP 1,847,819 (GBP nil). Please refer to note 10 Contingent Liabilities for further information. It should be noted that the Company has the right to recover any MG payments made over the guarantee period if the relevant game's revenue generation exceeds the guaranteed amount and Flexion's entitled revenue share. No impairment of MG payments was identified during the quarter.

NUMBER OF LIVE TIER GAMES

Number of live top-tier titles increased to 5 (4) games and the number of live mid-tier titles increased to 7 (5) games. During the quarter, no additional tier games were launched. One top-tier game was reclassified to mid-tier game as their performance was below the top-tier threshold. But one mid-tier game was reclassified to top-tier game as the performance exceeded the threshold. For further information about tier games please see the section "Other information"

April 2019 to December 2019

The first nine months of the 2019/20 financial year showed steady revenue growth with IAP revenue increasing by 43% to GBP 6,668,925 (GBP 4,668,556).

Total revenue grew by 41% to GBP 6,702,335 (GBP 4,757,040). The gross profit increased by 8% to GBP 781,167 (GBP 720,148). General and administrative expenses increased by 2% to GBP 2,415,617 (GBP 2,364,078). However, adjusted EBITDA improved by 2% to GBP -1,509,714 (GBP -1,543,841). Loss after tax increased by 11% to GBP -1,496,918 (GBP -1,347,603).

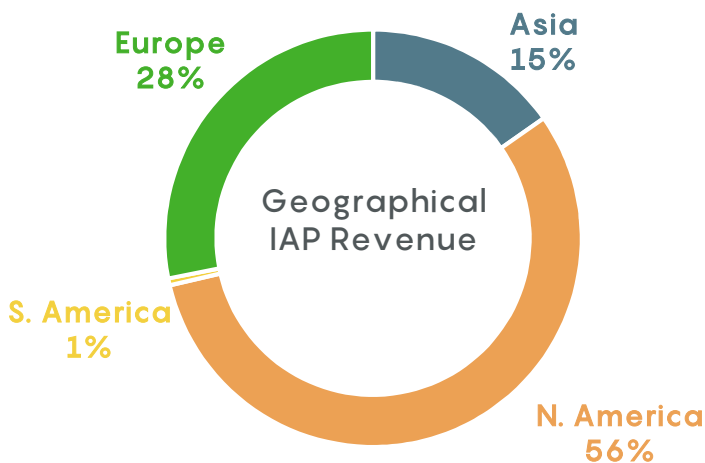
Other Information

Segmental information

IAP REVENUE

Flexion's focus is to grow its business by signing free2play games with In-App Purchase (IAP), 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 represents revenue receivable by the Company in respect of end-user transactions of sold in-application items managed by the Company less VAT, bad debt/refunds and discounts.

The geographical breakdown of IAP revenue for the quarter ending 31st December 2019 is presented below.



The main market for IAP revenue during the quarter was North America with 56% market share followed by Europe with 28% market share. Asia amounted to 15% and South America 1%.

SUBSCRIPTION REVENUE

Existing historical subscription revenue is revenue from game applications distributed through subscription clubs to end-users. Subscription revenue represents revenue receivable by the Company in respect of end-user transactions of sold in-application items or sold applications managed by the Company, less VAT, bad debt/refunds and discounts.

LEGACY REVENUE

Existing historical legacy revenue is old non-strategic revenue from the sale of game applications in feature phones. The turnover represents revenue receivable by the Company in respect of end-user transactions of sold applications managed by the Company less VAT, bad debt/refunds and discounts. Legacy revenue was actively phased out in the financial year ending March 2018 as it didn't carry any strategic value to the Company.

Tier-games

On a quarterly basis, Flexion's board defines and reviews the number of live top-tier and mid-tier games based on each game's revenue potential. The key factor is each game's actual performance (or overall Android performance if not yet launched by Flexion) compared to: i) a standard six-month revenue ramp-up period for each tier class; ii) the long-term minimum revenue requirement for each tier class (USD 140,000 per month for top-tier games and USD 40,000 per month for mid-tier games); iii) impacting contractual terms; and iv) any future events which may affect the revenue potential of a game. A game will be redefined if its performance over a consecutive six-month period, excluding the first three months after launch, does not qualify for a specific tier class. The number of tier games is reported in the Main KPI section.

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 50 staff and long-term contractors.

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 2019/20:	11 th June 2020
Q1 report for 2020/21:	26 th August 2020
Q2 report for 2020/21:	18 th November 2020

Annual General Meeting

Flexion will hold its AGM for the financial year ending March 2020 at 14.00 on 24th September 2020 at Harbour Yard, Chelsea Harbour, London, UK.

Certified Adviser

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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 13th February 2020

Financial reports in brief

Statement of profit or loss and other comprehensive income for the quarterly period ended 31 December 2019

		QTD Dec-19	QTD Dec-18	YTD Dec-19	YTD Dec-18	YTD Mar-19
		3 months	3 months	9 months	9 months	12 months
		2019/20	2018/19	2019/20	2018/19	2018/19
		Unaudited	Restated [†]	Unaudited	Restated [†]	Restated [†]
		GBP	GBP	GBP	GBP	GBP
	Notes					
Revenue	3	2,486,022	1,760,357	6,702,335	4,757,040	6,424,666
Cost of sales		(2,205,081)	(1,537,731)	(5,921,168)	(4,036,892)	(5,478,051)
Gross profit		280,941	222,626	781,167	720,148	946,615
General and administrative expenses	4	(849,734)	(959,364)	(2,415,617)	(2,364,078)	(3,077,491)
Other income		-	10,000	78,277	245,910	245,910
Adjusted EBITDA[‡]		(521,771)	(702,155)	(1,509,714)	(1,543,841)	(1,995,161)
Depreciation of tangible assets		22,480	22,481	67,441	67,443	89,922
Amortization of intangible assets		24,542	12,102	57,295	32,646	45,793
Other Income		-	(10,000)	(78,277)	(245,910)	(245,910)
Operating loss for the period		(568,793)	(726,738)	(1,556,173)	(1,398,020)	(1,884,966)
Finance costs	9	(1,575)	(1,575)	(1,187)	(5,863)	(7,074)
Loss before tax for the period		(568,784)	(728,313)	(1,557,360)	(1,403,883)	(1,892,040)
Tax		18,285	19,003	60,442	56,280	83,166
Loss after tax for the period		(550,499)	(709,310)	(1,496,918)	(1,347,603)	(1,808,874)
Attributable to:						
Equity holders of the parent		(550,499)	(709,310)	(1,496,918)	(1,347,603)	(1,808,874)
Loss for the period		(550,499)	(709,310)	(1,496,918)	(1,347,603)	(1,808,874)
Other comprehensive income						
Foreign exchange differences		-	-	-	-	-
Total comprehensive loss for the period		(550,499)	(709,310)	(1,496,918)	(1,347,603)	(1,808,874)
Attributable to:						
Equity holders of the parent		(550,499)	(709,310)	(1,496,918)	(1,347,603)	(1,808,874)
Loss for the period		(550,499)	(709,310)	(1,496,918)	(1,347,603)	(1,808,874)

[†] Restated for IFRS 16 effects, please refer to note 2 in the Notes section further below

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

Statement of financial position as at 31 December 2019

		Dec-19	Dec-18	Mar-19
		2019/20	2018/19	2018/19
		Unaudited	Restated [†]	Restated [†]
	Notes	GBP	GBP	GBP
Assets				
Non-current assets				
Property, plant and equipment	6	-	89,922	67,441
Intangible assets	7	553,974	244,375	347,209
Deferred tax assets		-	-	9,912
Total non-current assets		553,974	334,297	424,562
Current assets				
Trade and other receivables	8	2,944,455	885,475	1,445,430
Cash and cash equivalents		2,436,124	6,992,760	5,988,436
Total current assets		5,380,579	7,878,235	7,433,866
Total assets		5,934,553	8,212,532	7,858,428
Equity and liabilities				
Equity				
Share capital		82,941	82,266	82,266
Share premium		5,082,618	4,957,133	4,957,133
Other reserves		95,811	46,029	110,706
Retained earnings		(1,411,119)	547,073	85,797
Total equity		3,850,251	5,632,501	5,235,902
Non-current liabilities				
Deferred tax liabilities		85,591	33,820	-
Total non-current liabilities		85,591	33,820	-
Current liabilities				
Lease liabilities		-	65,652	44,163
Trade and other payables	9	1,998,711	2,480,559	2,578,363
Total current liabilities		1,998,711	2,546,211	2,622,526
Total liabilities		2,084,302	2,580,031	2,622,526
Total equity and liabilities		5,934,553	8,212,532	7,858,428

[†] Restated for IFRS 16 effects, please refer to note 2 in the Notes section further below

Statement of cash flows for the quarterly period ended 31 December 2019

	QTD Dec-19 3 months 2019/20 Unaudited GBP	QTD Dec-18 3 months 2018/19 Restated [†] GBP	YTD Dec-19 9 months 2019/20 Unaudited GBP	YTD Dec-18 9 months 2018/19 Restated [†] GBP	YTD Mar-19 12 months 2018/19 Restated [†] GBP
Cash flow from operating activities					
Loss for the year — continuing operations	(568,784)	(728,313)	(1,557,360)	(1,403,883)	(1,892,040)
Loss for the year	(568,784)	(728,313)	(1,557,360)	(1,403,883)	(1,892,040)
Adjustments for:					
Effect of exchange rate fluctuations on cash held during the period	(70,470)	(74,269)	(80,643)	193,643	280,067
Interest paid	(9)	1,583	1,195	5,876	7,074
Share based payments	13,803	4,889	33,597	14,667	19,721
Depreciation of tangible assets	22,480	22,481	67,441	67,443	89,922
Amortization of intangible assets	24,542	12,102	57,295	32,646	45,793
Grant income	-	(10,000)	(78,277)	(245,910)	(245,910)
Working capital:					
Change in trade and other receivables	60,421	414,969	(1,755,426)	(121,387)	(590,509)
Change in trade and other payables	(173,804)	399,149	(332,464)	1,208,550	1,258,297
Operating cash flow	(691,821)	42,591	(3,644,642)	(248,355)	(1,027,585)
Grant payment	-	-	250,708	-	-
Net cash flow from operating activities	(691,821)	42,591	(3,393,934)	(248,355)	(1,027,585)
Cash flow from investing activities					
Expenditure on property, plant and equipment	-	-	-	-	-
Capitalised development cost	(97,895)	(62,763)	(264,063)	(111,245)	(227,228)
Bank interest received	-	-	-	-	-
Net cash flow from investing activities	(97,895)	(62,763)	(264,063)	(111,245)	(227,228)
Cash flow from financing activities					
Proceed from issue of shares	70,400	-	70,400	-	511,900
Share issue costs	-	-	-	255,950	(255,950)
Payment lease liabilities	9	(22,688)	(45,358)	(68,062)	(90,750)
Net cash flow from financing activities	70,409	(22,688)	25,042	187,888	165,200
Net change in cash and cash equivalents	(719,307)	(42,860)	(3,632,955)	(171,712)	(1,089,613)
Cash and cash equivalents at beginning of period	3,084,961	6,961,351	5,988,436	7,358,115	7,358,115
Effect of exchange rate fluctuations on cash held during the period	70,470	74,269	80,643	(193,643)	(280,067)
Cash and cash equivalents at end of period	2,436,124	6,992,760	2,436,124	6,992,760	5,988,436

[†] Restated for IFRS 16 effects, please refer to note 2 in the Notes section further below

Statement of changes in equity for the quarterly period ended 31 December 2019

	Share capital GBP	Share premium GBP	Other reserves GBP	Retained earnings GBP	Total GBP
Balance at 1 October 2018	82,266	4,957,133	38,712	1,263,748	6,341,859
Impact of change in accounting policy	-	-	-	(7,365)	(7,365)
Restated balance at 1 October 2018	82,266	4,957,133	38,712	1,256,383	6,334,494
Restated loss for the period	-	-	-	(709,310)	(709,310)
Restated total comprehensive income	82,266	4,957,133	38,712	547,073	5,625,184
Transactions with owners, recorded directly in equity					
Share based payments	-	-	4,889	-	4,889
Deferred tax on share options	-	-	2,428	-	2,428
Restated balance at 31 December 2018	82,266	4,957,133	46,029	547,073	5,632,501
Balance at 1 October 2019	82,266	4,957,133	129,802	(860,620)	4,308,581
Loss for the period	-	-	-	(550,499)	(550,499)
Total comprehensive income	82,266	4,957,133	129,802	(1,411,119)	3,758,082
Transactions with owners, recorded directly in equity					
Share based payments	-	-	13,803	-	13,803
Deferred tax on share options	-	-	(47,794)	-	(47,794)
Issue of share capital	675	125,485	-	-	126,160
Balance at 31 December 2019	82,941	5,082,618	95,811	(1,411,119)	3,850,251

Notes

1. Basis of preparation

The condensed consolidated financial statements for the three months ended 31 December 2019 have been prepared in accordance with IAS 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 offices are 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 ended 31 March 2019 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 2019 is unaudited. The financial information for the twelve months ended 31 March 2019 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 2019.

2. Significant accounting policies

Except where disclosed below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 March 2019, except for those relating to IFRS 16 'Leases', which is applicable for periods starting on or after 1 January 2019. As required by IAS 34, the nature and effect of those changes are disclosed below. The accounting policies applied herein are consistent with those expected to be applied in the financial statements for the year ended 31 March 2020. The Company has not early adopted

any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 LEASES

The Company applies IFRS 16 'Leases' which was issued by the IASB in January 2016 and endorsed by the EU and 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. Instead, it introduces a single lessee accounting model where the lessee is required to recognise right of use assets and lease liabilities for leases that have a term of greater than a year. IFRS 16 was adopted by the Company on the 1 April 2019 with the full retrospective method to provide consistency when looking at comparative results.

The Company applied the practical expedients permitted by IFRS 16 not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. Instead, the Company is recognising the lease payments associated with these leases as an expense on a straight-line basis over the lease term. There is only one lease contract that is affected by the new standard which is for office space in London.

As a result, the Company has recognised a right-of-use asset, which is included within property, plant and equipment, and a corresponding lease liability on the statement of financial position. Right of use assets are initially measured at cost, and subsequently measured at cost less any accumulated depreciation and accumulated impairment losses, if applicable. Lease liabilities are initially measured at the present value of the future lease payments discounted at the Company's incremental borrowing rate. Lease liabilities are subsequently measured at amortised cost using the effective interest rate method and remeasured when there is a change in future lease payments.

There is no material impact on the Company's basic or diluted earnings per share for the period ended 31 December 2019.

The following tables summarise the impacts of adopting IFRS 16 on the Company's consolidated financial statements:

Statement of financial position	Impact of changes in accounting policies		
	As previously reported	Adjustments	As restated
1 April 2018	GBP	GBP	GBP
Property, plant and equipment	37,190	120,173	157,363
Intangible assets	165,776	-	165,776
Trade and other receivables	701,280	(22,687)	678,593
Cash and cash equivalents	7,358,115	-	7,358,115
Total assets	8,262,361	97,486	8,359,847
Trade and other payables	1,521,293	(22,740)	1,498,553
Lease liabilities	-	127,839	127,839
Other	40,615	-	40,615
Total liabilities	1,561,908	105,099	1,667,007
Retained earnings	(2,097,712)	(7,614)	(2,105,326)
Other	8,798,165	-	8,798,165
Total equity	6,700,453	(7,614)	6,692,839

Statement of financial position	Impact of changes in accounting policies		
	As previously reported	Adjustments	As restated
31 December 2018	GBP	GBP	GBP
Property, plant and equipment	21,251	68,671	89,922
Intangible assets	244,375	-	244,375
Trade and other receivables	908,163	(22,688)	885,475
Cash and cash equivalents	6,992,760	-	6,992,760
Total assets	8,166,549	45,983	8,212,532
Trade and other payables	2,493,551	(12,992)	2,480,559
Lease liabilities	-	65,652	65,652
Other	33,820	-	33,820
Total liabilities	2,527,371	52,660	2,580,031
Retained earnings	553,748	(6,675)	547,073
Other	5,085,428	-	5,085,428
Total equity	5,639,176	(6,675)	5,632,501

Statement of profit or loss	Impact of changes in accounting policies		
	Restated* (prior year error)	Adjustments	As restated
For the period ended 31 December 2018	GBP	GBP	GBP
Revenue	1,760,357	-	1,760,357
Cost of sales	(1,537,731)	-	(1,537,731)
General and administrative expenses	(961,655)	2,291	(959,364)
Finance cost	-	(1,575)	(1,575)
Other	29,003	-	29,003
Loss for the period	(710,027)	716	(709,310)

Statement of cash flow	Impact of changes in accounting policies		
	As previously reported	Adjustments	As restated
For the period ended 31 December 2018	GBP	GBP	GBP
Loss for the period	(729,028)	716	(728,313)
Adjustments for:			
Share based payments	4,889	-	4,889
Depreciation	5,313	17,168	22,481
Amortization	12,102	-	12,102
Grant income	(10,000)	-	(10,000)
Interest paid	-	1,556	1,556
Change in working capital	810,869	3,248	814,117
Net cash from operating activities	94,145	22,688	116,833
Capitalised development cost	(62,736)	-	(62,736)
Net cash from investing activities	(62,736)	-	(62,736)
Payment lease liabilities	-	(22,688)	(22,688)
Net cash from financing activities	-	(22,688)	(22,688)

3. Revenue

Revenue disclosed in the statement of profit or loss is analyzed as follows:

	Dec-19 2019/20 Unaudited	Dec-18 2018/19 Unaudited
Revenue breakdown		
IAP Revenue	2,475,937	1,742,137
Subscription Revenue	10,085	16,706
Legacy Revenue	-	1,514
Total Revenue	2,486,022	1,760,357

4. General and administrative expenses

General and administrative expenses disclosed in the statement of profit or loss is analyzed as follows:

	Dec-19 2019/20 Unaudited	Dec-18 2018/19 Unaudited
Staff and contractor costs	538,664	520,249
Other overheads	311,090	439,115
General and Administrative Expenses	849,734	959,364

5. Related party transactions

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

6. Property, plant and equipment

Property, plant and equipment comprises of leasehold improvements and right-to-use assets according to below carrying value analysis:

	Dec-19 2019/20 Unaudited	Dec-18 2018/19 Restated* Unaudited
Leasehold improvements	-	21,251
Right-to-use assets	-	68,671
Total	-	89,922

*Restated due to the adoption of IFRS 16 'Leases'. Please refer to note 2 for further details.

In the third quarter for the year ending 31 March 2020 depreciation for property, plant equipment amounted to GBP 22,480.

7. Intangible assets

Intangible assets comprise of capitalized development costs for internally generated software and had a carrying value of GBP 553,978 (GBP 244,375). In the third quarter for the year ending 31 March 2020 amortization amounted to GBP 24,542. Year to date amortization amounted to GBP 57,295.

8. Trade and other receivables

	Dec-19 2019/20 Unaudited	Dec-18 2018/19 Unaudited
Assets		
Trade receivables	163,994	4,398
Other receivables	1,791,574	194,357
Prepayments and accrued income	988,887	686,720
Trade and other receivables	2,944,455	885,475

Other receivables include GBP 1,596,808 of minimum guarantees and related advances (2018: GBP 0), corporation tax receivable of GBP 107,934 (GBP 73,504), GBP nil (GBP 72,992) of recoverable guarantee relating to EU grant, recoverable VAT of GBP 19,785 (GBP 35,026) and GBP 46,144 (GBP 12,835) of other items.

9. Trade and other payables

	Dec-19 2019/20 Unaudited	Dec-18 2018/19 Unaudited
Liabilities		
Trade payables	119,179	541,779
Social security and other taxes	69,971	57,378
Accrued expenses	1,797,239	1,870,714
Other payables	12,322	10,688
Trade and other payables	1,998,711	2,480,559

10. Contingent liabilities

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 payments and related advances made (referred to as MG payments) over the guarantee period if the relevant game's revenue generation exceeds the guaranteed amount and Flexion's entitled revenue share, these guarantees will not be capitalized but treated as current assets subject to periodic impairment reviews.

Based on the impairment reviews performed as at 31 December 2019 no impairment has been identified during the quarter.

At the end of the quarter the Company has guaranteed the following amounts under ongoing minimum guarantees:

Contingent MG payments	Dec-19	Dec-18
	2019/20	2018/19
	Unaudited	Unaudited
Minimum guarantees which expire		
Within one year	1,527,488	-
Within two to five years	320,331	-
Total minimum guarantees	1,847,819	-

11. Events after the reporting period

There are no material events to be disclosed after the reporting period.

The Flexion share

The share

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

Ownership table

Top 10 shareholders as of 31 st December 2019	Number of shares and votes	%	Aggregated %
Mobile Sensations Ltd ^Δ	11,585,972	27.94%	28%
Palmstierna Invest AB	3,735,000	9.01%	37%
Industrial Equity AB	1,738,792	4.19%	41%
Avanza Pension	1,701,335	4.10%	45%
Julius Baer & Co Ltd	1,650,000	3.98%	49%
Palmstierna Fredrik	1,516,051	3.66%	53%
Morgan Stanley & Co Intl Plc	1,135,546	2.74%	56%
Six Sis Ag	1,052,462	2.54%	58%
HSBC Bank Plc	924,250	2.23%	60%
Banque Internationale a Luxembourg	920,000	2.22%	63%
Other shareholders	15,511,050	37.40%	100%
Total number of shares	41,470,458	100.0%	

^ΔMobile Sensations Ltd held 11,585,972 shares since the listing of the Company.

Share data

⁰Basic 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 31st December

	QTD Dec-19	QTD Dec-18	YTD Mar-19
	3 months	3 months	12 months
	2019/20	2018/19	2018/19
Number of shares at period end (adjusted for share split and bonus issue)	41,470,458	41,132,958	41,132,958
Amount of weighted average shares outstanding for the period (adjusted for share split and bonus issue)	41,280,903	40,900,081	40,954,876
Loss per share — basic and diluted, attributable to ordinary equity holders of the parent (pence) ⁰	(1.33)	(1.73)	(4.42)

2019 totalled 3,634,250 (2018: 3,895,750) and are potentially dilutive.

Main KPI numbers

Summary of the Company's Key Performance Indicators

		QTD Dec-19 3 months 2019/20	QTD Sep-19 3 months 2019/20	QTD Jun-19 3 months 2019/20	QTD Mar-19 3 months 2018/19	QTD Dec-18 3 months 2018/19
IAP revenue growth	%	42%	47%	39%	83%	243%
Total revenue growth	%	41%	46%	35%	78%	180%
Gross profit margin	%	11%	12%	12%	14%	13%
Adjusted EBITDA margin	%	-21%	-20%	-28%	-27%	-40%
Operating loss margin	%	-23%	-21%	-26%	-29%	-41%
Average monthly operational cashflow	GBP	(225,704)	(602,901)	(377,982)	(288,552)	38,953
Number of shares at period end (adjusted for share split and bonus issue)		41,470,458	41,132,958	41,132,958	41,132,958	41,132,958
Amount of weighted average shares outstanding for period (adjusted for share split and bonus issue)		41,280,903	41,132,958	41,132,958	40,954,876	40,900,081
Loss per share — basic and diluted, attributable to ordinary equity holders of the parent (pence)	GBP	(1.33)	(1.14)	(1.16)	(1.13)	(1.73)
Headcount	No.	50	47	45	45	44
Adjusted staff cost	GBP	636,539	638,387	607,523	618,473	583,012
Top-tier games pending launch	No.	0	0	1	3	0
Mid-tier games pending launch	No.	3	1	0	0	0
Top-tier games live	No.	5	5	6	4	4
Mid-tier games live	No.	7	7	6	5	5

DEFINITIONS

Growth rates	Rates measured to the comparable period in the previous financial year
Gross profit margin	Gross profit to total revenue
Adjusted EBITA margin	Adjusted EBITDA to total revenue
Operating loss margin	Operating loss to total revenue
Average monthly operational cashflow	Average operational cashflow (excl. effects of exchange rate fluctuations on cash held) divided by number of months in the measured period
Loss per share – basic and diluted, attributable to ordinary equity holders of the parent	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
Headcount	Number of all staff plus all long-term contractors as at the end of the period
Adjusted staff cost	Total cost of all staff and long-term contractors before any deduction for capitalised development cost
Number of top-tier games pending launch	Number of games generating at least USD 140,000 per month for which a contract has been signed but which are not live yet
Number of mid-tier games pending launch	Number of games generating at least USD 40,000 per month for which a contract has been signed but which are not live yet
Number of top-tier games live	Number of games generating at least USD 140,000 per month, live in at least one of our distribution channels
Number of mid-tier games live	Number of games generating at least USD 40,000 per month, live in at least one of our distribution channels

Quarterly figures

Income statement

GBP, 000

	2019/20			2018/19			
	Q3 Dec-19	Q2 Sep-19	Q1 Jun-19	Q4 Mar-19	Q3 Dec-18	Q2 Sep-18	Q1 Jun-18
Total revenue	2,486	2,303	1,914	1,668	1,760	1,582	1,415
Gross profit	281	278	222	226	223	258	240
Adjusted EBITDA	(522)	(450)	(538)	(451)	(702)	(420)	(421)
Operating loss (EBIT)	(569)	(492)	(496)	(487)	(727)	(361)	(311)
Finance cost	-	-	(1)	(1)	(2)	(2)	(2)
Loss before tax	(569)	(492)	(496)	(488)	(728)	(363)	(313)
Tax	18	24	18	27	19	20	17
Loss after tax	(550)	(468)	(479)	(461)	(709)	(342)	(296)

Balance Sheet

GBP, 000

	2019/20			2018/19			
	Q3 Dec-19	Q2 Sep-19	Q1 Jun-19	Q4 Mar-19	Q3 Dec-18	Q2 Sep-18	Q1 Jun-18
Property, plant and equipment	-	22	45	67	90	112	135
Intangible assets	554	481	400	347	244	194	180
Other non-current assets	-	-	-	10	-	-	-
Total non-current assets	554	503	445	425	334	306	315
Trade and other receivables	2,944	3,069	1,711	1,445	885	1,272	959
Cash and cash equivalents	2,436	3,085	5,016	5,988	6,993	6,961	7,418
Total current assets	5,381	6,154	6,727	7,434	7,878	8,234	8,377
Total equity	3,850	4,309	4,755	5,236	5,633	6,334	6,667
Total non-current liabilities	86	14	12	-	34	24	33
Trade and other payables	1,999	2,334	2,382	2,578	2,481	2,095	1,885
Lease liabilities	-	-	22	44	66	87	107
Total current liabilities	1,999	2,334	2,405	2,623	2,546	2,181	1,993

Cash flow

GBP, 000

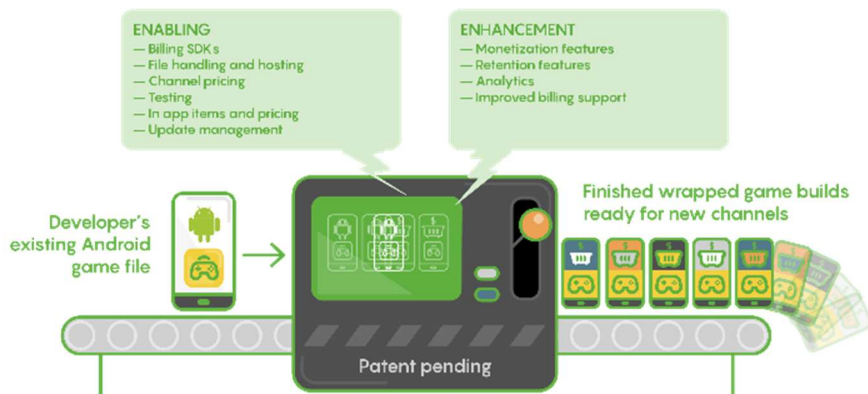
	2019/20			2018/19			
	Q3 Dec-19	Q2 Sep-19	Q1 Jun-19	Q4 Mar-19	Q3 Dec-18	Q2 Sep-18	Q1 Jun-18
Cash flow from operating activities before changes in working capital	(578)	(457)	(521)	(502)	(630)	(359)	(205)
Changes in working capital	(113)	(1,369)	(606)	(419)	814	7	266
Operating cash flow before grant payments	(692)	(1,826)	(1,127)	(921)	185	(353)	61
Grant payments	-	-	251	-	-	-	-
Cash flow from net operating activities	(692)	(1,826)	(876)	(921)	185	(353)	61
Cash flow from investing activities	(98)	(100)	(66)	(116)	(63)	(25)	(24)
Cash flow from financing activities	70	(23)	(23)	(23)	(23)	(23)	233
Net change in cash and cash equivalents	(719)	(1,948)	(965)	(1,060)	99	(400)	271
Cash and cash equivalents at end of the period	2,436	3,085	5,016	5,988	6,993	6,961	7,418

At a glance

About Flexion Mobile Plc (“Flexion” or the “Company”)

Introduction

Flexion runs the leading distribution platform for third-party free-to-play (freemium) games on the Android market outside Google Play and China (“Alternative Android Market”). The Company distributes many of the leading games on a growing number of channels such as Amazon, Samsung, ONE Store, Xiami, Huawei and leading regional channels. Flexion is based in London with a development office in Budapest. The Company employs 50 staff and long-term contractors and is listed on Nasdaq First North Growth Market in Stockholm with ticker name FLEXM:SS.



Value proposition

Flexion’s value proposition is to generate incremental high margin revenue to its developer and channel partners. Based on current distribution power, Flexion aims to generate approximately 10% on top of what the games generate in Google Play. As the Alternative Android Market grows and Flexion increases its distribution footprint, this percentage is expected to increase. The net contribution to the developer from this revenue is high as it is generated without the normal marketing, user acquisition and administrative costs required when distributing through Google Play

Market

Industry-leading research firm Newzoo estimates the Global Games Market will generate more than \$152bn in 2019, with mobile device games accounting almost \$55bn. The Alternative Android Market is also estimated to boom thanks to an increasing demand for other app stores and growing mobile devices and app usage. Flexion’s addressable market is the Android mobile games market, which covers more than 85% of the

world’s new mobile devices. The remaining market is served by Apple’s iOS and is not currently supported by Flexion.

Flexion’s service offer

Flexion provides a full service and manages all steps from existing game file to revenue. This means that the parties involved can benefit from additional distribution and revenue with minimal effort.

Unique technology

At the core of Flexion’s technology is the patented enabling and enhancement software that allows Flexion to distribute third party Android games in its channels. This unique technology can also enhance the games by adding new distribution features required to support the increasingly fragmented 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 end-user transactions. In a typical payment flow, the channel collects payments from end-users and deducts a channel fee. Flexion receives the remaining amount which is shared between Flexion and the developer.

Go-to-market strategy

Flexion’s go-to-market strategy is to sign and manage a portfolio of around 100 games in the mid-term. A third of these games will be top-tier games where each game has the potential to generate gross revenue in excess of USD 140,000 per month based on Flexion’s current distribution power. The remaining two thirds of the games will be mid-tier games with a gross revenue potential in excess of USD 40,000 per month. Revenue per game is likely to increase over time as Flexion’s distribution power grows through stronger relationship with existing channels, large investments by the channels, improved or new distribution features and the addition of new channels. In order to speed up the sales process Flexion may invest in various forms of incentives for top developers to join Flexion early.

