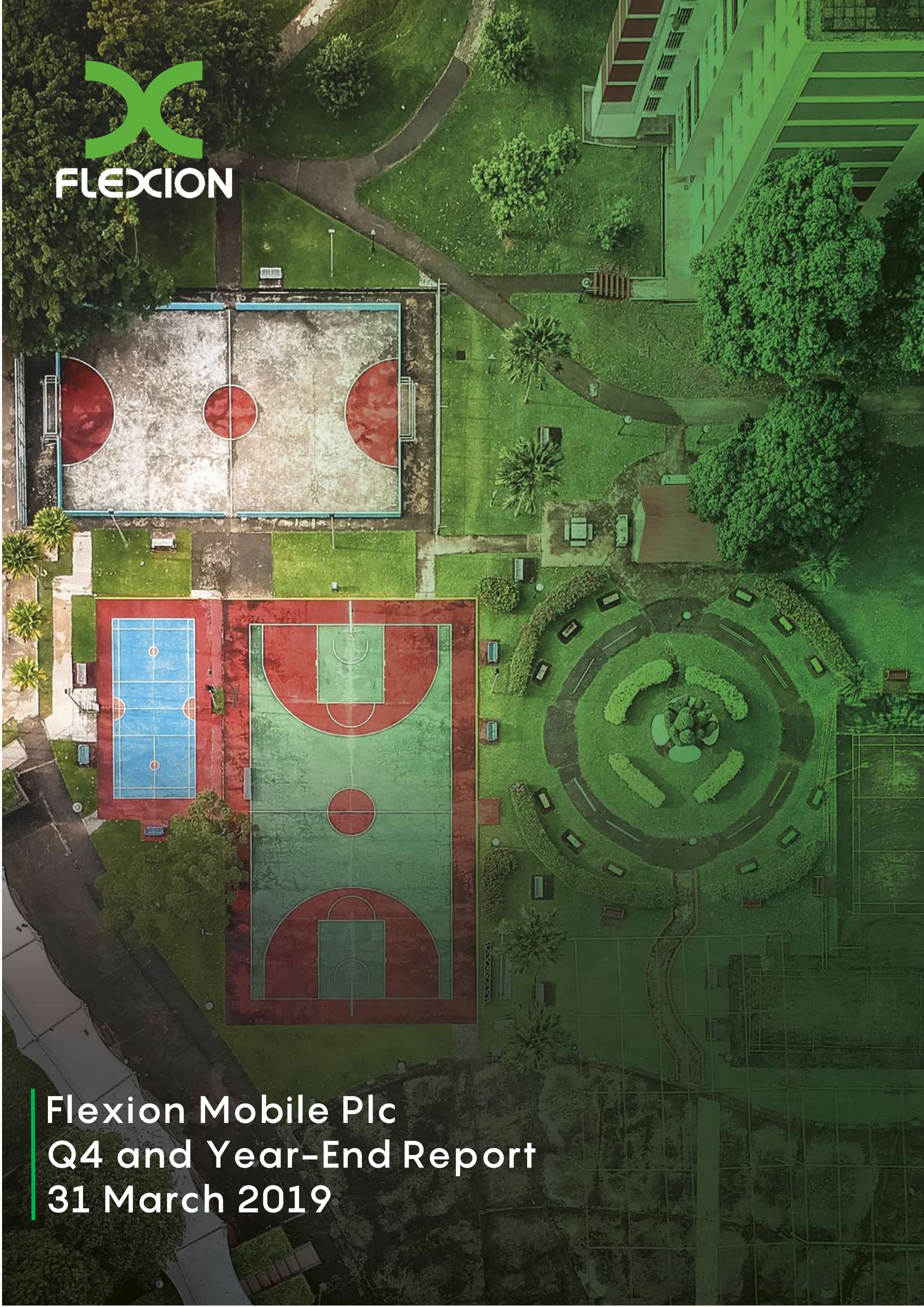


FLEXION

Flexion Mobile Plc
Q4 and Year-End Report
31 March 2019

Q4 and Year-End Report 31 March 2019

Flexion continues to grow its portfolio and revenue. In the fourth quarter, revenue increased by 78% to GBP 1.7m and total annual revenue increased by 150% to GBP 6.4m. The Company continued its success in signing world class mobile games and added two top-tier and one mid-tier title to its portfolio. At the end of the quarter four top-tier titles and five mid-tier titles were live in the expanding distribution channels.

January 2019 to March 2019 performance

- IAP (In App Purchase) revenue increased by 83% to GBP 1.7m (GBP 0.9m [1])
- Total revenue increased by 78% to GBP 1.7m (GBP 0.9m)
- Gross profit increased by 50% to GBP 0.2m (GBP 0.1m)
- Adjusted EBITDA improved by 20% to GBP -0.5m (GBP -0.6m)
- EBIT decreased to GBP -0.5m (GBP -0.4m)
- Earnings per share amounted to GBP -1.12 pence (GBP -1.27 pence)
- Operating cash flow decreased to GBP -0.9m (GBP 0.0m)
- Cash amounted to GBP 6.0m (GBP 7.4m)

April 2018 to March 2019 performance

- IAP (In-App Purchase) revenue increased by 204% to GBP 6.3m (GBP 2.1m)
- Total revenue increased by 150% to GBP 6.4m (GBP 2.6m)
- Gross profit increased by 36% to GBP 0.9m (GBP 0.7m)
- Adjusted EBITDA fell by 37% to GBP -2.1m (GBP -1.5m)
- EBIT decreased to GBP -1.9m (GBP -0.9m)
- Earnings per share fell to GBP -4.42 pence (GBP -2.47 pence)
- Operating cash flow decreased to GBP -1.4m (GBP -0.9m)
- Cash amounted to GBP 6.0m (GBP 7.4m)

Important events during the quarter

- Flexion signed its first top ten US grossing game to be distributed in most of its main stores
- Flexion signed a top grossing game with a major film studio based on a USD 2m minimum guarantee over 2 years
- Flexion announced its Unity plugin with the launch of a strong mid-tier game
- Flexion adopted the full retrospective approach and restated revenue and cost of sales information to comply with accounting standard IFRS 15 — Revenue from Contracts with Customers

Important events after the quarter

- Flexion signed its second biggest title
- Flexion signed a new mid-tier title
- Flexion partnered up with ONE Store to bring top games to the store.

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

Notes from the CEO

In closing this fourth quarter of the year, I would like to reflect on what has been an amazing twelve months. We listed the company on Nasdaq First North, we patented our technology in the US and we recruited some new key members to our fantastic team. In addition, we completed the development phase of our full service offering and started the global platform roll-out last summer. We shifted focus from product development to sales and managed to sign up several world class games in a relatively short period of time

The success of the platform roll-out continued into this fourth quarter. In February, we signed a title from a major film studio with IP that most game developers could only dream of. Later in the same month, we signed our first ever title which will use our new Unity plug-in. This is strategically very significant as developers using the Unity framework (approx. 50% of all mobile games are developed in Unity) can now choose to integrate Flexion already during development. To top this up, in March, we signed a US top-10 grossing title with global Android net revenue of some USD 15m per month. This title, which we will distribute in most of our stores, is of course highly important for our revenue growth but it is also of strategic importance. We have gained considerably higher market acceptance especially in the Chinese market from where this Top-tier title originates and from where many of our future opportunities will come. We are now seeing early signs of real network effects and this will benefit our growth.

Even though the real revenue effects of the signed portfolio are yet to come, we saw a healthy 150% revenue growth during the year. It can take one to three months to launch a title and thereafter six months to organically build up the user base and the revenue for a title. I am also pleased that we managed to keep the strong momentum we had during Christmas period in this normally weaker quarter, without any help from new game launches.

In March, we attended the Game Developer Conference in San Francisco where we met most of our strategic channel partners: Amazon, Samsung, One Store as well as many new and existing game partners. It was a record-breaking week in terms of attendance which reflects the high level of interest in gaming. Stadia, Google's new game streaming service, made the headlines. We are often asked how streaming will impact us and the short answer is that anything that creates more fragmentation in the mobile games market is good for us as it increases the demand of our services. Personally, I think the impact of streaming will mostly be visible in the console space, where expensive gaming hardware is prohibitive to growth.

With streaming, the challenge will instead be to address bandwidth limitation and patchy internet coverage. For streaming to take off on mobile, 5G networks need to be fully rolled out, all devices upgraded, and price plans become generally affordable. This will take a few years and 5G speeds will make it quicker and easier to install mobile games, but we are not convinced that streaming will necessarily become the de facto standard for mobile gaming. Mobile gamers already have access to cheap and improving hardware and they will want to continue to play their mobile games on the move and not be limited to full speed network access.

We are seeing continued strong demand from Chinese developers who are looking to expand outside China, the biggest games market in world. This trend will continue, and we will capitalise on it by adding more Chinese games to our portfolio. We are continuing to add staff with Chinese market experience to further develop this massive opportunity.

We are also seeing renewed interest from fast growing Chinese mobile device manufacturers who are in the process of launching their own app stores and services outside China. These are all players with extensive knowledge in running leading app stores in China. Huawei, Xiaomi, OPPO, Vivo are currently shipping approx. 42% of the world's new mobile phones. This is one of many driving forces of our ever-expanding market.

It is also great to see that Samsung Galaxy App Store is further improving its traction with developers and consumers since the launch of the S10 and the exclusive Fortnite launch. Samsung has also announced the launch of Pokemon Go and Harry Potter from Niantic. This is good news since it will help their store grow quicker, something that will benefit Flexion who is their main partner for games. We are working closely with Samsung on both games and services that will help strengthen their position over the coming quarters. We have also focussed on developing a content strategy for One Store in Korea, a channel that has great potential for us.

We are now set up for a very exciting new year where we will continue to grow our game portfolio and add new channels. This will take us to the next level.

Jens Lauritzson
CEO

Financial Development

January 2019 to March 2019

REVENUE

Our core business, IAP (In-App Purchase) revenue, grew by 83% to GBP 1,654,969 (GBP 903,326) 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 49% to GBP 11,600 (GBP 22,531) as the company has wound down its non-strategic relationships.

Legacy revenue dropped by 91% to GBP 1,056 (GBP 11,809). The last month we generated 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 78% to GBP 1,667,625 (GBP 937,666).

GROSS PROFIT

Gross profit grew by 50% to GBP 226,464 (GBP 151,279).

Cost of sales grew by 83% to GBP 1,441,161 (GBP 786,387). 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 7% to GBP 502,492 (GBP 470,610).

Other overheads decreased by 28% to GBP 189,692 (GBP 264,929) as the previous year's quarter included considerable listing costs.

These effects resulted in an overall 6% decrease in general and administrative expenses to GBP 692,184 (GBP 735,539).

NET RESULT

The adjusted EBITDA improved by 20% to GBP -470,774 (GBP -585,393).

Other Income is now nil (GBP 173,752) as the company's Horizon 2020 EU grant project has ended. The remaining payment of the last 10% of the grant amount and release of 5% grant guarantee, will be reported in the financial quarter ending June 2019.

Operating loss (EBIT) increased by 15% to GBP -489,235 (GBP -425,796).

The loss after tax grew to GBP -462,349 (GBP -412,893). 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 5,988,436 (GBP 7,358,115) and no interest-bearing debt. Trade and other receivables increased to GBP 1,458,374 (GBP 701,280) and trade and other payables increased to GBP 2,578,367 (GBP 1,521,293).

CASH FLOW

Operating cash flow decreased to GBP -888,342 (GBP -8,594) partly driven by short term cyclicality of invoicing.

The cash balance at the end of the quarter was a 5,988,436 (GBP 7,358,115) resulting in a runway of 51 months.

April 2018 to March 2019

The twelve months of the 2018/19 financial year showed steady revenue growth within our core business area, IAP revenue, increasing by 204% to GBP 6,323,525 (GBP 2,079,044).

Total revenue grew by 150% to GBP 6,424,666 (GBP 2,564,941). As planned, subscription revenue fell by 73% to GBP 95,156 (GBP 346,070) and legacy revenue fell by 96% to GBP 5,985 (GBP 139,827).

The gross profit increased by 36% to GBP 946,615 (GBP 695,275).

Other overheads increased by 45% to GBP 875,202 (GBP 603,721) and general and administrative expenses increased by 36% to GBP 2,999,839 (GBP 2,209,760) reducing the adjusted EBITDA by 37% to GBP -2,072,945 (GBP -1,517,835).

Operating loss (EBIT) increased to GBP -1,894,081 (GBP -881,616). The key drivers to the increased operating loss were reduced contribution from the EU grant, increased staff costs and a one-off integration fee.

Loss after tax increased by 125% to GBP -1,810,916 (GBP -806,611).

Operating cashflow decreased to GBP -1,398,426 (GBP -933,440).

The cash balance at the end of the period was GBP 5,998,436 (GBP 7,358,115), a 19% decrease.

Other information

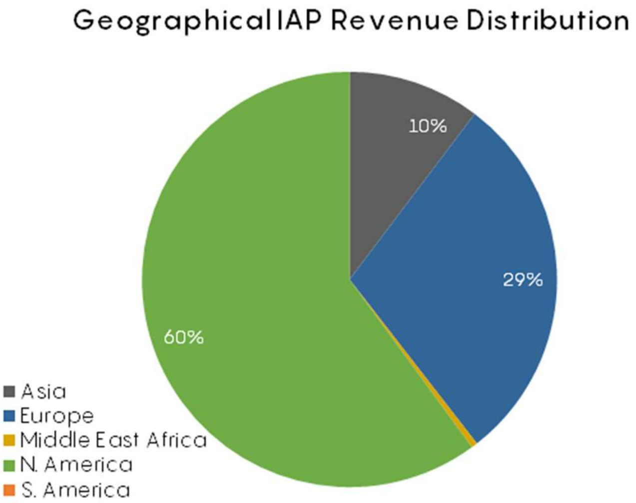
Segmental information

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, bad debt/refunds and discounts when transactions are deemed to be successful.

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



The main markets for IAP revenue over the quarter were North America and Europe, with 60% and 29% market share respectively. Asia amounted to 10%, 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.

Existing 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 has been phased out as it doesn't carry any strategic value. The last month with material legacy revenue was January 2018.

Tier-games

The board of Flexion is on a quarterly basis defining the number of live top-tier and mid-tier games based on each game's revenue potential for Flexion. The key judging 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[2] for top-tier games and USD 40,000[2] 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 month after launch, is not qualifying 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 45 staff and long-term contractors.

Parent company reporting

The Company doesn't own nor control any subsidiaries as at 31 March 2019.

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

Q1 report for 2019/20:	22 Aug. 2019
Q2 report for 2019/20:	21 Nov. 2019
Q3 report for 2019/20:	13 Feb. 2020
Q4 report for 2019/20:	11 Jun. 2020

Annual General Meeting

Flexion will hold its AGM for the financial year ending March 2019 at 14.00 on 19 September 2019 at Chelsea Harbour Hotel, London, UK.

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 on 19 June 2019.

[2] Minimum revenue requirement numbers have been updated to reflect changed revenue reporting in accordance with IFRS 15. The numbers do now include channel fees deducted at source whereas the numbers in the past were reported net of channel fees deducted at source.

Financial reports in brief

Consolidated statement of profit or loss and other comprehensive income for the quarterly period ended 31 March 2019

	QTD Mar-19 3 months 2018/19 Unaudited GBP	QTD Mar-18 3 months 2017/18 Unaudited GBP	YTD Mar-19 12 months 2018/19 Unaudited GBP	YTD Mar-18 12 months 2017/18 Audited GBP
IAP revenue	1,654,969	903,326	6,323,525	2,079,044
Subscription revenue	11,600	22,531	95,156	346,070
Legacy revenue	1,056	11,809	5,985	139,827
Total revenue	**1,667,625**	**937,666**	**6,424,666**	**2,564,941**
Cost of sales	(1,441,161)	(786,386)	(5,478,051)	(1,869,666)
Gross profit	**226,464**	**151,280**	**946,615**	**695,275**
Staff and contractors cost	(502,492)	(470,610)	(2,124,637)	(1,606,040)
Other overheads	(189,692)	(264,929)	(875,202)	(603,720)
General and administrative expenses	**(692,184)**	**(735,539)**	**(2,999,839)**	**(2,209,760)**
Share based payments	(5,054)	(1,133)	(19,721)	(3,350)
Adjusted EBITDA[3]	**(470,774)**	**(585,393)**	**(2,072,945)**	**(1,517,835)**
Other Income	-	173,752	245,910	685,249
Depreciation of tangible assets	(5,313)	(5,312)	(21,251)	(21,251)
Amortization of intangible assets	(13,148)	(8,843)	(45,795)	(27,779)
Operating loss (EBIT)	**(489,235)**	**(425,796)**	**(1,894,081)**	**(881,616)**
Tax	26,886	12,903	83,165	75,005
Loss after tax	**(462,349)**	**(412,893)**	**(1,810,916)**	**(806,611)**
Attributable to:				
Equity holders of the parent	(462,349)	(412,893)	(1,810,916)	(806,611)
Loss for the period	**(462,349)**	**(412,893)**	**(1,810,916)**	**(806,611)**
Total comprehensive loss for the period	**(462,349)**	**(412,893)**	**(1,810,916)**	**(806,611)**
Attributable to:				
Owners of the parent	(462,349)	(412,893)	(1,810,916)	(806,611)
	(462,349)	**(412,893)**	**(1,810,916)**	**(806,611)**

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

Consolidated statement of financial position as at 31 March 2019

	Notes	Mar-19 2018/19 Unaudited GBP	Mar-18 2017/18 Audited GBP
Assets			
Non-current assets			
Property, plant and equipment	4	15,940	37,190
Intangible assets	5	347,209	165,776
Deferred tax assets		9,912	-
Total non-current assets		**373,061**	**202,966**
Current assets			
Trade and other receivables	6	1,458,374	701,280
Cash and cash equivalents		5,988,436	7,358,115
Total current assets		**7,446,810**	**8,059,395**
Total assets		**7,819,871**	**8,262,361**
Equity and liabilities			
Equity			
Share capital		82,266	80,266
Share premium		4,957,133	8,703,183
Other reserves		110,706	14,716
Retained earnings		91,399	(2,097,712)
Total equity		**5,241,504**	**6,700,453**
Non-current liabilities			
Deferred tax liabilities		-	40,615
Total non-current liabilities		**-**	**40,615**
Current liabilities			
Trade and other payables	7	2,578,367	1,521,293
Total current liabilities		**2,578,367**	**1,521,293**
Total liabilities		**2,578,367**	**1,561,908**
Total equity and liabilities		**7,819,871**	**8,262,361**

Consolidated statement of cash flows for the quarterly period ended 31 March 2019

	QTD Mar-19	QTD Mar-18	YTD Mar-19	YTD Mar-18
	3 months	3 months	12 months	12 months
	2018/19	2017/18	2018/19	2017/18
	Unaudited	Unaudited	Unaudited	Audited
	GBP	GBP	GBP	GBP
Cash flow from operating activities				
Operating loss (EBIT) — continuing operations	(489,235)	(425,796)	(1,894,081)	(881,616)
Operating loss (EBIT)	**(489,235)**	**(425,796)**	**(1,894,081)**	**(881,616)**
Adjustments for:				
Finance income	-	-	-	-
Share based payments	5,054	1,133	19,721	3,350
Depreciation of tangible assets	5,313	5,312	21,251	21,251
Amortization of intangible assets	13,148	8,843	45,795	27,779
Grant income	-	(173,752)	(245,910)	(685,249)
Working capital:				
Change in trade and other receivables	(481,590)	(143,440)	(602,974)	92,706
Change in trade and other payables	58,968	719,109	1,257,772	488,339
Operating cash flow	**(888,342)**	**(8,591)**	**(1,398,426)**	**(933,440)**
Grant payment	-	-	-	868,951
Net cash flow from operating activities	**(888,342)**	**(8,591)**	**(1,398,426)**	**(64,489)**
Cash flow from investing activities				
Expenditure on property, plant and equipment	-	-	-	-
Capitalised development cost	(115,982)	(16,693)	(227,203)	(92,626)
Bank interest received	-	-	-	-
Net cash flow from investing activities	**(115,982)**	**(16,693)**	**(227,203)**	**(92,626)**
Cash flow from financing activities				
Net proceeds from issue of equity instruments	-	5,297,463	255,950	5,297,463
Net cash flow from financing activities	**-**	**5,297,463**	**255,950**	**5,297,463**
Net change in cash and cash equivalents	**(1,004,324)**	**5,272,179**	**(1,369,679)**	**5,140,348**
Cash and cash equivalents at beginning of period	6,992,760	2,085,936	7,358,115	2,217,767
Cash and cash equivalents at end of period	**5,988,436**	**7,358,115**	**5,988,436**	**7,358,115**

Consolidated statement of changes in equity for the quarterly period ended 31 March 2019

	Share capital GBP	Share premium GBP	Other reserves GBP	Retained earnings GBP	Total GBP
Balance at 1 January 2018	63,856	3,422,130	13,583	(1,684,818)	1,814,751
Loss for the period	-	-	-	(412,894)	(412,894)
Total comprehensive income	**63,856**	**3,422,130**	**13,583**	**(2,097,712)**	**1,401,858**
Shares based payments	-	-	1,133	-	1,133
Issue of share capital	16,410	5,281,053	-	-	5,297,463
Balance at 31 March 2018	**80,266**	**8,703,183**	**14,716**	**(2,097,712)**	**6,700,453**
Balance at 1 January 2019	82,266	4,957,133	46,030	553,748	5,639,177
Loss for the period	-	-	-	(462,349)	(462,349)
Total comprehensive income	**82,266**	**4,957,133**	**46,030**	**91,399**	**5,176,828**
Shares based payments	-	-	5,054	-	5,054
Deferred Tax	-	-	59,622	-	59,622
Balance at 31 March 2019	**82,266**	**4,957,133**	**110,706**	**91,399**	**5,241,504**

Main KPIs

Summary of the Company's Key Performance Indicators

		QTD Mar-19 3 months 2018/19	QTD Dec-18 3 months 2018/19	QTD Sep-18 3 months 2018/19	QTD Jun-18 3 months 2018/19
IAP revenue[4]	GBP	1,654,969	1,742,137	1,556,543	1,369,875
Subscription revenue[4]	GBP	11,600	16,706	23,533	43,317
Total revenue[4]	GBP	1,667,626	1,760,357	1,581,644	1,415,039
Gross profit	GBP	226,464	222,626	257,990	239,532
Adjusted EBITDA	GBP	-470,774	-721,613	-439,797	-440,761
Operating loss (EBIT)	GBP	-489,235	-729,028	-363,002	-312,816
IAP revenue growth[5]	%	83%	243%	274%	445%
Subscription revenue growth[5]	%	-49%	-81%	-81%	-62%
Total revenue growth[5]	%	78%	180%	174%	236%
Gross profit margin[6]	%	14%	13%	16%	17%
Adjusted EBITDA margin[7]	%	-28%	-41%	-28%	-31%
Operating loss (EBIT) margin[8]	%	-29%	-41%	-23%	-22%
Average monthly operational cashflow[9]	GBP	-296,114	31,382	-143,839	-57,571
Runway left[10]	Months	51	162	88	94
Number of shares at period end (adjusted for share split and bonus issue)		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)		41,132,958	41,132,958	41,132,958	40,417,890
Loss per share — basic and diluted, attributable to ordinary equity holders of the parent (pence)[11]	GBP	(1.12)	(1.73)	(0.83)	(0.73)
Headcount[12]		45	44	42	40
Number of top-tier games live[13]		4	4	2	2
Number of mid-tier games live[14]		5	5	2	2

[4] Restated revenue and cost of sales information in line with accounting standard IFRS 15 - Revenue from Contracts with Customers
[5] Growth rates are measured to the comparable period in the previous financial year
[6] Gross profit to total revenue
[7] Adjusted EBITDA to total revenue
[8] EBIT to total revenue
[9] Average operational cashflow divided by number of months in the measured period
[10] Cash at end of period divided by average 12 monthly operational cash burn
[11] 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
[12] Headcount is defined by the Company as all staff plus all long-term contractors
[13] Based on the assessment of number of live top-tier games
[14] Based on the assessment of number of live mid-tier games

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 March 2019

	Number of shares and votes	%	Aggregated %
Mobile Sensations Ltd	11,585,972	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	2,237,682	5.4%	48.3%
Julius Baer & Co Sweden	1,650,000	4.0%	52.3%
Other shareholders	19,591,554	47.7%	100.0%
Total number of shares	**41,132,958**	**100.0%**	

Share data

	QTD Mar-19 3 months 2018/19	QTD Mar-18 3 months 2017/18	YTD Mar-19 12 months 2018/19	YTD Mar-18 12 months 2017/18
Number of shares at period end (adjusted for share split and bonus issue)	41,132,958	40,132,958	41,132,958	40,132,958
Amount of weighted average shares outstanding for period (adjusted for share split and bonus issue)	41,132,958	32,737,031	40,954,876	32,737,031
Loss per share — basic and diluted, attributable to ordinary equity holders of the parent (pence)[15].	(1.12)	(1.27)	(4.42)	(2.47)

[15] 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 March 2019 totalled 3,659,250 (31 March 2018: 2,429,500) and are potentially dilutive.

Notes

1. Basis of preparation

The condensed consolidated financial statements for the three months ended 31 March 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 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 March 2019 and 31 March 2018 is unaudited. The financial information for the twelve months ended 31 March 2019 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

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 2018.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE COMPANY

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 March 2018, except for the adoption of new standards effective for the Company from 1 April 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 'Revenue from Contracts with Customers' for which the Board decided to restate the previous financial statements. As required by IAS 34, the nature and effect of those changes are disclosed below.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The standard establishes a principles-based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied, and the control of goods or services is transferred.

The principles in IFRS 15 must be applied using the following 5 step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company adopted IFRS 15 using the full retrospective approach. The following summarises the Company's accounting policy for revenue based on the principles of IFRS 15 for the previous and current reporting period.

REVENUE RECOGNITION

The Company's turnover (revenue) is derived from the revenue streams; i) distribution revenue and; ii) legacy revenue. Distribution revenue further comprises of IAP revenue and subscription revenue. There is no change to above disaggregation of revenue due to IFRS 15 as management believe this best depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic factors.

IAP revenue is revenue receivable from end-user transactions of sold in-application items within the games. In contrast to the Company's previous policy (where revenue was reported net of distribution channel fees deducted at source), revenue under IFRS 15 now 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 Company has determined that it acts as principal to the end-user as it is in control of the in-application item before it is transferred to the end-user. As the Company is acting as a principal, revenue is recorded on a gross basis meaning distribution channel fees deducted at source will, under IFRS 15, be shown in cost of sales rather than a deduction to revenue.

IAP revenue is primarily accounted for as a single performance obligation, with revenue being recognised when transactions are deemed to be successful and recorded as accrued revenue on the balance sheet. The accrued revenue is subsequently reversed when payments are received and / or invoices are issued for revenue relating to those successful transactions. The adoption of IFRS 15 did not have an impact on the timing of revenue recognition against the Company's previous treatment.

There is no change in the treatment for existing historical subscription revenue and legacy revenue and the same presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 March 2018. Future subscription revenues will be calculated gross of billing fees.

IFRS 16 LEASES

IFRS 16 was in issue at 31 March 2019 but was not effective for the Company at 31 March 2019 and has not been early 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. IFRS 16 Leases will be effective for the Company from 1 April 2019 and will be incorporated in the preparation of the Company's financial statements from that date.

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 had a carrying value of GBP 15,938 (GBP 37,190). In the third quarter for the year ending 31 Marc 2019 depreciation amounted to GBP 5,313. Depreciation year to date amounted to GBP 21,251.

5. Intangible assets

Intangible assets comprise of capitalized development costs for internally generated software and had a carrying value of GBP 347,209 (GBP 165,776). The company started capitalizing development cost during the year ending 31 March 2017. In the third quarter for the year ending 31 March 2019 amortization amounted to GBP 13,148. Amortization year to date amounted to GBP 45,795.

6. Trade and other receivables

	Mar-19 2018/19 Unaudited GBP	Mar-18 2017/18 Unaudited GBP
Assets		
Trade receivables	8,004	25,122
Other receivables	800,569	211,876
Prepayments and accrued income	649,801	464,282
Trade and other receivables	**1,458,374**	**701,280**

7. Trade and other payables

	Mar-19 2018/19 Unaudited GBP	Mar-18 2017/18 Unaudited GBP
Liabilities		
Trade payables	366,893	123,076
Social security and other taxes	62,256	49,931
Accrued expenses	2,141,145	1,212,606
Other payables	8,073	135,680
Trade and other payables	**2,578,367**	**1,521,293**

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 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 March 2019 no impairment has been identified during the quarter.

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

	Mar-19	Mar-18
	2018/19	2017/18
	Unaudited	Unaudited
	GBP	GBP
Minimum guarantees which expire		
Within one year	3,359,782	-
Within two to five years	847,229	-
Total minimum guarantees	**4,207,011**	**-**

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

	Mar-19	Mar-18
	2018/19	2017/18
	Unaudited	Unaudited
	GBP	GBP
Operating leases which expire		
Within one year	68,063	90,750
Within two to five years	-	68,063
Total operating leases	**68,063**	**158,813**

9. Events after the reporting period

There are no material events to be disclosed after the reporting 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, ONE Store and leading regional channels. Flexion is based in London with a development studio in Budapest. Flexion employs 45 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, an USD +30bn market which covers more than 80% of the world's mobile devices and more than 50% of mobile games revenue. The remaining market is covered by Apple's iOS which is not currently supported by Flexion.

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 successful end-user transactions in distributed games. 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.

Value proposition

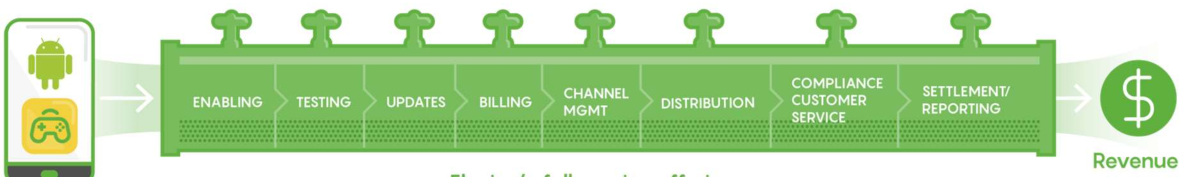
Flexion's go-to-market strategy is to become the dominant distributor on the alternative Android market i.e. on the Android market outside Google Play and China. The value proposition is to generate incremental high margin revenue for developers from their existing Android games. With Flexion's current 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 gross revenue in excess of USD 140,000[16] 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 40,000[16] in gross revenue per game per month. Revenue per game is likely to increase over time as the alternative Android market and Flexion's distribution power grows. The games are sourced globally. In order to speed up the sales process Flexion may 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.



Flexion's full service offering

[16] Minimum revenue requirement numbers have been updated to reflect changed revenue reporting in accordance with IFRS 15. The numbers do now include channel fees deducted at source whereas the numbers in the past were reported net of channel fees deducted at source.