

Q4 Report

31 December 2023



FLEXION



“We grow revenue and audiences for games”

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Flexion validates return to growth with all-time highs for quarterly revenue and adjusted EBITDA[‡] as it hits GBP 24.3m and GBP 2.1m respectively in Q4. Revenue grows 64% compared to Q3.

October-December 2023 performance

- Total revenue increased by 12% to GBP 24.3m (21.7)*
- Gross profit increased by 35% to GBP 5.0m (3.7)
- Adjusted EBITDA[‡] increased by 38% to GBP 2.1m (1.6)
- Operating profit decreased to GBP 0.2m (1.9m)
- EPS amounted to GBP 0.08 pence (2.78 pence)
- Operating cash flow amounted to GBP 3.5m (1.2)
- Cash and cash equivalents decreased to GBP 11.1m (13.8)

January-December 2023 performance

- Total revenue increased by 3% to GBP 70.8m (68.5)*
- Gross profit increased by 12% to GBP 12.4m (11.1)
- Adjusted EBITDA[‡] decreased by 14% to GBP 4.2m (4.8)
- Operating profit decreased to GBP -0.3m (1.5)

* Comparison figures for the year-earlier period in brackets.

[‡] The Group defines adjusted EBITDA as earnings before interest, tax, depreciation, amortisation, finance costs, impairment losses, foreign exchange gains/losses, corporate acquisitions costs and other extraordinary costs (insolvency related provisions/write-backs & costs).

Other items

- The 2022 audit is still ongoing and comparative numbers presented as of 31 December 2022 are therefore unaudited. Any adjustments made during the audit process will impact the comparative figures presented. The company and its auditors, Grant Thornton, are committed to finalising the 2022 annual accounts as soon as possible
- The company is aware of potential changes that will impact the 2022 figures presented. The changes relate to the recoverability of certain receivable balances as of 31 December 2022, impairment of intangible assets as a result of the insolvency of a customer (previously a related party) of the company's German subsidiary, increased audit fees and reclassification of a financial asset at fair value to an investment in associate. The company's estimated maximum exposure in the statement of profit and loss for the 2022 year, in respect of these potential adjustments, is GBP 1.3m with an estimated maximum future cash flow exposure of GBP 0.2m. The estimated effects from the additional purchase price consideration and contingent consideration liability related to the acquisition of the subsidiary are yet to be determined. This is described further under note 12 comparative information as of 31 December 2022. When the audit is finalised, comparative figures presented in future reports will be updated to reflect final audited figures in respect of the 2022 financial year

Q4 2023

Important events during the quarter

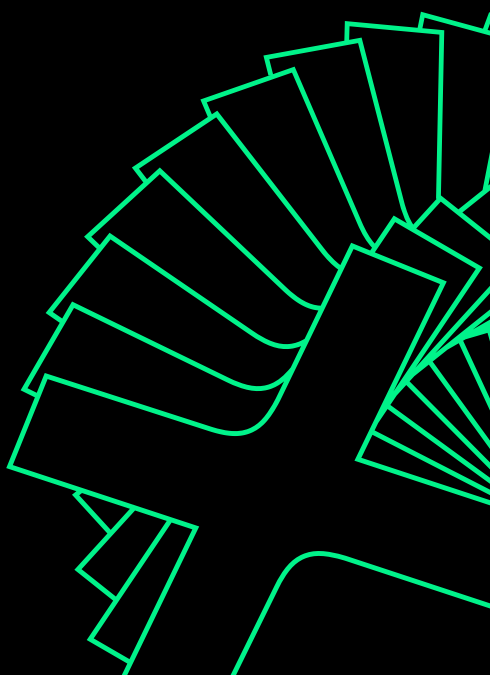
- Tripling of Monthly Active Userbase (MAU) to 4.5 million compared to Q4 2022
- Reached new all-time high for quarterly total revenue and adjusted EBITDA[‡]
- Signing of Chronicle of Infinity and Immortal Awakening from Neocraft
- Signing of Klondike Adventures from Vizor Games
- Signing and launch of Wolf Game from Special Gamez
- Renewal of an exclusive sponsorship contract for "7vsWild" - the biggest YouTube show in the German-speaking markets
- Initiated a comprehensive independent legal and accounting review as announced on 29 January 2024. GBP 0.9m in legal and advisory fees were reported during the quarter as extraordinary general and administrative costs

Q1 2024

Important events after the quarter

- Three-year target to grow total revenue by 100% (26% CAGR)
- Launch of Klondike Adventures from Vizor Games
- Launch of Chronicle of Infinity and Immortal Awakening from Neocraft
- Signing of EverMerge from Big Fish Games
- The comprehensive independent legal and accounting review was concluded on 29 January 2024. Final costs of this review are yet to be determined
- The insolvency plan of a customer (previously a related party) of the company's German subsidiary has been unanimously approved by the creditors (subject to possible final appeal) adding clarity to outstanding claims to the customer. Total net cash loss to Audiency due to write-down of invoices and settlement to the administrator is in the region of GBP 0.13m and was written down in Q3-23
- Discontinuation of LiteUp Media as product development and commercial roll-out to scalability was deemed too protracted. Flexion is looking to take over brand, domain, customer/influencer lists and software without any cash effect to Flexion. The asset (investment in associate) of GBP 0.4m has been fully written down during the quarter

Comments from the CEO



Jens Lauritzson
CEO

The fourth quarter signalled a strong and positive new trend, recording an all-time high of GBP 24.3m in quarterly revenue and year-on-year growth of 12% in GBP. As of today, we have GBP 14.3m (11th March 2024) in cash, a strong positive cash flow, zero debt and we are continuing to grow rapidly in both of our business areas. This is a great achievement, and I was pleased to see us bounce back like this in Q4. I am very proud of how the teams performed during this important period and we are now looking forward to an exciting 2024.

Our new titles and the top segment of the portfolio performed well during the quarter, which resulted in strong quarter-on-quarter growth of 64%. In December, we tripled the amount of Monthly Active Users (MAU) to 4.5m compared with the preceding year, which demonstrates the momentum in the portfolio and channels. Audiencly's "7vs Wild" project also delivered on our expectations and the good news is that we have secured the fourth season of this blockbuster show. "7vsWild" is the biggest YouTube show in the German-speaking markets with approximately 100m views per season. It is a survival show featuring some of the most well-known influencers competing to win the competition. It has significantly raised Audiencly's profile with advertisers and influencers. Extending this contract will allow us to start selling sponsorship already now, much earlier than last year, and as such we expect our revenue from next season to exceed season 3, which just ended.

Looking back at 2023, one of the defining moments was when we launched Monopoly Go - the top-grossing mobile game in the world - in our channels. Since then, our alternative distribution service has been gaining considerable traction with top developers. As a result, our sales pipeline is stronger than ever, and we are expecting to convert some of these leads in the next few quarters. We typically start working with one game from a big developer and then expand to more of their games over time. As an example, we have just launched Klondike Adventures - a top 100 grossing title. We have already worked with them on another game - and are now taking over their Amazon app store business for Klondike while expanding distribution to our other stores. "Take-overs" is becoming a proven and successful model for us. We instantly add growth for Flexion while boosting revenue from alternative distribution at a lower operating cost for developers. We have also signed EverMerge from Big Fish Games. Big Fish Games is part of a public group (Aristocrat) which includes Plarium and Product Madness. Similarly, this could offer expansion opportunities for us in 2024. EverMerge is expected to launch in the 2nd quarter, and we have high hopes for this and our other new titles in 2024.

One reason for the stronger developer interest is the difficult user acquisition market, where it is increasingly challenging to achieve positive returns due to changes in user tracking (IDFA) and high store fees. Another is that we continue to see growing expectations from developers in relation to the new regulatory changes such as the Digital Markets Act (DMA) in Europe, which came into force earlier this month aimed at opening up large "gatekeepers" such as Google and Apple. Epic and Spotify are at the centre of this. They have been challenging Apple and Google for years and are now starting to win. This gives the market a further boost of confidence. As a result, new app store initiatives are launching around the world. Some of these are from our existing partners such as ONEstore, Digital Turbine (DT) and Xiaomi but also from newcomers. Other activities such as developers launching their own web stores using third-party payments, to attract a higher margin, is also becoming commonplace. Driven by the need to get higher payouts to fund marketing, more freedom and control of their own

userbases, we expect developers' interest in Flexion's services to grow even stronger over time. We have identified and monitored these trends for several years and positioned ourselves strategically to leverage this shift. This is now accelerating through the introduction of regulatory pressure which will benefit Alternative Distribution.

We are therefore preparing several initiatives to support game developers in their efforts to expand their non-Google Play business. Beside growing developers' alternative store presence and building up our influencer marketing offering, we are planning to support new distribution opportunities in partnership with companies that can offer seamless and scalable game distribution of non-Google Play versions. This distribution, which occurs outside Google Play, is already taking place and is powered by advertising. The obvious opportunity for developers is to switch to a different version of a game that uses third-party payment services and achieve higher payouts. This is something that Flexion is an expert in and can support developers with. DT is one of a few larger companies that has built so-called direct distribution channels consisting of more than 800m devices worldwide with their software. We announced a strategic partnership with DT during 2023 and as a step in strengthening this partnership, DT announced a minority stake in Flexion in February. Naturally, this is exciting and a strong testament to our value proposition and market position. We have since then recruited a new senior manager to drive this new direct-to-consumer initiative going forward. Based on initial feedback from developers, most of them are very interested in this type of new distribution and marketing service. It is a highly strategic growth opportunity for us as it can scale quickly through developers own advertising budgets. We will invest in the programme during 2024. The same applies to our user acquisition initiative where we are stepping up efforts by building a dedicated team to drive this forward. I am pleased to say that after nearly two years of development, our new developer SDK (software development kit) is gearing up for rollout. This allows developers to easily integrate our tech into their games and be ready for features and services that Flexion will introduce in the future. As an example, game developers that want to explore new direct distribution or new app store opportunities do not need to change their game if they are already integrated with us. This new and improved service is critical for us to support and scale our portfolio of top-grossing titles over time.

In terms of the general market outlook, we expect the global games market to return to growth in 2024. Fortunately, we have not been affected by the downturn in same way, as alternative markets continue to grow faster than the total market. It is now easier for us to find and recruit talent for our growth projects and we are strengthening our teams, as we are stepping up a level, through bigger and stronger partnerships with game developers. Our strong financial position and fast growth, combined with a robust and exciting market position, allow us to fully leverage these new growth opportunities ahead.

In the longer-term perspective, our three-year target is to grow total revenue by 100% which would imply a CAGR of 26%. In terms of guidance ahead, we expect to generate between USD 21-24m in revenue during Q1. We will continue to provide quarterly updates and revenue guidance in USD, which is our primary trading currency and considerably less volatile than GBP.

Jens Lauritzson
CEO

Financial Development

October-December 2023

REVENUE

Total revenue increased by 12% year-on-year to GBP 24,273,801 (21,712,865), of which In-App Purchase (IAP) revenue increased by 4% year-on-year to GBP 19,056,148 (18,259,584), non-IAP revenue decreased to GBP 32,713 (71,213) and Marketing services revenue increased to GBP 5,184,940 (3,382,068).

Total revenue for the quarter increased by 64% compared with the preceding quarter to GBP 24,273,801 (14,777,009).

GROSS PROFIT

Cost of sales increased by 7% year-on-year to GBP 19,322,104 (18,054,411).

Total gross profit increased by 35% year-on-year to GBP 4,951,697 (3,658,454) with gross profit from Marketing services contributing GBP 1,619,864 (1,066,419) equivalent to a year-on-year growth of 52%. IAP gross profit increased by 31% year-on-year to GBP 3,299,120 (2,520,822) driven by strong performance from high margin contributing games. Non-IAP gross profit decreased to GBP 32,713 (71,213). All non-IAP revenue carried a 100% margin to Flexion.

Total gross profit margin increased from 16.8% to 20.4% year-on-year, with Marketing services gross profit margin decreasing from 31.5% to 31.2% and IAP gross profit margin which increased from 13.8% to 17.3%.

Total gross profit increased by 96% to 4,951,697 compared with the preceding quarter. IAP gross profit increased by 62% to 3,299,120 compared with the preceding quarter. Total gross profit margin increased from 17.1% to 20.4%, with Marketing services gross profit margin increasing from 26.5% to 31.2% offset by IAP gross profit margin which increased from 15.7% to 17.3% compared with the preceding quarter. The increase in IAP gross profit margin is driven by new titles with relatively high margin contributions and the decrease in Marketing services contribution is driven by a lower margin on a large sponsorship event.

GENERAL AND ADMINISTRATIVE EXPENSES

The total headcount increased by 11 year-on-year to 138 (127) of which, Distribution's headcount represented 98 (94). There are now 16 (14) strategic and 82 (80) core headcounts within Distribution. Core headcounts include staff for group functions to support with

acquisitions. Adjusted staff cost for Distribution decreased by 3% from GBP 1,171,978 to GBP 1,133,686. Audiency had a headcount of 40 (33). Group staff and contractor costs increased by 31% year-on-year to GBP 2,025,566 (1,548,553) driven by inflationary salary pressure and the increase in headcount in both Distribution and Marketing Services.

Other overheads increased year-on-year to GBP 1,605,175 (-220,203) driven by GBP 769,160 (284,804) in increased administrative costs and a reduction in unrealised/realised foreign exchange net gains/losses to GBP -199,453 (-779,106) thanks to a new settlement structure to reduce unrealised/realised FX effects within settlement and financial reporting. The increase in administrative costs is driven by significant increase in legal and advisory fees. The impairment losses increased to GBP 338,520 (0) due to the write-down of the investment in associate.

The total amortisation of GBP 724,887 (416,812) includes GBP 434,111 (37,729) related to game distribution rights, GBP 131,381 (197,071) related to Brand, GBP 85,039 (111,776) related to customer relationships and GBP 74,359 (76,448) related to capitalised development costs.

As a result, group general and administrative expenses increased year-on-year to GBP 4,727,316 (1,777,953).

During the quarter, the headcount for distribution increased by 1 to 98 of which 16 headcount for new strategies excluding Audiency. Total staff and contractor costs for distribution increased by 14% compared with the preceding quarter as a result of inflationary related increases. Adjusted staff costs for Distribution, as reported in the KPI section, increased by 3% QoQ. Other overheads increased by 74% compared with the preceding quarter, driven by GBP 0.9m in legal and advisory fees and offset by GBP 0.04m in foreign exchange movements.

ADJUSTED EBITDA AND NET EARNINGS

Adjusted EBITDA for the quarter amounted to GBP 2,136,885 (1,551,471) driven by higher gross profit from both Distribution and Marketing Services. Compared with the preceding quarter, EBIT increased to GBP 224,381 (-432,563) and the result after tax for this quarter amounted to GBP -16,519 (-699,121). Adjusted profit before tax amounted to GBP 1,362,778 (27,157).

CASH FLOW

Operating cash flow increased by GBP 2.3m year-on-year to GBP 3,497,178 (1,174,458) primarily due to working capital timing effects on both trade payables and trade receivables. Net cash flow increased to GBP 3,589,012 (3,334,197).

FINANCIAL POSITION

Cash amounted to GBP 11,084,322 (13,801,592) and there were no interest-bearing liabilities. During the quarter, cash increased by GBP 3,553,078, driven by stronger working capital. Trade and other receivables amounted to GBP 14,852,983 (11,497,388). Trade and other payables amounted to GBP 19,517,166 (17,272,755).

CHANGES IN THE NUMBER OF GAMES DURING THE QUARTER

The average monthly revenue for top-tier games past the ramp-up period increased to USD 744,674 (541,700) compared to the preceding quarter and the number of top-tier games increased to 10 (8) when compared to the preceding quarter.

The average monthly revenue for mid-tier games decreased to USD 33,628 (34,344) compared to the preceding quarter with a decrease of number of mid-tier games from 16 to 12.

During the quarter, the number of live mid-tier games remained at 18 titles. The number of live top-tier games decreased by 2 to 8 titles with a top-tier game signed and yet to be launched.

January-December 2023

The twelve months of the financial year ending December 2023 showed a 3% growth in total revenue, increasing to GBP 70,822,934 (68,529,614). While IAP remained flat 60,307,302 (60,595,788), Marketing services revenue grew by 25% as it is now accounted for 12 months. Gross profit increased by 12% to GBP 12,361,824 (11,065,768) during the period. General and administrative expenses increased by 32% to GBP 12,682,584 (9,611,953). Adjusted EBITDA decreased to GBP 4,235,152 (4,751,015). The result after tax decreased to GBP -1,429,890 (350,199).



Niklas Koresaar | CFO

Other Information

Segmental information

IAP REVENUE

Flexion's focus is on growing its business by signing free-to-play games with In-App Purchase (IAP), integrating more channels and increasing the monetisation of existing games. IAP revenue is revenue receivable from end-user transactions where in-application items are sold within the games. Revenue represents revenue receivable by the company from end-user transactions involving the sale of in-application items managed by the Company less VAT, bad debt/refunds and discounts.

NON-IAP REVENUE

Non-IAP revenue includes revenue from integration fees and minimum guarantees and other revenue that is non-recurring. It includes recurring revenue share from in-game advertising, historical subscription revenue and legacy revenue.

MARKETING SERVICES REVENUE

Marketing services revenue includes all marketing campaigns generated as part of the influencer marketing service offered.

Tier-games

On a quarterly basis, Flexion's Board of Directors 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) contractual terms that have an impact; and iv) any future events that could affect the revenue potential of a game. A game will be redefined if its performance over a period of six consecutive months, excluding the first three months after launch, does not qualify for a specific tier class. The number of tier games and their average revenue per month is reported in the Main KPI section.

Review

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

Number of employees and long-term contractors

At the end of the reporting period the group had 138 employees and long-term contractors.

Material risks and uncertainties

The company's material risks and uncertainties include, but are not limited to, risks related to market, technology, contracts, regulatory requirements, key staff, financial requirements and counterparties. A detailed risk description of the Company is given in the audited financial statements for the period ended 31 December 2021.

Financial calendar

Q1 report - 2024 financial year	24 May 2024
Q2 report - 2024 financial year	21 Aug. 2024
Q3 report - 2024 financial year	20 Nov. 2024
Q4 report - 2024 financial year	19 Mar. 2025
Q1 report - 2025 financial year	21 May 2025

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

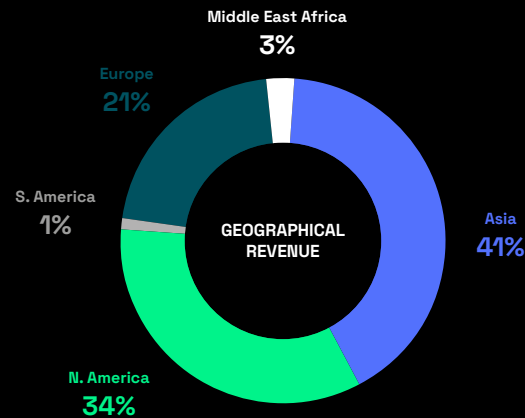
MAR Publishing Statement

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 8:00 am CET on 20 March 2024.

GEOGRAPHICAL REVENUE

The geographical breakdown of group revenue for the quarter ending 31 December 2023 is presented on the right.

The main market for group revenue during the quarter was Asia with 41% market share followed by North America with 34% market share. Europe accounted for 21%, Middle East and Africa for 3% and South America for 1%.



Financial reports in brief

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the quarterly period ended 31 December 2023

	Notes	QTD Dec-23 3 months Unaudited GBP	QTD Dec-22 3 months Unaudited GBP	YTD Dec-23 12 months Unaudited GBP	YTD Dec-22 12 months Unaudited GBP
Total revenue	3	24,273,801	21,712,865	70,822,934	68,529,614
Cost of sales		(19,322,104)	(18,054,411)	(58,461,110)	(57,463,846)
Total gross profit	4	4,951,697	3,658,454	12,361,824	11,065,768
General and administrative expenses	5	(4,727,316)	(1,777,953)	(12,682,584)	(9,611,953)
Adjusted EBITDA*		2,136,287	1,551,472	4,064,294	4,751,015
Depreciation of tangible assets		33,168	32,792	133,689	115,141
Amortisation of intangible assets		724,887	416,812	2,615,555	2,448,682
Impairment (gain) / loss		338,520	-	338,520	-
Foreign exchange (gain) / loss		(119,453)	(779,106)	192,246	509,803
Corporate acquisition related costs		-	473	-	223,574
Other extraordinary costs		934,784	-	1,105,044	-
Operating profit / (loss) for the period		224,381	1,880,501	(320,760)	1,453,815
Share of profit / (loss) from associate		(14,400)	-	(14,400)	-
Finance costs		(217,474)	(350,111)	(986,909)	(960,752)
Profit / (Loss) before tax for the period		(7,493)	1,530,390	(1,322,069)	493,063
Tax		(9,024)	(69,204)	(107,821)	(142,864)
Profit / (Loss) after tax for the period		(16,517)	1,461,186	(1,429,890)	350,199
Attributable to:					
Equity holders of the parent		(16,517)	1,461,186	(1,429,890)	350,199
Profit / (Loss) for the period		(16,517)	1,461,186	(1,429,890)	350,199
Other comprehensive income					
Foreign exchange differences		62,511	6,549	19,770	23,062
Total comprehensive profit / (loss) for the period		45,994	1,467,735	(1,410,120)	373,261
Attributable to:					
Equity holders of the parent		45,994	1,467,735	(1,410,120)	373,261
Profit / (Loss) for the period		45,994	1,467,735	(1,410,120)	373,261

* The Group defines adjusted EBITDA as earnings before interest, tax, depreciation, amortisation, finance costs, impairment losses, foreign exchange gains/losses, corporate acquisitions costs and other extraordinary costs (insolvency related provisions/write-backs & costs).

Financial reports in brief

Consolidated Statement of Financial Position as at 31 December 2023

	Notes	Dec-23 Unaudited GBP	Dec-22 Unaudited GBP
Assets			
Non-current assets			
Property, plant and equipment	7	257,668	78,560
Intangible assets	8	22,342,605	21,782,246
Investments		-	400,327
Deferred tax assets		-	-
Total non-current assets		22,600,273	22,261,133
Current assets			
Trade and other receivables	9	14,852,983	11,497,388
Cash and cash equivalents		11,084,321	13,801,593
Total current assets		25,937,304	25,298,981
Total assets		48,537,578	47,560,114
Equity and liabilities			
Equity			
Share capital		113,342	109,309
Share premium		21,333,530	19,730,020
Other reserves		350,163	341,593
Retained earnings		(3,781,462)	(2,124,165)
Total equity		18,015,573	18,056,757
Non-current liabilities			
Deferred Tax liabilities	11	2,454,348	2,685,547
Lease liabilities		148,781	22,303
Contingent consideration	11	3,679,872	5,795,451
Total non-current liabilities		6,283,001	8,503,301
Current liabilities			
Trade and other payables	10	19,517,167	17,272,755
Lease liabilities		99,424	29,397
Deferred consideration	11	-	2,056,064
Contingent consideration	11	4,622,413	1,641,840
Total current liabilities		24,239,004	21,000,056
Total liabilities		30,522,004	29,503,357
Total equity and liabilities		48,537,578	47,560,114

Financial reports in brief

Consolidated Statement of Cash Flows for the quarterly period ended 31 December 2023

	QTD Dec-23 3 months Unaudited	QTD Dec-22 3 months Unaudited	YTD Dec-23 12 months Unaudited	YTD Dec-22 12 months Unaudited
Cash flow from operating activities				
Profit / (Loss) before tax for the period	(7,493)	1,530,390	(1,322,069)	493,063
Profit before tax for the period	(7,493)	1,530,390	(1,322,069)	493,063
Adjustments for:				
Foreign exchange losses / (gains)	40,038	150,015	133,959	(149,205)
Impairment (gain) / loss	338,520	-	338,520	-
Share based payments	34,324	2,974	103,665	57,840
Depreciation of tangible assets	33,168	32,720	133,689	115,141
Amortisation of intangible assets	724,887	416,812	2,615,555	2,448,682
Share of (profit) / loss of associate	(48,633)	-	(48,633)	-
Interest paid	242,269	310,255	1,046,716	920,907
Working capital:				
Change in trade and other receivables	(5,936,823)	(2,044,810)	(3,959,316)	(6,376,986)
Change in trade and other payables	8,076,921	776,172	2,320,751	8,570,257
Net cash flow from operating activities	3,497,178	1,174,458	1,362,837	6,079,699
Cash flow from investing activities				
Investment in associate	-	(278)	-	(400,327)
Acquisition of a subsidiary, net of cash acquired	-	-	(518,571)	(2,884,905)
Expenditure on property, plant and equipment	5,254	1,430	(28,319)	(7,895)
Expenditure on intangible assets	-	-	(3,175,914)	-
Capitalised development cost	120,000	(26,030)	-	(237,485)
Payment of game distribution rights	-	-	-	(5,962,049)
Net cash flow from investing activities	125,254	(24,878)	(3,722,804)	(9,492,661)
Cash flow from financing activities				
Issue of ordinary shares, net of issue costs	-	2,197,193	89,290	2,341,464
Payment of lease liabilities	(33,420)	(12,575)	(131,487)	(96,556)
Net cash flow from financing activities	(33,420)	2,184,618	(42,197)	2,244,908
Net change in cash and cash equivalents	3,589,012	3,334,197	(2,402,164)	(1,168,054)
Cash and cash equivalents at beginning of period	7,531,243	10,456,832	13,801,592	14,458,346
Effect of exchange rate fluctuations on cash held during the period	(35,933)	10,563	(315,106)	511,301
Cash and cash equivalents at end of period	11,084,322	13,801,592	11,084,322	13,801,593

Financial reports in brief

Consolidated Statement of Changes in Equity for the period ended 31 December 2023

	Share capital GBP	Share premium GBP	Other reserves GBP	Foreign currency translation reserve GBP	Retained earnings GBP	Total GBP
Balance at 1 January 2022	100,049	14,917,283	397,197	-	(2,333,859)	13,080,670
Adjustments to opening retained earnings	-	-	-	-	18,992	18,992
Acquisition of subsidiary	-	-	-	-	(159,496)	(159,496)
Profit for the period	-	-	-	23,062	350,199	373,261
Total comprehensive income	100,049	14,917,283	397,197	23,062	(2,124,165)	13,313,426
Transactions with owners, recorded directly in equity						
Share based payments	-	-	57,840	-	-	57,840
Deferred tax on share options	-	-	(136,506)	-	-	(136,506)
Issue of share capital	9,260	4,812,737	-	-	-	4,821,997
Balance at 31 December 2022	109,309	19,730,020	318,531	23,062	(2,124,165)	18,056,757
Balance at 1 January 2023	109,309	19,730,020	318,531	23,062	(2,124,165)	18,056,757
Adjustments to opening retained earnings	-	-	-	-	(227,407)	(227,407)
Loss for the period	-	-	-	19,770	(1,429,890)	(1,410,120)
Total comprehensive income	109,309	19,730,020	318,531	42,832	(3,781,462)	16,419,230
Transactions with owners, recorded directly in equity						
Share based payments	-	-	103,665	-	-	103,665
Deferred tax on share options	-	-	(114,865)	-	-	(114,865)
Issue of share capital	4,033	1,603,510	-	-	-	1,607,543
Balance at 31 December 2023	113,342	21,333,530	307,331	42,832	(3,781,462)	18,015,573

Notes

1. Basis of preparation

The condensed financial statements for the financial year ended 31 December 2023 have not been prepared in accordance with IAS 34 Interim Financial Reporting, which is not mandatory. The financial statements of the Group are prepared in accordance with applicable UK law and UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006. 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 review by the auditors. The financial information in respect of the financial year ended 31 December 2022 is unaudited. The financial information for the 3-months ended 31 December 2022 and 31 December 2023 is unaudited.

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 Group's financial statements for the period ended 31 December 2021.

2. Significant accounting policies

Except where disclosed below, the accounting policies adopted in the preparation of the interim condensed financial statements for the Group are consistent with those followed in the preparation of the Company's annual financial statements for the period ended 31 December 2021. The accounting policies applied herein are consistent with those expected to be applied in the financial statements for the period ended 31 December 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Revenue

	Dec-23	Dec-22
	Unaudited	Unaudited
Revenue disclosed in the statement of profit or loss is analysed as follows:		
Revenue breakdown		
IAP Revenue	19,056,148	18,259,584
Non-IAP Revenue	32,713	71,213
Marketing services	5,184,940	3,382,068
Total Revenue	24,273,801	21,712,865

4. Gross profit

	Dec-23	Dec-22
	Unaudited	Unaudited
Gross profit disclosed in the statement of profit and loss is analysed as follows:		
Gross profit breakdown		
IAP gross profit	3,299,120	2,520,822
Non-IAP gross profit	32,713	71,213
Marketing services	1,619,864	1,066,419
Total gross profit	4,951,697	3,658,454

5. General and administrative expenses

	Dec-23	Dec-22
	Unaudited	Unaudited
General and administrative expenses disclosed in the statement of profit or loss is analysed as follows:		
General and administrative expenses		
Staff and contractor costs	2,025,566	1,548,553
Depreciation	33,168	32,792
Amortisation	724,887	416,812
Impairment (gain) / loss	338,520	-
Other overheads	1,605,175	(220,204)
Total	4,727,316	1,777,953

6. Related party transactions

The Company is not aware about any significant related party transactions during the quarter excluding PDMMR share transactions which are reported separately on the Company's website.

7. Property, plant and equipment

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

	Dec-23 Unaudited	Dec-22 Unaudited
Property, plant and equipment		
Office Equipment	12,433	18,883
Leasehold improvements	6,216	8,549
Right-to-use assets	239,019	51,128
Total	257,668	78,560

In the third quarter for the year ending 31 December 2023 depreciation for property, plant equipment amounted to GBP 33,168.

8. Intangible assets

Intangible assets comprise of goodwill, capitalised development costs for internally generated software, game distribution rights, computer software, customer relationships and brand according to below carrying value analysis:

	Dec-23 Unaudited	Dec-22 Unaudited
Intangible asset		
Goodwill	7,242,550	7,242,550
Capitalised development costs	635,106	937,245
Game distribution rights	6,945,766	5,228,111
Computer software	-	-
Customer relationships	3,183,619	3,513,254
Brand	4,335,564	4,861,086
Total	22,342,605	21,782,246

In the third quarter for the year ending 31 December 2023 amortisation amounted to GBP 724,887.

9. Trade and other receivables

	Dec-23 Unaudited	Dec-22 Unaudited
Assets		
Trade receivables	4,775,267	2,483,448
Other receivables	342,548	87,775
Prepayments and accrued income	9,735,168	8,926,165
Trade and other receivables	14,852,983	11,497,388

Other receivables include GBP -152,890 (38,745) of VAT receivables, GBP 64,556 (37,614) of advances, GBP 391,903 of contingent financial assets (incorrectly reported in Q3-23 as other financial assets) and GBP 38,979 (11,416) of other non-material items.

10. Trade and other payables

	Dec-23 Unaudited	Dec-22 Unaudited
Liabilities		
Trade payables	4,024,815	1,906,779
Social security and other taxes	118,558	142,734
Accrued expenses	14,783,004	13,528,296
Other payables	453,138	1,190,054
Corporate tax payable	137,652	504,892
Trade and other payables	19,517,167	17,272,755

11. Acquisitions

On 5 April 2022, the Group completed the acquisition of the entire issued capital of Audiency GmbH, an influencer marketing agency registered in Germany, thereby obtaining control.

With this acquisition Flexion improves its competitive advantage in the gaming market. The company benefits from the acquisition with the expansion into the influencer marketing sector and potential synergies between the companies.

The Company has undertaken a valuation with a leading global accounting firm to determine the purchase price and its asset allocations. The purchase price of the acquired company was fair valued at EUR 16.66m (GBP 14.10m). The purchase price allocation, based on the fair value of the net assets at the acquisition date, results in the recognition of intangible assets such as customer relationships, brand value and goodwill.

According to the valuation, residual goodwill arising from the acquisition totals GBP 7,24m which includes, but is not limited to values from new sales, influencer management and synergies with the Company.

The purchase agreement included an additional maximum consideration of EUR 10.73m, payable only if the EBITDA of Audiency for the financial years ending 2022, 2023 and 2024 achieve the threshold agreed by both parties. The additional consideration will be paid in three separate instalments in Q2 2023, Q2 2024 and Q2 2025 after completion of the related audited accounts. The EUR 7.36m of contingent consideration liability recognised represents the present value of the Group's estimate of the cash outflow which has been discounted using an interest rate of 16.4%, equivalent to the valuation's assessed project IRR. The book value of the contingent consideration liability (ie without NPV adjustment) is EUR 10.47m. As at 31 December 2023, there have been no changes in the estimate of the probable cash outflow but the liability has increased to EUR 9.6m due to the change in fair value. The Company has not yet finalised its assessment of additional consideration for 2022 as it is dependent on audited accounts for 2022.

The customer relationships intangible asset will be amortised on a slightly adjusted (concave) curve over 10 years to match the forecasted earnings as per the undertaken valuation. The brand value intangible asset will be amortised over 10 years as per the undertaken valuation. Goodwill has an indefinite useful life and as such is not amortised according to IFRS.

Costs arising directly from the acquisition of Audiency (such as legal fees) amount to GBP 0.2m, which form part of general and administrative expenses, however, have been excluded from Adjusted EBITDA due to the nature of the costs.

The details of the business combination as follows:	Fair Value GBP	Fair Value GBP
Fair value of consideration transferred		
Amount settled in cash	3,405,434	
Amount settled in equity	500,374	
Deferred consideration	3,961,376	
Contingent consideration	6,233,655	
Total		14,100,839
Acquired net assets		
Fixed Assets	20,313	
Working capital	407,959	
Net (debt)/cash	245,453	
Total acquired net assets	673,725	
Excess consideration for allocation		13,427,114
Identified intangible assets		
Customer relationships	3,736,807	
Brand	5,255,229	
Intangible assets	8,992,036	
Deferred tax on intangible assets	(2,807,472)	
Residual goodwill		7,242,550
Consideration settled in cash	3,924,005	
Cash and cash equivalents acquired	(520,529)	
Net cash outflow from acquisition		3,403,476
Acquisition costs charged to expenses		223,574

The Flexion share

12. Comparative information as at 31 December 2022

The Company is aware of the following potential adjustments to the financial year ended 31 December 2022 as reported in our Q4 Report on 22 March 2023.

The insolvency plan of a customer (previously a related party) of the company's German subsidiary has been unanimously approved by the creditors (subject to possible final appeal). The Company is reviewing if a potential provision for expected credit losses of up to GBP 0.5 should be included in the 2022 accounts and subsequently recovered in the 2023 or 2024 accounts.

Potential impairment of up to GBP 0.5m of Intangible Assets related to customer relationships. The accounting treatment is dependent on how the existing customers will continue to operate going forward and the Company is currently in the process of reviewing these relationships. Any potential impairment would affect the statement of profit and loss through Impairment losses included within general and administrative expenses.

Potential increase in audit fees related to the 2022 statutory audit. As of today, the Company is aware of GBP 0.2m in audit fees not yet accrued in the 2022 accounts. Audit fees are recorded under audit fees in general and administrative expenses in the profit and loss.

Reclassification of a financial asset to an investment in associate. A treatment of the financial investment as an investment in associate will result in the Company recording approximately GBP 0.05m of net losses from the associate in its 2022 profit and loss under share of loss from associate. The investment in associate, which had a fair value of GBP 0.34m has been written down in this quarter.

The share

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

Ownership table

Top 10 shareholders as of 31 December 2023	N. of shares and votes	%	Aggregated %
Mobile Sensations Ltd	11,342,667	20.2%	20%
Palmstierna Invest AB	3,430,780	6.1%	26%
Goldman Sachs & Co. LLC	2,382,270	4.2%	31%
Palmstierna Fredrik	1,988,211	3.5%	34%
UBS Switzerland AG	1,856,497	3.3%	37%
Julius Baer & Co Ltd	1,825,888	3.2%	41%
Clearstream Banking S.A.	1,698,788	3.0%	44%
The Bank of New York Mellon	1,581,512	2.8%	46%
Joachim Odqvist	1,560,415	2.8%	49%
IBKR Financial Services AG	1,462,785	2.6%	52%
Other shareholders	27,103,452	48.2%	100%
Total number of shares	56,233,265	100%	

Share data

	QTD Dec-23 3 months	QTD Dec-22 3 months	FY Dec-22 12 months
Number of shares at period end (adjusted for share split and bonus issue)	56,233,265	54,654,573	54,654,573
Amount of weighted average shares outstanding for the period (adjusted for share split and bonus issue)	56,233,265	52,752,427	51,181,806
Profit / (Loss) per share			
– basic attributable to ordinary equity holders of the parent (pence) °	0.08	2.78	1.08
– diluted, attributable to ordinary equity holders of the parent (pence) °	0.08	2.65	1.01

° Basic and diluted earnings are considered the same where a loss has been 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 2023 totalled 2,420,062 (2022: 2,731,062) and are potentially dilutive.

Main KPI numbers

Summary of the Company's Key Performance Indicators

		QTD Dec-23 3 months	QTD Sep-23 3 months	QTD Jun-23 3 months	QTD Mar-23 3 months	QTD Dec-22 3 months
Top-tier games pending launch	No.	1	0	2	2	0
Mid-tier games pending launch	No.	0	0	0	1	3
Total top-tier games live	No.	8	10	10	10	9
Total mid-tier games live	No.	18	18	16	15	15
Top-tier games average monthly gross revenue	USD	744,674	541,700	610,814	646,148	817,952
Number of games live past ramp-up period	No.	10	8	8	8	8
Mid-tier games average monthly gross revenue	USD	33,628	34,344	42,041	38,717	42,685
Number of games live past ramp-up period	No.	12	16	13	13	14
Total revenue growth - YoY	%	12%	(20%)	(12%)	54%	108%
Total revenue growth - QoQ	%	64%	(5%)	(5%)	(25%)	17%
IAP gross profit growth - YoY	%	31%	(16%)	(22%)	34%	77%
IAP gross profit growth - QoQ	%	62%	16%	(7%)	(25%)	4%
IAP gross profit margin	%	17.3%	15.7%	12.7%	13.1%	13.8%
Total gross profit margin	%	20.4%	17.1%	15.3%	15.4%	16.8%
Adjusted EBITDA margin	%	8.8%	3.2%	3.3%	4.6%	7.1%
Operating profit / (loss) margin	%	0.9%	(3.1%)	0.5%	(1.1%)	8.7%
Average monthly operational cashflow	GBP	1,152,380	(695,524)	309,245	(356,474)	341,481
Headcount for Distribution services	No.	98	97	94	95	94
Of which headcount for new strategies	No.	16	17	16	15	14
Adjusted staff cost for Distribution services	GBP	1,133,686	1,098,363	1,094,286	1,015,409	1,171,978
Number of shares at period end	No.	56,233,265	56,233,265	56,175,515	55,097,529	54,654,573
Amount of weighted average shares outstanding for period	No.	56,233,265	56,210,388	55,356,447	54,751,659	52,752,427
Profit / (Loss) per share (pence)	GBPP	0.08	(1.24)	(0.43)	(0.97)	2.78

Definitions

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. Minor games that are part of multi-games distribution contracts are also classified as mid-tier games.
Number of total top-tier games live	Number of games generating at least USD 140,000 per month, live in at least one of our distribution channels, including games in ramp-up period.
Number of total mid-tier games live	Number of games generating at least USD 40,000 per month, live in at least one of our distribution channels, including games in ramp-up period. Minor games that are part of multi-games distribution contracts are also classified as mid-tier games.
Average monthly gross revenue	Average monthly IAP revenue generated over the quarter - excluding games in initial six months ramp-up period and games not qualifying as tier games. Average number based on sales data and excluding settlement reconciliation adjustments.
Ramp-up period	Six-month period from launch date to reach a stable revenue inflow level.
Growth rates - YoY	Rates measured to the comparable period in the previous financial year.
Growth rates - QoQ	Rates measured to the comparable period in the previous quarter.
IAP gross profit margin	IAP revenue gross profit to total revenue.
Total gross profit margin	Total revenue (IAP and non-IAP) gross profit to total revenue (IAP and non-IAP).
Adjusted EBITDA margin	Adjusted EBITDA to total revenue (IAP and non-IAP).
Operating profit / (loss) margin	Operating profit/(loss) to total revenue (IAP and non-IAP).
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.
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 shares at period end	Number of shares at period end adjusted for share split and bonus issue.
Amount of weighted average shares outstanding for the period	Amount of weighted average shares outstanding for period, adjusted for share split and bonus issue.
Profit/(Loss) per share (pence)	Basic and diluted earnings are considered the same where a loss has been incurred. The effect of outstanding share options and warrants is considered anti-dilutive and ignored in the calculation.

Quarterly figures

Income statement

GBP, 000	2023				2022			
	Q4 Dec	Q3 Sep	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun	Q1 Mar
IAP revenue	19,056	12,981	13,813	14,457	18,260	16,449	15,369	10,518
Non-IAP revenue	33	29	28	27	71	31	35	42
Marketing Services Revenue	5,185	1,768	1,656	1,790	3,382	2,069	2,303	-
Total revenue	24,274	14,777	15,497	16,274	21,713	18,549	17,707	10,560
IAP gross profit	3,299	2,035	1,759	1,899	2,521	2,435	2,251	1,421
Non-IAP gross profit	33	29	28	27	71	31	35	42
Marketing Services Revenue	1,620	468	579	586	1,066	560	632	-
Total gross profit	4,952	2,531	2,367	2,512	3,658	3,026	2,918	1,463
Adjusted EBITDA	2,136	666	519	743	1,551	1,482	1,375	330
Operating profit / (loss) (EBIT)	224	(433)	70	(183)	1,881	(294)	(393)	248
Share of profit / (loss) from associate	(14)	-	-	-	-	-	-	-
Finance cost	(217)	(218)	(231)	(321)	(350)	(306)	(303)	(1)
Profit / (Loss) before tax	(7)	(650)	(161)	(503)	1,530	(600)	(696)	247
Adjusted profit / (loss) before tax	1,363	27	(72)	(149)	1,061	294	393	85
Tax	(9)	(49)	(47)	(4)	(69)	(34)	(20)	8
Profit / (Loss) after tax	(17)	(699)	(207)	(507)	1,461	(634)	(716)	255

Cash flow

GBP, 000	2023				2022			
	Q4 Dec	Q3 Sep	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun	Q1 Mar
Cash flow from operating activities before changes in working capital	1,357	353	665	627	2,443	838	403	323
Changes in working capital	2,140	(2,335)	245	(1,688)	(1,269)	1,098	635	1,610
Cash flow from net operating activities	3,497	(1,983)	910	(1,061)	1,174	1,936	1,038	1,933
Cash flow from investing activities	125	(3,176)	(61)	(611)	(25)	(279)	(2,997)	(6,191)
Cash flow from financing activities	(33)	(14)	37	(32)	2,185	85	(33)	6
Net change in cash and cash equivalents	3,589	(5,172)	885	(1,704)	3,334	1,742	(1,992)	(4,252)
Cash and cash equivalents at end of the period	11,084	7,531	12,740	12,026	13,802	10,457	8,435	10,392

Balance Sheet

GBP, 000	2023				2022			
	Q4 Dec	Q3 Sep	Q2 Jun	Q1 Mar	Q4 Dec	Q3 Sep	Q2 Jun	Q1 Mar
Property, plant and equipment	258	291	253	284	79	112	130	56
Intangible assets	22,343	23,187	20,616	21,099	21,782	22,173	23,278	7,578
Other non-current assets	-	400	400	400	400	425	233	237
Total non-current assets	22,600	23,879	21,269	21,783	22,261	22,710	23,641	7,871
Trade and other receivables	14,853	9,224	8,408	8,472	11,497	9,845	9,363	5,176
Cash and cash equivalents	11,084	7,531	12,740	12,026	13,802	10,457	8,435	10,392
Total current assets	25,937	16,755	21,148	20,498	25,299	20,302	17,798	15,568
Total equity	18,016	18,073	18,910	18,099	18,057	13,495	13,038	13,368
Total non-current liabilities	6,283	6,099	6,081	8,749	7,967	7,999	8,003	-
Trade and other payables	19,517	11,664	12,937	12,610	17,273	16,497	14,871	10,027
Lease liabilities	99	80	75	100	29	35	62	44
Deferred consideration	-	-	-	1,027	2,056	3,062	3,992	-
Contingent consideration	4,622	4,717	4,414	1,695	2,178	1,924	1,473	-
Total current liabilities	24,239	16,461	17,426	15,432	21,536	21,518	20,398	10,071

The image features a vibrant, abstract background composed of numerous overlapping, wavy lines in shades of bright green and teal. These lines create a sense of depth and movement, resembling a stylized, three-dimensional architectural structure or a complex, organic form. In the center of the image, there is a solid black rectangular box. Inside this box, the word "FLEXION" is written in a bold, white, sans-serif font, with all letters in uppercase. The text is centered both horizontally and vertically within the black box, creating a strong contrast against the dark background.

FLEXION