



Q2 Report — 30 September 2019

Flexion continues its steady growth in the second financial quarter with total quarterly revenue increasing by 46% to GBP 2.3m compared to the same period in the previous year. This represents a quarter-on-quarter growth of 20% and a 38% growth in the last six months. During the quarter, the Company launched its second biggest top-tier title, signed a new mid-tier title and announced a new partnership with Xiaomi.

July to September performance

- Total revenue increased by 46% to GBP 2.3m (GBP 1.6m)*
- Gross profit increased by 8% to GBP 0.3m (GBP 0.3m)
- Adjusted EBITDA fell by 7% to GBP -0.4m (GBP -0.4m)
- Operating loss increased by 36% to GBP -0.5m (GBP -0.4m)
- Earnings per share amounted to GBP -1.14 pence (GBP -0.84 pence)
- Operating cash flow decreased to GBP -1.8m (GBP -0.4m)
- Recoverable Minimum Guarantee payments made amounted to GBP 1.9m (nil)
- Cash amounted to GBP 3.1m (GBP 7.0m)

April to September performance

- Total revenue increased by 41% to GBP 4.2m (GBP 3.0m)
- Gross profit increased by 1% to GBP 0.5m (GBP 0.5m)
- Adjusted EBITDA fell by 17% to GBP -1.0m (GBP -0.8m)
- Operating loss increased by 47% to GBP -1.0m (GBP -0.7m)
- Earnings per share amounted to GBP -2.30 pence (GBP -1.57 pence)
- Operating cash flow decreased to GBP -2.9m (GBP -0.3m)

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

Important events during the quarter

- Distribution agreement signed with Xiaomi, the third biggest Android device manufacturer in the world
- New mid-tier title signed with an existing Chinese developer partner
- Launch of the second biggest top-tier title (based on Google Play revenue)
- Extension of Flexion's biggest distribution agreement for four tier titles

Important events after the quarter

- Partnership agreement signed with Huawei, the second biggest mobile device manufacturer in the world

Notes from the CEO



Jens Lauritzson — founder and CEO

The September 2019 quarter was the second quarter with real revenue growth from new titles. Total revenue grew steadily by 20% over the quarter and by 38% over the last two quarters even though we saw decline in revenue from older titles. This is in line with how we wish to grow our business: by developing a diversified portfolio of games that will generate long-term stable revenue growth.

The team has secured strong launch plans for our new titles. I am pleased that all titles signed in previous quarters have now been launched using our fast and seamless on-boarding. This means that our portfolio now holds 12 live top-tier and mid-tier titles. I cannot stress enough how important our portfolio is for our market position and our future strategic developments. "Content is king", is a familiar expression in our industry and Flexion is now managing a leading Android games portfolio in our market. This places us in a perfect position to explore new disruptive strategies and develop services that allow us to further leverage the value and growth potential of our game portfolio.

We continue to see the market moving towards increased competition and more fragmentation. The dominance of Google Play and The App Store is increasingly being challenged. In September, Huawei, the second biggest Android device manufacturer in the world, announced its new flagship device, Mate 30, which will be distributed outside of China without Google services. It will be very interesting to see how this device performs compared to Huawei's existing devices which use Google services. Huawei is a welcome addition to

the alternative distribution market. Huawei App Gallery will be a critical component in its efforts to build a new and more open ecosystem for developers. The company recently said that it shipped more than 185 million smartphones in the first three quarters of 2019, up 26% year-on-year. Through our recently signed Partnership Agreement, Flexion will become an important supplier of mobile games to Huawei.

We are continuously expanding our distribution platform. The Xiaomi partnership is a good example of how we can leverage our games portfolio to secure new distribution. Xiaomi is the third largest Android device manufacturer in the world and they have one of the leading app stores in China. They are now replicating this outside of China with the soft launch of their new app store for overseas markets called GetApps. For Flexion, this is a great opportunity to partner up with Xiaomi and be part of their efforts to monetise a growing user base in the Western markets. Strategically, this partnership is also very interesting as Xiaomi recently announced a marketing partnership with Oppo and Vivo (the fifth and sixth biggest device manufacturers in the world) where they are jointly targeting app developers.

We have spent a lot of effort on performance analysis to understand how we can best optimise game selection and monetisation in our distribution channels. This is a complex art. So far, we can see several real success stories but also a few cases where launched games are yet to fire on all cylinders. Such games require continued optimization to improve.

As part of this exercise we revisited and amended the agreement that we announced in December 2018 for four titles. It became clear that the initial term was too short to fully leverage all marketing opportunities in our expanding distribution channels which, in turn, had a negative impact on the games performance in our channels. Therefore, we agreed with the publisher to extend the initial term until December 2020 for the four titles. We also fixed the minimum guarantee amount reducing the overall risk exposure by USD 0.8m while also simplifying the settlement structure by changing our standard arrears-based payment to quarterly advance minimum guarantee payment. This was a big achievement as it significantly reduces the risk of this transaction and shows the developer's long term commitment to Flexion. In the short term, the net effect was a capital outlay of GBP 1.2m which can be recouped during the extended term. As we continue to add new channels and improve performance of existing channels, we expect the need for Minimum Guarantees to diminish over time.

It has been a very busy quarter, and there is more exciting news lined up. We just announced our partnership with Huawei. More on this next quarter when the channel should be up and running and contributing to the expansion of our growing distribution platform.

Jens Lauritzson

Financial Development



Niklas Koresaar —CFO

July 2019 to September 2019

REVENUE

Our core business, IAP (In-App Purchase) revenue, grew by 47% to GBP 2,290,967 (GBP 1,556,543). This was driven by growth in revenue from new titles which offset the fall in revenue from the older titles. The quarter saw total revenue growing by 46% to GBP 2,302,568 (GBP 1,581,644).

GROSS PROFIT

Cost of sales increased by 53% to GBP 2,024,383 (GBP 1,323,654). Gross profit grew by 8% to GBP 278,185 (GBP 257,990). The lower growth in gross profit is due to the fall in revenue on the older higher margin titles and the partial margin reduction on an existing title. This title was part of the four titles agreement signed in December 2018.

GENERAL AND ADMINISTRATIVE EXPENSES

Head count increased by 5 to 47 (42). However, staff and contractors' costs fell by 2% to GBP 538,490 (GBP 548,883) due to more software development cost being capitalized (which reduces the amount of staff and contractors costs in the statement of profit or loss). Other overheads grew by 42% to GBP 231,423 (GBP 162,818). This is primarily driven by large FX adjustments in the quarter. These factors resulted in an overall increase in general and administrative expenses of 8% to GBP 769,914 (GBP 711,702).

ADJUSTED EBITDA AND NET RESULT

Other income is now nil (GBP 92,974) as the Company's Horizon 2020 EU grant project came to an end. Adjusted EBITDA fell by 7% to GBP -449,967 (GBP -420,365). Operating loss (EBIT) increased by 36% to GBP -491,729 (GBP -360,738) and loss after tax increased by 37 % to GBP -467,721 (GBP -343,326) due to absence of grant income.

CASH FLOW

Operating cash flow decreased by GBP 1,473,064 to GBP -1,825,710 (GBP -352,646) due to short term fluctuations in timings of invoices and payout of minimum guarantees.

FINANCIAL POSITION

The financial position is healthy with a cash balance of GBP 3,084,961 (GBP 6,961,351) and no interest-bearing debt. Trade and other receivables of GBP 3,069,014 (GBP 1,272,180) which include GBP 1,920,520 (GBP nil) in minimum guarantees and related advances, trade and other payables of GBP 2,334,133 (GBP 2,094,579). The cash balance at the end of the quarter is GBP 3,084,961 (GBP 6,961,351). Note that the cash balance and runway are "artificially" low due to GBP 1,920,520 minimum guarantee payments made assuming that we will recoup these payments over the contractual period.

MINIMUM GUARANTEES

Total minimum guarantee payments increased with GBP 1,920,520 (GBP nil). The maximum future minimum guarantee exposure was GBP 2,433,560 (GBP nil). Please see note 10 Contingent Liabilities for further information. It should be noted that the Company has the right to recover any advance guarantee payment 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 minimum guarantees was identified during the quarter.

NUMBER OF LIVE TIER GAMES

Number of live top-tier titles increased to 5 (2) games and the number of live mid-tier titles increased to 7 (2) games. During the quarter, one additional top-tier game was launched and two top-tier games were reclassified to mid-tier games as their performance were below the top-tier threshold. No mid-tier games were launched during the quarter, but one mid-tier game was reclassified to third-tier game as it performed below the threshold. For further information about tier games please see the section "Other information"

April 2019 to September 2019

The first six months of the 2019/20 financial year showed steady revenue growth with IAP revenue increasing by 43% to GBP 4,193,397 (GBP 2,926,419). Total revenue grew by 41% to GBP 4,216,313 (GBP 2,996,683). The gross profit increased by 1% to GBP 500,226 (GBP 497,253) over the period. General and administrative expenses increased by 11% to GBP 1,565,883 (GBP 1,404,714) reducing the adjusted EBITDA by 17% to GBP -987,944 (GBP -841,687). Loss after tax increased by 48% to GBP -946,418 (GBP -638,294).

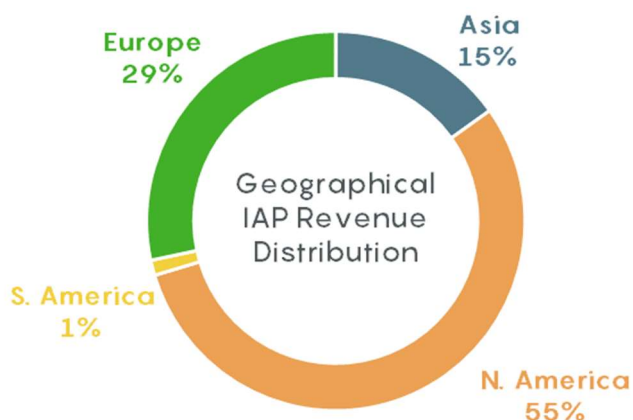
Other information

Segmental information

IAP REVENUE

Flexion's focus is to grow its core 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 30 September 2019 is presented below.



The main markets for IAP revenue over the quarter were North America and Europe, with 55% and 29% market share respectively. 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 47 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

Q3 report for 2019/20:	13 February 2020
Q4 report for 2019/20:	11 June 2020
Q1 report for 2020/21:	26 August 2020
Q2 report for 2020/21:	18 November 2020

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Further information

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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 20 November 2019.

Financial reports in brief

Statement of profit or loss and other comprehensive income for the quarterly period ended 30 September 2019

		QTD Sep-19 3 months 2019/20 Unaudited GBP	QTD Sep-18 3 months 2018/19 Restated [†] GBP	YTD Sep-19 6 months 2019/20 Unaudited GBP	YTD Sep-18 6 months 2018/19 Restated [†] GBP	YTD Mar-19 12 months 2018/19 Restated [†] GBP
	Notes					
Revenue	3	2,302,568	1,581,644	4,216,313	2,996,683	6,424,666
Cost of sales		(2,024,383)	(1,323,654)	(3,716,087)	(2,499,161)	(5,478,051)
Gross profit		278,185	257,990	500,226	497,522	946,615
General and administrative expenses	4	(769,914)	(711,702)	(1,565,883)	(1,404,714)	(3,077,491)
Other income		-	92,974	78,277	235,910	245,910
Adjusted EBITDA[‡]		(449,967)	(420,365)	(987,944)	(841,687)	(1,995,161)
Depreciation of tangible assets		22,485	22,481	44,960	44,962	89,922
Amortization of intangible assets		19,277	10,866	32,753	20,543	45,793
Other Income		-	(92,974)	(78,277)	(235,910)	(245,910)
Operating loss for the period		(491,729)	(360,738)	(987,380)	(671,282)	(1,884,966)
Finance costs		(398)	(1,957)	(1,195)	(4,289)	(7,074)
Loss before tax for the period		(492,127)	(362,695)	(988,575)	(675,571)	(1,892,040)
Tax		24,406	20,369	42,157	37,277	83,166
Loss after tax for the period		(467,721)	(342,326)	(946,418)	(638,294)	(1,808,874)
Attributable to:						
Equity holders of the parent		(467,721)	(342,326)	(946,418)	(638,294)	(1,808,874)
Loss for the period		(467,721)	(342,326)	(946,418)	(638,294)	(1,808,874)
Other comprehensive income						
Foreign exchange differences		-	-	-	-	-
Total comprehensive loss for the period		(467,721)	(342,326)	(946,418)	(638,294)	(1,808,874)
Attributable to:						
Equity holders of the parent		(467,721)	(342,326)	(946,418)	(638,294)	(1,808,874)
Loss for the period		(467,721)	(342,326)	(946,418)	(638,294)	(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 30 September 2019

	Notes	Sep-19 2019/20 Unaudited GBP	Sep-18 2018/19 Restated [†] GBP	Mar-19 2018/19 Restated [†] GBP
Assets				
Non-current assets				
Property, plant and equipment	6	22,481	112,402	67,441
Intangible assets	7	480,625	193,717	347,209
Deferred tax assets		-	-	9,912
Total non-current assets		503,106	306,119	424,562
Current assets				
Trade and other receivables	8	3,069,014	1,272,180	1,445,430
Cash and cash equivalents		3,084,961	6,961,351	5,988,436
Total current assets		6,153,975	8,233,531	7,433,866
Total assets		6,657,081	8,539,650	7,858,428
Equity and liabilities				
Equity				
Share capital		82,266	82,266	82,266
Share premium		4,957,133	4,957,133	4,957,133
Other reserves		129,802	38,712	110,706
Retained earnings		(860,620)	1,256,385	85,797
Total equity		4,308,581	6,334,496	5,235,902
Non-current liabilities				
Deferred tax liabilities		14,367	23,818	-
Total non-current liabilities		14,367	23,818	-
Current liabilities				
Lease liabilities		-	86,757	44,163
Trade and other payables	9	2,334,133	2,094,579	2,578,363
Total current liabilities		2,334,133	2,181,336	2,622,526
Total liabilities		2,348,500	2,205,154	2,622,526
Total equity and liabilities		6,657,081	8,539,650	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 30 September 2019

	QTD Sep-19 3 months 2019/20 Unaudited GBP	QTD Sep-18 3 months 2018/19 Restated [†] GBP	YTD Sep-19 6 months 2019/20 Unaudited GBP	YTD Sep-18 6 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	(492,127)	(362,695)	(988,575)	(675,571)	(1,892,040)
Loss for the year	(492,127)	(362,695)	(988,575)	(675,571)	(1,892,040)
Adjustments for:					
Effect of exchange rate fluctuations on cash held	(17,005)	56,186	(10,174)	267,912	280,067
Interest paid	398	1,961	1,204	4,293	7,074
Share based payments	9,814	4,889	19,793	9,778	19,721
Depreciation of tangible assets	22,485	22,481	44,960	44,962	89,922
Amortization of intangible assets	19,277	10,866	32,753	20,543	45,793
Grant income	-	(92,974)	(78,277)	(235,910)	(245,910)
Working capital:					
Change in trade and other receivables	(1,363,989)	(272,165)	(1,815,849)	(536,353)	(590,509)
Change in trade and other payables	(4,563)	278,805	(158,657)	809,401	1,258,297
Operating cash flow	(1,825,710)	(352,646)	(2,952,822)	(290,945)	(1,027,585)
Grant payment	-	-	250,708	-	-
Net cash flow from operating activities	(1,825,710)	(352,646)	(2,702,114)	(290,945)	(1,027,585)
Cash flow from investing activities					
Expenditure on property, plant and equipment	-	-	-	-	-
Capitalised development cost	(99,896)	(24,718)	(166,168)	(48,482)	(227,228)
Bank interest received	-	-	-	-	-
Net cash flow from investing activities	(99,896)	(24,718)	(166,168)	(48,482)	(227,228)
Cash flow from financing activities					
Proceed from issue of shares	-	-	-	511,900	511,900
Share issue costs	-	-	-	(255,950)	(255,950)
Payment lease liabilities	(22,679)	(22,688)	(45,366)	(45,375)	(90,750)
Net cash flow from financing activities	(22,679)	(22,688)	(45,366)	210,575	165,200
Net change in cash and cash equivalents	(1,948,285)	(400,051)	(2,913,648)	(128,852)	(1,089,613)
Cash and cash equivalents at beginning of period	5,016,241	7,417,589	5,988,435	7,358,115	7,358,115
Effect of exchange rate fluctuations on cash held	17,005	(56,186)	10,174	(267,912)	(280,067)
Cash and cash equivalents at end of period	3,084,961	6,961,351	3,084,961	6,961,351	5,988,435

[†] 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 30 September 2019

	Share capital	Share premium	Other reserves	Retained earnings	Total
	GBP	GBP	GBP	GBP	GBP
Balance at 1 July 2018	82,266	4,957,133	28,404	1,606,381	6,674,184
Impact of change in accounting policy	-	-	-	(7,670)	(7,670)
Restated balance at 1 July 2018	82,266	4,957,133	28,404	1,598,711	6,666,514
Restated loss for the period	-	-	-	(342,326)	(342,326)
Restated total comprehensive income	82,266	4,957,133	28,404	1,256,385	6,324,188
Transactions with owners, recorded directly in equity					
Shares based payments	-	-	4,889	-	4,889
Deferred tax on share options	-	-	5,419	-	5,419
Bonus issue	-	-	-	-	-
Issue of share capital	-	-	-	-	-
Restated balance at 30 September 2018	82,266	4,957,133	38,712	1,256,385	6,334,496
Balance at 1 July 2019	82,266	4,957,133	108,842	(392,900)	4,755,341
Loss for the period	-	-	-	(467,720)	(467,720)
Total comprehensive income	82,266	4,957,133	108,842	(860,620)	4,287,621
Transactions with owners, recorded directly in equity					
Shares based payments	-	-	9,814	-	9,814
Deferred tax on share options	-	-	11,146	-	11,146
Capital restructuring	-	-	-	-	-
Issue of share capital	-	-	-	-	-
Deferred Tax	-	-	-	-	-
Balance at 30 September 2019	82,266	4,957,133	129,802	(860,620)	4,308,581

Notes

1. Basis of preparation

The condensed consolidated financial statements for the three months ended 30 September 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 office is in London and the registered number of Flexion Mobile is 04306881. The interim condensed consolidated financial statements are presented in GBP and have been prepared using historical cost accounting. After making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the board of directors continue to adopt the going concern basis in preparing the interim reports.

The financial information presented herein does not constitute full statutory accounts under Section 434 of the Companies Act 2006 and was not subject to a formal review by the auditors. The financial information in respect of the year 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 30 September 2018 and 30 September 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, for the first time, 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.

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
30 September 2018	GBP	GBP	GBP
Property, plant and equipment	26,565	85,838	112,402
Intangible assets	193,717	-	193,717
Trade and other receivables	1,278,624	(6,445)	1,272,180
Cash and cash equivalents	6,961,351	-	6,961,351
Total assets	8,460,257	79,393	8,539,650
Trade and other payables	2,094,579	-	2,094,579
Lease liabilities	-	86,757	86,757
Other	23,818	-	23,818
Total liabilities	2,118,397	86,757	2,205,154
Retained earnings	1,263,748	(7,364)	1,256,385
Other	5,078,112	-	5,078,112
Total equity	6,341,860	(7,364)	6,334,496

Statement of profit or loss	Impact of changes in accounting policies		
	Restated* (prior year error)	Adjustments	As restated
For the period ended 30 September 2018	GBP	GBP	GBP
Revenue	1,581,644	-	1,581,644
Cost of sales	(1,323,654)	-	(1,323,654)
General and administrative expenses	(713,973)	2,271	(711,702)
Finance cost	-	(1,957)	(1,957)
Other	113,343	-	113,343
Profit for the period	(342,640)	314	(342,326)

Statement of cash flow	Impact of changes in accounting policies		
	As previously reported	Adjustments	As restated
For the period ended 30 September 2018	GBP	GBP	GBP
Loss for the period	(363,002)	314	(362,695)
Adjustments for:			
Share based payments	4,889	-	4,889
Depreciation	5,312	17,168	22,480
Amortization	10,866	-	10,866
Grant income	(92,974)	-	(92,974)
Interest paid	-	1,957	1,957
Change in working capital	3,392	3,249	6,640
Grant payment	-	-	-
Net cash from operating activities	(431,517)	22,688	(408,836)
Capitalised development cost	(24,721)	-	(24,721)
Net cash from investing activities	(24,721)	-	(24,721)
Proceeds from issue of shares	-	-	-
Share issue costs	-	-	-
Payment lease liabilities	-	(22,688)	(22,688)
Net cash from financing activities	-	(22,688)	(22,688)

There is no material impact on the Company's basic or diluted earnings per share for the period ended 30 September 2018.

3. Revenue

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

	Sep-19 2019/20 Unaudited GBP	Sep-18 2018/19 Unaudited GBP
Revenue breakdown		
IAP Revenue	2,291,998	1,556,543
Subscription Revenue	10,570	23,533
Legacy Revenue	-	1,568
Total Revenue	2,302,568	1,581,644

4. General and administrative expenses

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

	Sep-19 2019/20 Unaudited GBP	Sep-18 2018/19 Unaudited GBP
Staff and contractor costs	538,490	548,883
Other overheads	231,423	162,818
General and Administrative Expenses	769,914	711,702

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:

	Sep-19 2019/20 Unaudited GBP	Sep-18 2018/19 Restated* Unaudited GBP
Leasehold improvements	5,313	26,565
Right-to-use assets	17,168	85,837
Total	22,481	112,402

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

In the second quarter for the year ending 31 March 2020 depreciation for property, plant equipment amounted to GBP 22,485.

7. Intangible assets

Intangible assets comprise of capitalized development costs for internally generated software and had a carrying value of GBP 480,625 (GBP 193,717). In the second quarter for the year ending 31 March 2020 amortization amounted to GBP 19,277.

8. Trade and other receivables

	Sep-19 2019/20 Unaudited GBP	Sep-18 2018/19 Unaudited GBP
Assets		
Trade receivables	162,601	37,884
Other receivables	2,148,529	229,295
Prepayments and accrued income	757,884	1,005,001
Trade and other receivables	3,069,014	1,272,180

Other receivables include GBP 1,920,520 of minimum guarantees and related advances (GBP 0). GBP 189,186 (GBP 125,782) of corporation tax receivable, GBP nil (GBP 72,992) of recoverable guarantee relating to EU grant, recoverable VAT of GBP 25,007 (GBP 14,081) and GBP 13,818 (GBP 16,440) of other non-material items

9. Trade and other payables

	Sep-19 2019/20 Unaudited GBP	Sep-18 2018/19 Unaudited GBP
Liabilities		
Trade payables	680,300	297,609
Social security and other taxes	69,056	62,042
Accrued expenses	1,473,499	1,713,623
Other payables	111,278	21,305
Trade and other payables	2,334,133	2,094,579

10. Contingent liabilities

The Company has entered into minimum guarantee commitments with certain developers whereby the Company guarantees: a minimum, pre-defined, amount of revenue to the developer over a defined guarantee period. As the Company has the right to recover any guarantee settlements 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 30 September 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:

	Sep-19	Sep-18
	2019/20	2018/19
	Unaudited	Unaudited
	GBP	GBP
Minimum guarantees which expire		
Within one year	1,880,764	-
Within two to five years	552,796	-
Total minimum guarantees	2,433,560	-

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 13 June 2018 under the trading symbol (ticker) FLEXM.

Ownership table

Top 10 shareholders as of 30 September 2019	Number of shares and votes	%	Aggregated %
Mobile Sensations Ltd ^Δ	11,585,972	28.17%	28%
Palmstierna Invest AB	3,735,000	9.08%	37%
Industrial Equity AB	1,854,865	4.51%	42%
Julius Baer & Co Ltd	1,650,000	4.01%	46%
Avanza Pension	1,605,120	3.90%	50%
Palmstierna Fredrik	1,468,077	3.57%	53%
Morgan Stanley & Co Intl Plc	1,126,016	2.74%	56%
Six Sis Ag	1,052,462	2.56%	59%
HSBC Bank Plc	924,250	2.25%	61%
Banque Internationale a Luxembourg	920,000	2.24%	63%
Other shareholders	15,211,196	36.98%	100%
Total number of shares	41,132,958	100.0%	

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

Share data

	QTD Sep-19 3 months 2019/20	QTD Sep-18 3 months 2018/19	YTD Mar-19 12 months 2018/19
Number of shares at period end (adjusted for share split and bonus issue)	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	40,779,533	40,954,876
Loss per share — basic and diluted, attributable to ordinary equity holders of the parent (pence) [∅]	(1.14)	(0.84)	(4.42)

[∅]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 30 September 2019 totalled 3,734,250 (2018: 3,783,250) and are potentially dilutive.

Main KPI numbers

Summary of the Company's Key Performance Indicators

		QTD Sep-19	QTD Jun-19	QTD Mar-19	QTD Dec-18	QTD Sep-18
		3 months	3 months	3 months	3 months	3 months
		2019/20	2019/20	2018/19	2018/19	2018/19
IAP revenue growth	%	47%	39%	83%	243%	274%
Subscription revenue growth	%	-55%	-75%	-49%	-81%	-81%
Total revenue growth	%	46%	35%	78%	180%	174%
Gross profit margin	%	12%	12%	14%	13%	16%
Adjusted EBITDA margin	%	-20%	-28%	-27%	-40%	-27%
Operating loss margin	%	-21%	-26%	-29%	-41%	-23%
Average monthly operational cashflow	GBP	(602,901)	(377,982)	(288,552)	38,953	(136,276)
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	41,132,958
Amount of weighted average shares outstanding for period (adjusted for share split and bonus issue)		41,132,958	41,132,958	40,954,876	40,900,081	40,779,533
Loss per share — basic and diluted, attributable to ordinary equity holders of the parent (pence)	GBP	(1.14)	(1.16)	(1.13)	(1.73)	(0.84)
Headcount		47	45	45	44	42
Number of top-tier games live		5	6	4	4	2
Number of mid-tier games live		7	6	5	5	2

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	Defined by the Company as all staff plus all long-term contractors as at the end of the period
Number of top-tier games live	Based on the assessment of number of live games generating at least USD 140,000 per month
Number of mid-tier games live	Based on the assessment of number of live games generating at least USD 40,000 per month

Quarterly figures

Income statement

GBP, 000	2019/20			2018/19		
	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue	2,303	1,914	1,668	1,760	1,582	1,415
Gross profit	278	222	226	223	258	240
Adjusted EBITDA	(450)	(538)	(451)	(702)	(420)	(421)
Operating loss (EBIT)	(492)	(496)	(487)	(727)	(361)	(311)
Finance cost	(0)	(1)	(1)	(2)	(2)	(2)
Loss before tax	(492)	(496)	(488)	(728)	(363)	(313)
Tax	24	18	27	19	20	17
Loss after tax	(468)	(479)	(461)	(709)	(342)	(296)

Balance Sheet

GBP, 000	2019/20			2018/19		
	Q2	Q1	Q4	Q3	Q2	Q1
Property, plant and equipment	22	45	67	90	112	135
Intangible assets	481	400	347	244	194	180
Other non-current assets	-	-	10	-	-	-
Total non-current assets	503	445	425	334	306	315
Trade and other receivables	3,069	1,711	1,445	842	1,272	959
Cash and cash equivalents	3,085	5,016	5,988	6,993	6,961	7,418
Total current assets	6,154	6,727	7,434	7,835	8,234	8,377
Total equity	4,309	4,755	5,236	5,633	6,334	6,667
Other non-current liabilities	14	12	-	34	24	33
Total non-current liabilities	14	12	-	34	24	33
Trade and other payables	2,334	2,382	2,578	2,497	2,095	1,885
Lease liabilities	-	22	44	66	87	107
Total current liabilities	2,334	2,405	2,623	2,563	2,181	1,993

Cash flow

GBP, 000	2019/20			2018/19		
	Q2	Q1	Q4	Q3	Q2	Q1
Cash flow from operating activities before changes in working capital	(457)	(521)	(502)	(629)	(359)	(205)
Changes in working capital	(1,369)	(606)	(419)	814	7	266
Operating cash flow before grant payments	(1,826)	(1,127)	(921)	185	(353)	61
Grant payments	-	251	-	-	-	-
Cash flow from net operating activities	(1,826)	(876)	(921)	185	(353)	61
Investing activities	(100)	(66)	(116)	(63)	(25)	(24)
Cash flow from investing activities	(100)	(66)	(116)	(63)	(25)	(24)
Financing activities	(23)	(23)	(23)	(23)	(23)	233
Cash flow from financing activities	(23)	(23)	(23)	(23)	(23)	233
Net change in cash and cash equivalents	(1,948)	(965)	(1,060)	99	(400)	271
Cash and cash equivalents at end of the period	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 47 staff and long-term contractors and is listed on Nasdaq First North 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

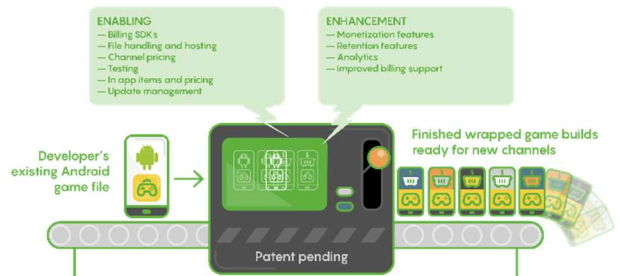
Industry-leading research firm Newzoo estimates the Global Games Market will generate more than \$152bn in 2019, with mobile device games accounting almost \$55bn. The Alternative Android Market is also estimated to boom thanks to an increasing demand for other app stores and growing mobile devices and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

