

Interim Report January-March 2022

Stable start to the year

First quarter 2022

- Net revenue amounted to SEK 54.7 (2.4) million.
- EBITDA amounted to SEK 2.4 (-2.5) million.
EBITDA for Q1 in the previous year included non-recurring costs of SEK -1.8 million.
- Net result after tax was SEK -21.7 (-7.4) million.
- Earnings per share after dilution amounted to SEK -0.24 (-0.2).

Significant events during the quarter

- The acquisition of Lucky Kat was completed on 3 January and in connection with the completion, the Board decided to issue a total of 3,944,551 shares. Lucky Kat's result for Q4 2021 was included in the Group's result for the fourth quarter 2021 in accordance with the acquisition agreement.
- On 9 February, Fragbite Group's subsidiary Lucky Kat entered into a partnership with The Sandbox to create a virtual world with an amusement park theme in the Metaverse – a decentralised digital eco-system based on the next generation Internet – Web 3.0.

Significant events after the end of the period

- On 12 April, the Board held a special meeting during which they decided to appoint Marcus Teilman as President & CEO, who takes up the position at the AGM on 25 May 2022. Marcus is currently Deputy CEO and Head of M&A. The Company's current President & CEO Stefan Tengvall steps down from the role with effect from the AGM on 25 May 2022 and has informed the Nomination Committee of his availability for an operational Board role.
- Prior to the AGM on 25 May 2022, the Nomination Committee has proposed that Niclas Bergkvist, Claes Kalborg, Dawid Myslinski, David Wallinder and Sten Wranne be re-elected to the Board. Stefan Tengvall and Zara Zamani are proposed as new Board members. The Nomination Committee has also proposed that the Company's outgoing President & CEO Stefan Tengvall be elected as Chairman of the Board and Niclas Bergkvist as Vice Chairman.

SEK thousands	Jan-Mar		Full Year
	2022	2021	2021
Net revenue	54 669	2 361	124 041
Adjusted EBITDA*	2 449	-644	9 730
EBITDA	2 449	-2 466	6 162
EBIT	-18 901	-7 393	-45 746
Net result after tax	-21 683	-7 408	-50 397

* Earnings 2021 were affected by items affecting comparability of SEK 1,823 thousands in Q1 and SEK 3,568 thousands for the full year.

About Fragbite Group AB (publ)

Fragbite Group is a digital gaming entertainment group with subsidiaries active in the mobile gaming and e-sports industry listed on Nasdaq First North Growth Market in Stockholm. The Group consists of companies with about 60 employees in total who all share the same passion for gaming. The Group is headquartered in Stockholm, Sweden, and has physical representation in Alexandria, Egypt, Paris, Montpellier and Nancy, France, and The Hague, Netherlands. The Group has two internal game development studios: Lucky Kat and FunRock/Prey Studios. They develop, publish, distribute and market games for desktop, consoles and mobile devices for the global gaming market. Fragbite AB is one of the Nordic region's leading e-sports media companies arranging and broadcasting e-sports tournaments live. Playdigious SAS is engaged in porting and adapting games for mobiles and developing indie games. For more information, see www.fragbitegroup.com.

CEO's comments

The first quarter of the year has started steadily with net revenue of SEK 54.7 million and EBITDA of SEK 2.4 million. This is compared with net revenue of SEK 60.3 million and EBITDA of SEK 10.2 million for the fourth quarter of 2021, during which period Lucky Kat sold 5,555 dog avatars for the Panzerdogs game, generating positive non-recurring revenue for that quarter. Our first quarter of the year shows that we have a solid revenue base on which to stand and grow. The first and third quarters tend to be the less intense quarters for our operations and this first quarter was no exception.

During the first quarter of the year, we focused much effort on integrating Lucky Kat into Fragbite Group. Lucky Kat is also exploring the possibility of selling its own token, which can be used as a type of currency for the games it produces. It is our hope that we will soon have the legal structure and all necessary permits to implement this successfully. I have a feeling that this is the start of something completely new that could have significant potential for us in the future. I am highly satisfied with the integration so far.

As in previous years, our e-sports company Fragbite AB did not have any tournaments running in the first quarter of the year, but new seasons of both Fragleague and the Swedish Chess League have begun after the end of the quarter. Fragbite is also planning new e-sports concepts and it is my assessment that they could be launched later this year. We will get back to you as soon as we have signed the contracts. Fragbite's development in 2021 was negatively affected by the pandemic, but a recovery has started in the first quarter of 2022.

Playdigious continues to perform better than planned. Streets of Rage 4 was launched on Android and iOS yesterday, 24 May, and the studio has a number of other game releases scheduled during the remainder of the year, which I feel will further strengthen us. It was a particular pleasure to see the games Northgard and Sparklite nominated and winning the "Best Mobile Video Game" and the "Best International Mobile Video Game" awards at The Pégases Game Awards 2022.

For our FunRock/Prey mobile game studio, we have seen clear KPI improvements for the game *MMA Manager 2: Ultimate Fight* compared with *MMA Manager 2021*. What remains now is for us to create better leverage from the marketing campaigns carried out by our external publisher. We are monitoring developments closely and plan to launch the game globally as soon as the time is right.

We continue to focus on our acquisition agenda. We have chosen not to pursue some of the acquisition discussions, but to explore others in more depth. We are very selective when making acquisitions, which requires patience.

As previously communicated, after just over 2 years as CEO, I have decided to hand over the baton to Marcus Teilman, who is currently Deputy CEO and Head of M&A. This is my last day as CEO and I have also been proposed by the Nomination Committee as the new Chairman of the Board, to be decided by the Annual General Meeting later today. I have great confidence in Marcus and will continue to support him and the Company closely in the future, and I look forward to continuing to work with Fragbite Group in a new role for a long time to come. The remainder of 2022 looks set to be interesting, to say the least, as we have many opportunities to take advantage of. I would like to take this opportunity to thank our investors for the confidence and support they have given me and our employees.



Stefan Tengvall, President & CEO

Financial performance in the period January – March 2022

Revenue

The Group's net revenue for the quarter amounted to SEK 54.7 (2.4) million. Revenue for the period was significantly higher than in the previous year due to the Group's acquisition of Fragbite, Playdigious and Lucky Kat. Fragbite was acquired on 18 February 2021 and therefore partly contributed to net revenue for Q1 2021, while the other acquisitions were included in consolidated net revenue from 1 June for Playdigious and 1 October for Lucky Kat.

Earnings

The Group's personnel expenses and other external expenses for the first quarter amounted to SEK 13.1 (4.9) million. The increase from the previous year is due to completed acquisitions and increased recruitment costs in the Parent Company. Other external expenses for Q1 2021 were negatively affected by non-recurring costs of SEK -1.8 million.

EBITDA for the quarter amounted to SEK 2.4 (-2.5) million. The improvement compared with the previous year is attributable to completed acquisitions.

The Group's depreciation/amortisation for the first quarter amounted to SEK 21.3 (4.9) million and is mainly related to goodwill arising in connection with completed acquisitions. Amortisation related to 'Work performed by the Company and capitalised' amounted to SEK 0.7 (2.1) million.

The Group's net result after tax for the quarter amounted to SEK -21.7 (-7.4) million.

Cash flow, investments and financial position

Cash flow from operating activities before changes in working capital amounted to SEK 0.6 (-2.1) million. The improved cash flow is largely due to earnings from the companies acquired in 2021, counterbalanced by the increased finance costs related to these acquisitions and taxes paid in the foreign companies. As mentioned above, the Parent Company's costs also increased compared with the same period the previous year.

Cash flow from changes in working capital for the first quarter amounted to SEK -1.8 (1.1) million and was mainly related to completed acquisitions, including settlement of the receivable in the form of accrued income recognised at year-end, as Lucky Kat's result for Q4 2021 was included in the Group result for the same period, while Lucky Kat's cash flow was not taken into account in the year-end consolidation. This was because the takeover of the shares did not happen until 3 January 2022, as previously reported.

Cash flow from investing activities amounted to SEK -79.9 (-75.7) million, the majority of which is attributable to the acquisition of Lucky Kat (with the shares not being taken over until early in Q1) but the amount also includes work performed and capitalised.

Cash flow from financing activities amounted to SEK 17.1 (97.0) million, a consequence of the new share issue in connection with the acquisition. Cash and cash equivalents amounted to SEK 23.4 (25.1) million at the end of the period.

Work performed by the Company and capitalised	Jan-Mar		Full Year
	2022	2021	2021
SEK thousands			
Recognition of capitalised expenditure	2 493	1 042	6 757
Amortization of capitalised expenditure	-675	-2 076	-9 017
Write down balanced expenses	0	0	-7 341
Earnings effect/net effect	1 817	-1 034	-9 601

Forthcoming launches

Planned activities up to and including Q3 2022

Title	IP owner	Publisher
MMA Manager 2: Ultimate Fight	Prey Studios	Tilting Point
Evoland II (Chinese version)	External	Playdigious
Panzerdogs mobile version	Lucky Kat	Lucky Kat
Panzerdogs – most activities	Lucky Kat	Lucky Kat
Title not yet communicated	External	Playdigious
New e-sports tournament	Fragbite AB	Fragbite AB

Market¹

Gaming

The global gaming market can be divided into four different segments: Console, Mobile, PC Browser and PC Downloaded. Gaming market revenue amounted to \$175.8 billion in 2021, a decline of 1.1 percent since 2020. Mobile gaming accounts for approximately 52 percent of the revenue. The mobile gaming market has been less affected by the pandemic, in the form of delays, than the PC and console games market. This is because PC and console game developers tend to have a larger number of employees working on the same game and have more international collaborations than mobile game developers. In addition, the PC and console games market has been negatively affected by a global shortage of semiconductors.

Mobile gaming

Mobile games are played on mobile devices, which include smart phones and tablets. As mentioned above, mobile gaming is the largest global gaming market segment in terms of revenue. NewZoo estimates that mobile gaming market revenues grew to \$90.7 billion in 2021, representing an increase of about 4.4 percent compared with 2020. This is driven primarily by growth in markets such as Asia-Pacific, the Middle East and Africa, but also by new innovations in mobile revenue generation and major PC and console game developers integrating their intellectual property into mobile. Statista estimates that the number of global mobile gamers in 2021 reached 2.7 billion. By 2024, it is estimated that mobile gaming market revenue will be \$116.4 billion, corresponding to a CAGR (Compound Annual Growth Rate) of 11.2 percent, calculated from 2019. This revenue represents only players' own consumption and therefore excludes game advertising revenue.

E-sports

The global e-sports industry declined from revenues of approximately \$957.5 million in 2019 to \$947.1 million in 2020. In 2021, the global e-sports market amounted to approximately \$1.1 billion and is expected to grow to approximately \$1.6 billion by 2024. This means a CAGR of 11.1 percent, calculated from 2019. In 2021, the number of global e-sports viewers showed 8.7 percent year-on-year growth, increasing to 474 million. Of these viewers, e-sports enthusiasts represent 234 million and the remaining 240 million viewers watch an occasional e-sports event during the year. E-sports enthusiasts are viewers who watch e-sports more than once a month. Global viewership is expected to continue to grow at a CAGR of about 7.7 percent to \$577 million by 2024, calculated from 2019. This growth is expected to be driven primarily by markets such as Asia-Pacific, the Middle East and Africa. Revenue in 2021 is attributable to sponsorship and advertising, media rights, game publisher fees, merchandise & ticket, digital and live streaming. In 2021, the pandemic continued to have a clear impact on the e-sports market. Sponsors continue to be the dominant segment of the e-sports market.

¹ Market data sources: Newzoo's Global Games Market Report 2021 and Newzoo's Global Esport & Live Streaming Market Report 2021

The revenue stream from sponsorship amounted to \$641 million in 2021, representing 59 percent of the overall e-sports market. According to NewZoo, this share of total e-sports revenue will gradually decrease in the coming years, mainly due to the fact that it will be possible to organise more physical events, resulting in an increase in total revenue. In 2021, revenue from merchandise and ticket sales totalled \$67 million, a clear decline, and is not expected to recover from the pandemic until after 2022 at the earliest. Digital and live streaming are the segments that increased the most in 2021, with year-on-year growth of 50 percent and 26 percent respectively. Digital includes revenue generated from digital sales of buy-in games linked to e-sports teams' brands and contracted players. Live streaming includes revenues generated through professional players' and contracted streamers' own channels.

Parent Company

The Parent Company's revenue for the first quarter amounted to SEK 2.0 (0.0) million and net result after tax was SEK -2.7 (-1.8) million.

Accounting policies

This interim report has been prepared in accordance with K3, Interim Financial Reporting, and the Annual Accounts Act.

Fragbite Group's share

Fragbite Group AB (publ) was listed on Nasdaq First North Growth Market on 12 July 2021 under the ticker (short name) FRAG. The total number of ordinary shares outstanding on 31 March 2022 is 87,913,750. Each share carries one vote at the AGM.

Consolidated Statement of Comprehensive Income

<i>SEK thousands</i>	Jan-Mar		Full Year
	2022	2021	2021
Revenue	54 669	2 361	124 041
Capitalized work on own account	2 493	1 042	6 757
Other operating income	85	3	9
Total Revenue	57 247	3 406	130 807
Cost of goods and services sold	-41 659	-958	-88 013
Gross Profit	15 588	2 449	42 793
<i>Gross Margin %</i>	27,2%	71,9%	32,7%
Personnel expenses	-9 083	-1 688	-16 488
Other external costs	-4 057	-3 228	-20 143
EBITDA	2 449	-2 466	6 162
Amortization and impairment intangible assets	-675	-2 076	-16 358
Depreciation tangible assets	-107	-1	-152
Amortization goodwill	-20 567	-2 850	-35 112
Other operating expenses	0	0	-287
EBIT	-18 901	-7 393	-45 746
Net financial items	-1 496	-1	-443
Earnings before tax (EBT)	-20 397	-7 394	-46 189
Tax	-1 286	-14	-4 207
Net result	-21 683	-7 408	-50 397
Other comprehensive income	0	0	0
Total comprehensive income	-21 683	-7 408	-50 397
Comprehensive income for the period attributable to the parent company's shareholders	-21 683	-7 408	-50 397
Earnings per share (SEK)	-0,25	-0,22	-0,60
Earnings per share after dilution (SEK)	-0,24	-0,20	-0,59
Average number of shares outstanding	87 782 265	32 770 825	63 110 894
Average number of shares outstanding diluted	89 682 265	36 588 695	66 917 958
Number of shares before dilution	87 913 750	33 401 144	83 969 199
Number of shares diluted	89 813 750	37 219 014	85 869 199

Consolidated Statement of Financial Position

<i>SEK thousands</i>	31-mar-22	31-mar-21	31-dec-21
ASSETS			
Fixed Assets			
Intangible assets	359 055	135 472	182 535
Tangible assets	1 137	8	221
Financial assets	301	0	1 806
Total Fixed Assets	360 492	135 480	184 562
Current Assets			
Accounts receivable	20 657	579	17 175
Other receivables	4 648	780	3 701
Prepaid expenses and accrued income	6 419	527	11 361
Total Current Assets	31 724	1 886	32 237
Cash and cash equivalents	23 432	25 153	87 460
Total Assets	415 647	162 519	304 258
EQUITY AND LIABILITIES			
Equity	204 935	157 222	203 254
Provisions	113 722	0	0
Long-term liabilities			
Liabilities to credit institutions	27 362	0	31 487
Other long-term liabilities	10 338	0	10 131
Total Long-term liabilities	37 700	0	41 618
Short-term liabilities			
Liabilities to credit institutions	15 335	0	15 000
Accounts payable	21 834	2 290	25 834
Current tax liabilities	2 295	435	338
Other current liabilities	12 756	264	13 523
Accrued expenses and prepaid income	7 070	2 308	4 692
Total Short-term liabilities	59 289	5 297	59 386
Total Equity and Liabilities	415 647	162 519	304 258

Consolidated Cash Flow Statement

SEK thousands	Jan-Mar		Full Year
	2022	2021	2021
Operating income	-18 901	-7 393	-45 746
Non-cash items			
Depreciation, amortisation and impairment	21 349	4 927	51 621
Other	392	0	0
Financial items	-491	0	-443
Tax paid	-1 766	382	-3 908
Cash flow from operating activities before changes in working capital	584	-2 084	1 524
Change in accounts receivable	-4 551	-106	-16 543
Change in other receivables	10 866	874	-12 887
Change in accounts payable	-3 553	1 817	25 227
Change in other liabilities	-4 580	-1 513	6 609
Cash flow from changes in working capital	-1 817	1 072	2 406
Cash flow from operating activities	-1 233	-1 012	3 930
Investment in subsidiaries	-76 385	-74 623	-139 084
Ongoing investment in financial assets	0	0	-1 806
Enabled work on own account	-2 493	-1 042	-6 757
Acquisition of intangible and tangible fixed assets	-878	0	-598
Deposit paid	-156	0	0
Cash flow from investing activities	-79 911	-75 665	-148 245
New share issue	20 906	96 970	185 162
New borrowings	0	0	45 000
Amortization of liabilities to credit institutions	-3 790	0	-3 360
Cash flow from financing activities	17 116	96 970	226 802
Cash flow	-64 028	20 292	82 487
Cash and cash equivalents at beginning of period	87 460	4 861	4 861
Cash flow for the period	-64 028	20 292	82 487
Exchange difference in cash and cash equivalents			112
Cash and cash equivalents at end of period	23 432	25 153	87 460

* In cash flow full year 2021 a reclassification of new share issue in connection with acquisitions in 2021 has been done, which affects reported amounts in Investment in subsidiaries and New share issue.

Consolidated Statement of Changes in Equity

<i>SEK thousands</i>	Share capital	Premium Fund	Balanced result	This periods result	Equity attributable to shareholders of the Parent Company
OPENING BALANCE 2021-01-01	544	132 858	-43 173	-22 569	67 660
Changes in equity during the period 2021-01-01 - 2021-12-31					
Result for the reporting period				-50 397	-50 397
New share issue paid	855	184 307			185 162
Change in Group structure			829		829
Disposition according to decision of the Annual General Meeting			-22 569	22 569	0
CLOSING BALANCE 2021-12-31	1 399	317 165	-64 913	-50 397	203 254
OPENING BALANCE 2022-01-01	1 399	317 165	-64 913	-50 397	203 254
Changes in equity during the period 2022-01-01 - 2022-03-31					
Results for the reporting period				-21 683	-21 683
New share issue paid	66	20 840			20 906
Translation difference			2 458		2 458
Disposition proposed to the Annual General Meeting in 2022			-50 397	50 397	0
CLOSING BALANCE 2022-03-31	1 465	338 005	-112 852	-21 683	204 935

Income Statement – Parent Company

SEK thousands	Jan-Mar		Full Year
	2022	2021	2021
Revenue	2 006	0	2 358
Total revenue	2 006	0	2 358
Personnel expenses	-2 191	0	-1 278
Other external costs	-1 195	-1 836	-9 424
EBITDA	-1 381	-1 837	-8 344
Net financial items	-1 334	0	-15 886
Earnings before tax (EBT)	-2 715	-1 837	-24 230
Tax	0	0	0
Net result	-2 715	-1 837	-24 230

Balance Sheet – Parent Company

SEK thousands	31-mar-22	31-mar-21	31-dec-21
ASSETS			
Fixed Assets			
Shares in Group companies	427 283	152 695	235 496
Receivables from Group companies	10 077	0	1 150
Financial assets	154	0	1 661
Total Fixed Assets	437 514	152 695	238 307
Current Assets			
Receivables from Group companies	1 926	3 287	5 715
Taxes	34	0	20
Other receivables	334	0	0
Prepaid expenses and accrued income	297	0	170
Total Current Assets	2 591	3 287	5 905
Cash and cash equivalents	5 908	21 918	66 885
Total Assets	446 014	177 900	311 097
EQUITY AND LIABILITIES			
Equity	259 239	175 249	241 047
Provisions	113 722	0	0
Long-term liabilities			
Liabilities to credit institutions	23 750	0	27 500
Liabilities to Group companies	0	0	1 614
Other long-term liabilities	10 338	0	10 131
Total Long-term liabilities	34 088	0	39 245
Short-term liabilities			
Liabilities to credit institutions	15 000	0	15 000
Accounts payable	679	1 823	1 838
Liabilities to Group companies	11 084	750	1 800
Other liabilities	10 611	0	10 291
Accrued expenses and prepaid income	1 590	78	1 876
Total Short-term liabilities	38 964	2 651	30 805
Total Equity and Liabilities	446 014	177 900	311 097

Declaration by the Board of Directors

The Board of Directors and the CEO of Fragbite Group AB (publ) hereby certify that this interim report provides a true and fair overview of the operations, financial position and performance of the Group and Parent Company.

Stockholm, 25 May 2022

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

Niclas Bergkvist
Chairman of the Board

Claes Kalborg

Dawid Myslinski

David Wallinder

Sten Wranne

Stefan Tengvall
President & CEO

Contact

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Upcoming reports

Q2 Report: 24 August 2022
Q3 Report: 29 November 2022
Year-end Report 2022: 28 February 2023