

Q2

**GOODBYE
KANSAS**
GROUP

Goodbye Kansas Group • Interim Report • January– June 2021



Goodbye Kansas Studios has produced the trailer for the upcoming game "Redfall" from Bethesda Softworks (Microsoft) and Arkane Studios.

Summary

In Q2, Goodbye Kansas Studios delivered a teaser trailer for the upcoming game "The Outer Worlds 2", produced together with the agency Buddha Jones for Obsidian Entertainment and Xbox. The trailer premiered at the annual Xbox & Bethesda Games Showcase event in June.

Second quarter, April 1 – June 30, 2021

- Net sales increased to SEK 63.7 million (47.9). Goodbye Kansas Holding is included as from May 2020.
- Earnings before depreciation and amortization (EBITDA) amounted to SEK 15.0 million (-4.7).
- Earnings before interest and tax (EBIT) amounted to SEK -27.6 million (-15.8) of which amortization of goodwill amounts to SEK 7.8 million (7.4).
- Earnings before tax amounted to SEK -23.3 million (-18.8).
- Earnings per share amounted to -SEK 0.22 (-0.22).

First half year, January 1– June 30, 2021

- Net sales amounted to SEK 122.6 million (52.6).
- Earnings before depreciation and amortization (EBITDA) amounted to SEK -24.4 million (-11.9).
- Earnings before interest and tax ((EBIT) amounted to SEK -50.4 million (-27.1) of which amortization of goodwill amounts to SEK 14.9 million (10.6).
- Earnings before tax amounted to SEK -51.5 million (-30.1).
- Earnings per share amounted to SEK -0.48 (-0.36).
- Cash on hand amounted to SEK 21.9 million (59.3) as of June 30.

Second quarter, pro forma comparison

- Net sales amounted to SEK 63.7 million (68.9). Compared to first quarter 2021 amounted net sales to SEK 63.7 million (58.9)
- EBITDA amounted to SEK-15.0 million (-6.6.) Compared to first quarter 2021 amounted EBITDA to SEK-15.0 million (-9,5)
- **Net sales and EBITDA** for the second quarter are lower compared to the same period 2020 mainly because of the exposure towards the film & TV industry. However net sales has recovered compared to the first quarter 2021.

First half year, pro forma comparison

- Net sales amounted to SEK 122.6 million (150.1).
- EBITDA amounted to SEK-24.4 million (-5.4.)
- **Net sales and EBITDA** for the second quarter are lower compared to the same period 2020 because of the pandemic.

"Goodbye Kansas" means Goodbye Kansas Group AB (publ), org. no. 559019-7462, including subsidiaries. The Board of Directors and the CEO of Goodbye Kansas are hereby authorised to report on the interim report for the period 1 January – 30 June 2021. All figures and comments refer to the Group and amounts are expressed in SEK million with the corresponding period last year in brackets, unless otherwise stated..

SUMMARY



Goodbye Kansas Group enters into partnership with world-leading gaming studio Keywords Studios with its company Electric Square to complete the location-based mobile game Hello Kitty AR: Kawaii World for launch in 2022. Keywords Studios has a global presence with more than 60+ game studios in 22 countries on four continents and is also present in Japan which is Hello Kitty's home market.

Key events in the second quarter

- New financial targets were decided by the Board of Directors; **average annual sales growth of 20%** and to reach an EBITDA margin exceeding **20%** by 2024
- Goodbye Kansas Group **secured financing** from **LDA Capital, major shareholders and Nordea**. LDA Capital offers the company the opportunity, but not an obligation, to raise up to SEK 175 million through directed issues over a three-year period.
- The Annual General Meeting resolved to change the name to **Goodbye Kansas Group**. The market-listed stock is trading under Goodbye Kansas Group (short name: GBK) as of May 3.
- **Partnerships with Keywords Studios** and their studio **Electric Square** were entered into to complete the production of the location-based mobile game **Hello Kitty AR: Kawaii World** ahead of the game's **launch in 2022**.
- An additional **re-seller agreement** was signed for the UK market for the product *VR Fire Trainer*
- **Markus Manninen** was appointed **Managing Director of Goodbye Kansas Studios**. He has worked at Dreamworks in Los Angeles and Shanghai and Framestore in London. He has solid experience of companies in growth with a focus on advanced digital visualization and has a **broad international track record**.

Key events after the period

- The Board of Directors of Goodbye Kansas Group proposes a **fully guaranteed rights issue** of approximately SEK 100 million that is subject to a resolution at an Extraordinary General Meeting in September
- Management and the Board initiated a **cost optimization program** based on the new financial targets. Fully implemented, the program is expected to deliver approximately **SEK 38 million in lower annual costs** that will give full effect from January 1, 2022. Together with the rights issue, it will enable the **acceleration of Goodbye Kansas Studios to continue**, focusing on the **launch of the location-based mobile game Hello Kitty 2022** and the **product development of proprietary IP and scalable solutions**.
- Modelio Equity AB provides the company with a bridge loan facility of SEK 55 million in July that will be repaid in connection with the upcoming rights issue.

CEO comment

Peter Levin



“After a few years of large investment, Goodbye Kansas Studios now has capacity and technology of very high standard. Our Group’s IP assets are under development, and we now have a high-quality partner for our game development.”

The company is in a transition and remains to certain parts in a strong hold of the pandemic, especially concerning film & TV production. However, we see clear signs of for us important segments, now opening up and we are in pool position to seize these opportunities.

We had increased sales compared to the first quarter of this year and also an increase in license revenue for the same period. However, in the comparison of net sales and EBITDA with pro forma for the same period last year, the second quarter is still affected by the pandemic.

We are in a transition and remain to certain parts in a strong hold of the pandemic, especially concerning film & TV production. However, we see clear signs of for us important segments now opening up and we are in pool position to seize these opportunities. The group’s total sales pipeline

remains strong for the second half of the year and internationally diversified.

During the quarter, we have worked intensively to focus the company in line with the strategic direction we presented in the spring. A cost optimization program has been initiated and will take full effect from January 2022, with an annual lower cost of SEK 38 million.

The review of the entire group involving adjustments in the organization and a new management team was established in June. We have further intensified the optimization of our core business at Goodbye Kansas Studios through increased flexibility and efficiency in the organization

CEO COMMENT

and Markus Manninen is onboard as the new Managing Director. I am very pleased that Markus, after 22 years in the international VFX and animation industry, chose to take on the assignment and move back to Sweden.

In our business area **“Visual Content and Brand”**, Goodbye Kansas Studios has continued to establish larger and longer projects as well as expanded long-term partnerships with our global customers. We have a strong sales pipeline compared to the same period last year with a continued high proportion of assignments from the gaming industry. We have delivered new trailers for Microsoft and Bethesda and a major work for Netflix and the TV series “Irregulars”. We are also advancing our positions further with regard to clients outside the entertainment industries.

“IP and Products” includes the subsidiaries Infinite Entertainment, Vobling and Sayduck. Infinite Entertainment has during the quarter planned the production of the feature film “Gordon Hemingway & The Realm of Cthulhu” with Netflix and Spike Lee. The attention this partnership has brought means that we now are in a number of exciting talks and negotiations.

Vobling’s business is now clearly turning towards Virtual Reality training, which is growing globally, and our first product VR Fire Trainer. This means that we have carried out a review of competences and made necessary adjustments to the organization. During the quarter, we signed another re-seller agreement for the VR Fire Trainer product for the UK market and we now have agreements with major market leading retailers in Sweden, the DACH region and the UK.

Sayduck’s 3D/AR solution for e-commerce has continued to show growth and here we now also focus on increasing profitability, while the necessary investments has to be made in the platform and sales capacity.

“Games & Apps” with Virtual Brains and Plotagon includes our activities towards the B2C market. We recently announced our partnership agreement with Keywords Studios and Electric Square to complete the production of the mobile game Hello Kitty for launch in 2022. This means that we have changed the focus of Virtual Brains, towards an customer organization, and discontinued our own game production with the exception of Otherworld Heroes, which is in soft launch. For Plotagon, the focus in the second quarter has continued to be the development and preparation for the launch later this year of an entertainment app developed in collaboration with the South Korean social network ZEPETO.

After evaluating various financing options during the spring, we decided on LDA Capital, an international investment partner that can flexibly provide capital and in addition contribute to strategic partnerships in key customer segments. The financing package totaling SEK 226 million, also includes loans of SEK 36 million from major shareholders and other investors and a loan facility of SEK 15 million from Nordea. The Los Angeles-based LDA Capital provides us the opportunity, but not the obligation, to raise up to SEK 175 million over a three-year period.

In order to realize the new strategic direction and position the Group for profitable growth from 2022 and onwards, as well as to meet our financial targets of 20% growth annually and 20% EBITDA by 2024, we have supplemented our financing after the end of the period. The Board of Directors will propose a rights issue of SEK 100 million, which is 100% guaranteed through subscription undertakings and guarantee commitments, at an extraordinary general meeting in September. More information about this can be found in a press release on our website.

To conclude, I would like to say that, after a few years of large investment in our organisation, Goodbye Kansas Studios now has a capacity and technology of very high standard. Our Group’s IP assets are under development, and we now also have a high-quality partner for our game development. Our customers and partners are global and the demand for our services is increasing. We have laid the foundation and we are now executing it for increased efficiency and profitable growth. Cost optimization is a matter of course, and together with the rights issue we strengthen our ability to achieve our financial goals.

Peter Levin,
CEO and Managing Director,
Goodbye Kansas Group

Meet our new Group management team

The work to develop the Group is ongoing at full speed. The new executive management team for Goodbye Kansas Group is presented below. There are of course many more that is part on the journey ahead and that daily contributes with great competence and passion in the development of the company.



Peter Levin
CEO and Managing Director



Anders Lundström
CFO



Karin Wintle
Chief Human Resource Officer
(starts August 16)



David Logg
Chief Revenue Officer
and Acting
Managing Director Vobling



Markus Manninen
Managing Director
Goodbye Kansas Studios
and Business Area Manager
Visual Content & Brand



Tom Olsson
Head of Production
& Executive
Producer Infinite
Entertainment

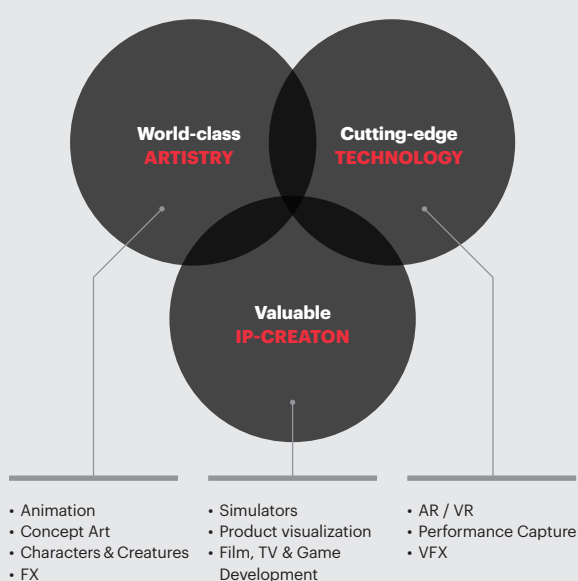


Filip Grufman
Managing Director Plotagon
and Business Area Manager
Games & Apps

A world-class visual content & technology partner

The foundation is now laid for the Group's future organization and strategy. The group's business is based on the convergence that takes place in technology and visual content in both the consumer and business markets. Growth is expected to be very strong in all markets in the immersive tech (XR), film/TV, streaming and gaming.

Business model



Focus areas

For long term profitability and growth



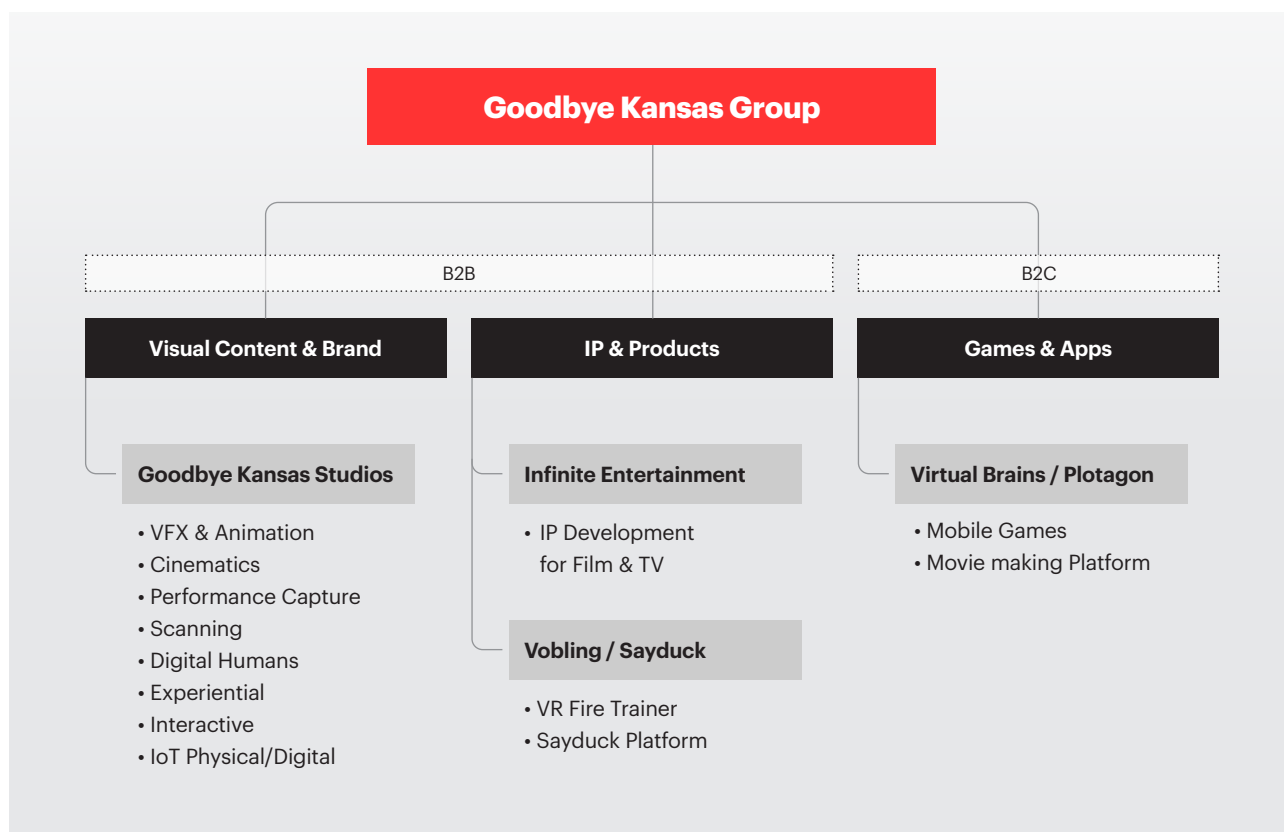
Company structure

In order to seize the Group's opportunities in a converging market in rapid growth, the business is formed from three areas where B2B makes up the majority of the business today with the ambition to grow the B2C business over time.

• **Visual Content & Brand:** Today primarily based on project and consulting revenues from advanced digital productions.

• **IP & Products:** There is a clear strategic focus to grow the IP business through scalable product and license revenues as well as MRR (monthly recurring revenues).

• **Games & Apps:** Development of mobile experiences to generate scalable revenue from in-app purchases, ads, subscription revenue and other commercial partnerships.



Our Mission

We provide groundbreaking digital experiences to the world through outstanding talent, cutting edge technology and engaging narrative.

Our Vision

To become the most celebrated creators of visual and technological experiences for generations to come.

Key figures

Group

SEK Thousands	2021 Q2	2020 Q2	2021 H1	2020 H1	2020 Full year
Net sales	63 674	47 916	122 562	52 586	161 301
Capitalized work for own account	5 676	7 257	14 392	8 491	28 126
Total revenue	73 507	56 780	142 289	63 044	193 695
Operating income (EBITDA)	-14 955	-4 660	-24 445	-11 898	-41 955
Number of employees, average	285	166	288	166	178
Balance sheet total	343 480	385 713	343 480	385 713	307 700
Cash liquidity	46%	*128%	46%	*128%	76%
Solidity	42%	*57%	42%	*57%	58%
Equity per share, SEK	1,35	2,07	1,35	2,07	1,79
Earnings per share, SEK					
- before dilution	-0,22	-0,22	-0,48	-0,36	-0,85
- after dilution	-0,21	-0,21	-0,46	-0,34	-0,82
Number of shares at the end of the period	108 131 727	83 985 932	108 131 727	83 985 932	100 194 110
Number of shares at the end of the period after full dilution	112 131 727	**87 985 932	112 131 727	**87 985 932	104 194 110
Average number of shares	106 985 484	69 449 537	104 162 919	69 449 537	77 553 626
Average number of shares after full dilution	110 985 484	73 449 537	108 162 919	73 449 537	81 553 626

* In the calculation, accounting-technically calculated debt related to the additional consideration for Goodbye Kansas has been excluded.

** The outcome related to the additional consideration for Goodbye Kansas has not been included in the calculation.

** In the calculation, the outcome related to the additional consideration for Sayduck has not been included

Group relationships

The consolidated financial statements consolidate the parent company and its subsidiaries' operations until 30 June 2021. Subsidiaries are all companies in which the Group has the right to formulate the company's financial and operational strategies in order to obtain financial benefits.

Goodbye Kansas Group AB has five subsidiaries with different focus areas, end customers and monetization models: Goodbye Kansas

Studios (incl. Infinite Entertainment), Virtual Brains, Vobling, Sayduck and Plotagon. Goodbye Kansas Studios is the largest business area. Plotagon, which was acquired in January 2021, is included in the accounts as of 8 January 2021.

Goodbye Kansas Studios offers VFX, animation and Performance Capture services to the leading global film, gaming and streaming companies. Vobling develops products and services

in VR and specializes in virtual training. Sayduck has a focus in AR solutions for e-commerce and has a digital 3D/AR visualization service through its platform as Software-as-a Service. Virtual Brains develops AR-based mobile games with GPS and multiplayer functionality. Plotagon has a technology platform enabling users to create own 3D animated movies on smartphones within minutes.

Development in the Group

There has been an increase in sales compared to the first quarter of this year for the Group and also an increase in license revenues for the same period. In comparison of net sales and EBITDA with pro forma for the same period last year, the second quarter is still affected by the pandemic.

The group's sales pipeline remains strong for the second half of the year and is internationally diversified.

Visual Content & Brand

Net sales for Goodbye Kansas Studios in the quarter amounted to SEK 58.4 million compared to SEK 52.9 million for the previous quarter. The gaming sector continues to account for the largest share, with sales increasing by almost 10 percent compared to Q1, with film & TV still affected by the pandemic but increasing by 20 percent from the first quarter. For film & TV, we can confirm through our strong sales pipeline UK, that the market is starting to recover. Sales from the gaming industry are at the same level with Q2 2020, which was all-time high.

Operating profit (EBITDA), from the Studios operations, amounted to SEK -6.8 million (2.0), as a result of delayed project starts in the film & TV segment. Work towards increased efficiency, extended projects and customer

agreements for long-term profitability continues. The cost optimization program is part of this where the plan is to reduce the Group's total cost base by SEK 38 million annually from 2022.

Our global customers in the gaming, film & TV industry want to expand their productions where we are well positioned to take these assignments. There is also increased interest in our offerings outside the entertainment sector.

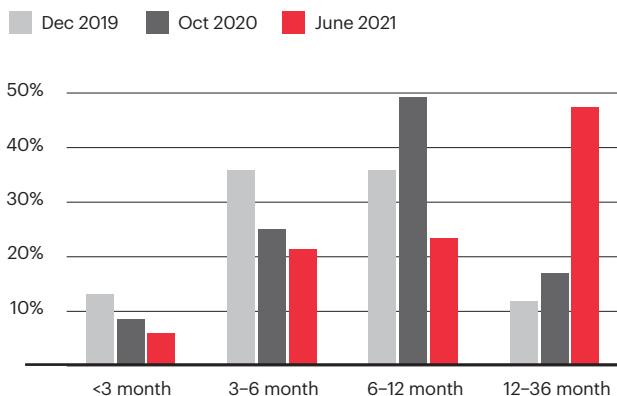
IP & Products

Infinite Entertainment develops film and TV projects and IP's that are either created internally or in co-production with other creators and partners. Production of the feature film "Gordon Hemingway & The Realm of Cthulhu" was in planning phase in the second quarter together with Netflix and Spike Lee. The attention of this partnership has led to discussions on new projects.

Vobling has increased net sales for the second quarter of 2021 to SEK 2.5 million (SEK 1.9 million), an increase of 30 percent but lower than expected due to delays in project starts. The sales pipeline has tripled from the turn of the year, mainly driven by major projects within VR Training. Licensing revenues increased compared to the previous

Longer customer agreements – Goodbye Kansas Studios

The strategy of working towards establishing long customer relationships with longer contract periods has turned out well. By mid-2021, nearly 50% are contracts with a contract period longer than a year compared to just over 10% in 2019.



Goodbye Kansas delivered a trailer for the upcoming game "Contraband" from Avalanche Studios in Q2. The trailer premiered at the Xbox & Bethesda Games Showcase in June 2021.

DEVELOPMENT IN THE GROUP

quarter. Profit before depreciation and amortization (EBIT-DA) amounted to SEK 0.15 million compared to SEK 0.5 million for the second quarter of 2020.

Vobling has developed a Virtual Reality-based training product for fire training. The product is launched, together with GLORIA, Europe's largest company in Fire and Safety. VR Fire Trainer is now launched in Germany, Austria and Switzerland. A new re-seller agreement has been signed for the UK and there is a strong interest in VR Fire Trainer in more markets globally, including Australia.

Vobling's focus will entirely be on VR Training, the VR Fire Trainer product and the development of additional scalable products in VR training.

Sayduck's sales during the quarter amounted to SEK 1.5 million, which is a doubling compared to the second quarter of 2020 and is an increase of just over 8 percent compared to the first quarter of 2021.

License revenue's share of total revenue was 71 percent in the quarter. License revenues doubled compared to Q2 2020 and the positive trend continues with an increase of 15 percent compared to the first quarter. The sales pipeline has increased since the beginning of the year.

A number of new features have improved the Sayduck Platform primarily on speed, performance and easy to use.

Games & Apps

Virtual Brains develops mobile games based on licensing **partnerships** with well-known global consumer brands. A new partnership has been entered with **Keywords Studios** and Electric Square for further development and launch in 2022 of the location-based mobile game based on **Hello Kitty** and the other characters in Japanese Sanrio's portfolio. Keywords is one of the most reputable global game studios and has, among other countries, operations

in Hello Kitty's home market Japan. With production being outsourced to external partners, Virtual Brains game studio has been restructured against an customer organization and downsized to a smaller number of key employees.

The location-based MMORPG, Otherworld Heroes, is in soft launch in an extended number of countries and against our test groups on Discord. New game worlds have been introduced, more social features, dungeons and characters have been implemented and will now be tested.

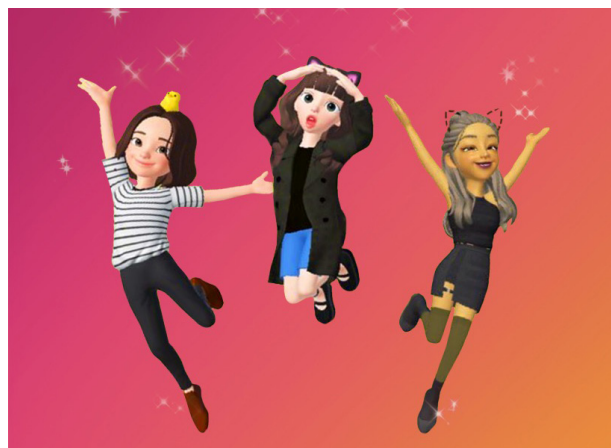
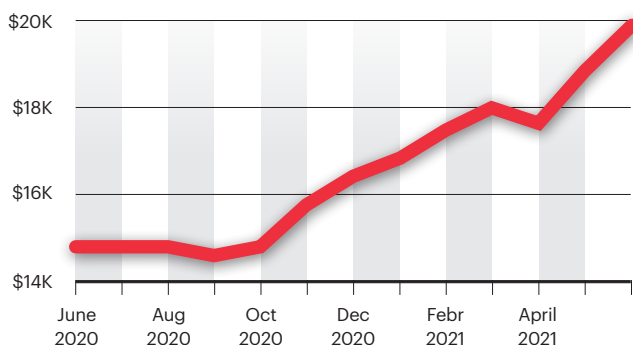
Plotagon is working on developing a new app in collaboration with South Korean **Naver Z (ZEPETO)**, one of the world's fastest growing social networks, with over 220 million registered users. Plotagon and ZEPETO are in the final stages of developing the app where ZEPETO users can easily integrate their avatars to create their own animated movies based on Plotagon's technology. The launch provides a great opportunity to reach out to a global user base that already uses avatars as a form of expression in social media. The new app will initially be tested by selected audiences for later launch during this year.

In addition to this collaboration, work continues to increase the number of users and conversion to paying users in the existing **Plotagon Story app**. MRR grows organically by a couple of percent monthly. On average, 22,000 unique people use the app daily and the number of movies created and posted by users is increasing. Revenue from in-app advertising is increasing, albeit from low levels.

Plotagon's platform and service is also available as a desktop version and is used by many companies. Customers include many of the major pharmaceutical companies in the world, as well as about 100 communication, education and industry companies that mostly use the service to create educational and marketing materials in the form of animated films.

Monthly recurring revenue

Plotagon's MRR development on mobile consists of monthly subscription revenue and increases organically with steady growth.



Plotagon and South Korean ZEPETO launch a new service later this year where avatars turn into movies.



Markus Manninen, new MD at Goodbye Kansas Studios

Markus Manninen has been appointed Managing Director for Goodbye Kansas Studios. He has extensive experience in growing companies focusing on advanced digital visualization and VFX and has worked for companies in both Europe and the US, including DreamWorks in Los Angeles and Shanghai.

Markus here gives his view on Studio's offer and the market:

"It is with excitement that I am joining Goodbye Kansas to work with an international team and talents – and be back in my hometown after more than 20 years abroad. The studio does a fantastic job in several areas with the very latest in tools and pipeline. I'm especially happy to get into a culture that enables such collaboration creativity where every artist, Technical Director and engineer can do their very best.

Goodbye Kansas delivers a premium service in close collaboration with its clients and offers

a unique experience for its clients with close boutique style relationships, customization of the client experience, and as a creative partner on projects from ideation to delivery.

I look forward to building on our offer and the ability to draw strategic benefits of our unique capabilities to carry out our projects.

Film & TV producers, including streaming companies, have had eighteen tough months under pandemic restrictions but are now showing momentum again. About content always been "king" as they say, it is more true than ever during my career.

Our focus will be on further development our efficiency, ensure profitability and to take full advantage of our international presence as well global customer relations. I look forward to lead this work and thereby create projects in world class and so on helping our clients to realize their creative visions.



"Our focus will be on ensuring profitability, efficiency and creative competence to continue creating world-class projects for international clients"

Markus Manninen, MD at Goodbye Kansas Studios



VFX for Netflix 'The Irregulars'

Earlier this year, Goodbye Kansas Studios delivered over 200 VFX shots to the Netflix drama series "The Irregulars". Goodbye Kansas studios in London and Stockholm were one of the main vendors of visual effects across all eight episodes, an important milestone in the process of developing an already successful position as a supplier of high-quality effects to the growing streaming market. The team was led by Goodbye Kansas VFX Supervisors Joel Lindman (Stockholm) and Jim Parsons (London) in collaboration with the series overall VFX Supervisor, Richard Briscoe.

Most of the work for the team at Goodbye Kansas Studios in Stockholm was about creating advanced effects with birds, including a flock of 100 digital birds that are supernaturally controlled by one of the series' villains. To create these effects, the FX and animation teams worked together to design, create and animate seven different kinds of birds. The experienced FX team then used their expertise to create advanced simulations to give the individual birds unique and dynamic movements.

The team in London focused on a number of other types of VFX, including the design and digital creation of the period tattoos worn by the main characters in the series. Both the London and Stockholm teams also worked together to deliver effects with a "supernatural fluid" that has healing properties and is used by a character to assemble body parts.

The VFX production for Netflix's "The Irregulars" once again shows the strength of the collaboration between the international Goodbye Kansas Studios teams. Clients in streaming – such as Netflix – are always in need of VFX services, and successful projects such as The Irregulars also serve as door openers for other clients.

Earlier this year, Goodbye Kansas was the lead vendor of visual effects for the upcoming BBC thriller series "Vigil". Both the Stockholm and London offices are currently working on effects for several – still confidential – series.

See how we created the effects [here!](#)



Our global teams' successful way of working together on projects like 'The Irregulars' is one of the many factors that sets us at Goodbye Kansas Studios apart from our competitors."

Matilda Olsson,
Executive Producer,
Goodbye Kansas Studios



Full speed at the Hello Kitty production

In early June Goodbye Kansas Group entered the strategic partnership with Keywords Studios and Electric Square, to finalize the production of the location based mobile game Hello Kitty AR: Kawaii World to be launched during 2022.

Keywords has a global presence and is also established in Japan and Tokyo – the home market for Hello Kitty.

The collaboration and work with the production is ongoing at full speed. The team at Electric Square and the key persons at Goodbye Kansas Group have a close and daily dialogue.

We asked Mark Sorrell, Game Director at Electric Square for the Hello Kitty production about his view on the project.

You have and are working with a lot of high-profile games and characters at Electric Square, what do you find unique with Hello Kitty?

“Whenever we work with a new franchise like this, we always look to find what really matters to the fans and bring as much of that as we can into the game. So for us, the real joy in making this game is the perfect match between the gameplay and the Hello Kitty universe. Our game is all about letting players live in these



Mark Sorrell, Game Director for the Hello Kitty production at Electric Square



characters' world, to grow their relationships with the characters, and learn about the relationships the characters have with each other. Hello Kitty has a wonderful world of adorable and hilarious characters with loveable personalities that have evolved and grown over the years. And our game is going to give players a chance to get closer to them than ever before."

What are you currently working on – what is the next step in the production? Is there any possibility to have a sneak peak of the work?

"We're early in continued production right now, so we will be keeping our cards close to our chest I'm afraid, but we're making excellent progress, and having huge fun building the game and bringing the characters to life!

We're currently working on the location-based section of the game, how we will bring Hello Kitty into the real world, and particularly how we will let players cooperate and work together. It's extremely exciting and we can't wait to let players see what we've been working on!"

Hello Kitty is the second biggest media franchise in the world. What is your view about the possibilities with a location based game in this context?

"The franchise is such a wonderful match to location-based gameplay, we're hopeful that we can make a real splash. Hello Kitty is known by so many people, but in the West at least, we have the chance to deepen the understanding players have of all the incredible characters in the Hello Kitty universe. We love them, and we can't wait to share that love with the huge audience out there."



Keywords Studios

- Keywords Studios, founded in 1998, is the leading international production partner for game development.
- The Group has a global presence with more than 60+ game studios in 22 countries on four continents.
- Keywords partners with many of the world's leading gaming companies on their biggest titles within mobile, console, PC and online. Some examples of customers and games are Nintendo, Ubisoft and Warner Bros. The UK-based development studio Electric Square, with presence in Singapore, has among other projects worked with Xbox Game Studios and are co-developing Assassin's Creed in Virtual Reality together with Ubisoft

keywordsstudios.com

VR Fire Trainer breaks new ground in fire safety training

Vobling's proprietary product is attracting a great deal of interest from well-established retailers for training and training in fire safety. Dafo Brand, is an exclusive reseller in Sweden and a partner in the Nordic region. GLORIA, which is Europe's leading company in Fire & Safety, is a reseller in the German, Austrian and Swiss markets and an additional reseller agreement was recently signed for the UK.

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CASE

Fredrik Frank is sales manager at Vobling and has been involved since the start of the development of VR Fire Trainer.

How do you see the interest and opportunities in the partnerships Vobling has entered into so far with the resellers?

"We see a strong interest from our resellers. In Sweden, dedicated resources are employed to meet the needs and demand of our partners. The initial reaction from our partners in the EU has been overwhelmingly positive with incoming orders from day one. Now we have an exciting launch in the UK ahead of us. An important factor for the development is that the Covid situation is now beginning to improve, which provides increased opportunities to visit and show the product to consumers in the countries where we are now establishing the product via our resellers."

What opportunities do you see for VR Fire Trainer in the future – additional markets and resellers?

"We have inquiries from a number of players within EMEA who show great interest where we can expect new establishments in the future. Also from a number of different players in Oceania - including Australia and New Zealand. If we look at the global market for fire safety equipment, it is expected to reach USD 105 billion by 2025, according to the research house Grand View Research, Inc. and have an average annual growth rate of almost 9 percent."

Amanda Bengtsson is Head of Product for VR Fire Trainer. Amanda, who previously worked as project manager at Sony, took over responsibility for the product during the spring.

What do you see are the biggest advantages of VR Fire Trainer compared to traditional training?

"The biggest advantages are environmental aspects and accessibility in comparison with traditional fire training. By limiting the number of fire extinguishers that are emptied into our environment and at the same time ensuring a training where the user can practice the practical steps on a real fire extinguisher - and also as many times as possible. VR Fire Trainer gives the user a varied training in different environments, with different types of fire extinguishers and different types of fires, anytime and anywhere. Traditional training is limited by, among other things, weather conditions, rules of conduct in city centers and regulation to empty fire extinguishers into the environment. Training in VR is also almost completely risk-free compared to real fires!

How is the product developed or adapted for different markets or fire situations?

"What distinguishes fire training in different markets is the color coding of the physical fire extinguishers. To make the training as realistic as possible and ensure that the user takes their training out into real life and is ready for what can happen, we offer a market adaptation of extinguishers in the experience."

What development do you see for VR Fire Trainer in the future, what awaits around the corner?

"We continue the development of different types of fires. Next in line is a lithium fire that complements the current range of fires as lithium batteries are used to an increasing extent. As more scooters, electric bikes and mobile equipment are in demand, this need will increase. We also work with creating and packaging training programs to fit in different types of training. We also want to broaden the offer of VR Fire Trainer to work with more types of VR Head sets."



We continue the development of different types of fires. Next in line is a lithium fire that complements the current range of fires"

Amanda Bengtsson is Head of Product for VR Fire Trainer.



See VR Fire Trainer video [here!](#)

Financial Development

Second quarter **April 1 – June 30, 2021**

Net sales during the period amounted to SEK 63.7 million (SEK 47.9 million). Goodbye Kansas Studio's operations make up the large part and the increase is explained by the fact that the former independent group Goodbye Kansas Holding AB in the comparison period was only included as of May 2020. Adjusted for this, the pro forma basis for the period 2020 will be SEK 68.9 million. Quarterly sales have increased by just under 8% compared to the first quarter. The decrease in the dollar and the euro of about 13% and about 5% respectively, is a major explanation for the decline towards the pro forma comparison with Q2 2020 as well as the fact that assignments from film/television are still affected by the pandemic.

Goodbye Kansas Studios' sales for the second quarter decreased by 11% compared to previous year. This is due to that the Swedish krona has strengthened against foreign currencies; the USD and EUR. The main part of the Studios revenues are invoiced in foreign currency (USD, EUR & GBP). Compared to the last quarter (Q1 2021), revenues have increased by 13%. The gaming industry remains strong and accounts for just over 70% of total sales. Our sales pipeline in London shows that the film/TV segment has started to recover.

Earnings before depreciation and amortization (EBITDA) amounted to SEK -15.0 million (-4.7), compared to -6.6 million pro forma for Q2 2020 and SEK -9.4 million in the first quarter of 2021. Compared to last year's pro forma results, the impairment is due to lower revenues that could not be fully compensated by reduced costs. This is now addressed by the initiated cost optimization program.

The costs of game development, of which Hello Kitty stands for the majority, are activated on an ongoing basis. The costs to the partner Electric Square will be included in this item in the future.

Profit after depreciation and amortization (EBIT) amounted to SEK -27.6 million (-15.8) compared to SEK -19.3 million

on a pro forma basis in Q2 2020 and Q1, 2021 -22.9 million and includes depreciation (non-cash) related partly to goodwill of SEK 7.0 million (7.8) and partly to development costs of SEK 1.1 million. Earnings per share amounted to SEK -0.22 (-0.21).

Half year **January 1 – June 30, 2021**

Net sales during the period amounted to SEK 122.6 million (52.6). Earnings before depreciation and amortization (EBITDA) amounted to SEK -24.4 million (-11.9). Profit after depreciation and amortization (EBIT) amounted to SEK -50.4 million (-27.0) and includes depreciation (non-cash) related partly to goodwill of SEK 14.9 million and partly to development costs of SEK 5.9 million. Earnings per share amounted to SEK -0.48 (-0.36).

In order to achieve profitability, management and the Board of Directors have initiated a cost optimization program that entails an annual lower cost base of SEK 38 million as of January 1, 2022. This means a continued movement towards a more flexible cost base with a lower share of fixed costs in the form of staff and increased use of sub-consultants. Staff reductions have been initiated and will be completed during the third quarter. This will complement the expected sales growth to achieve profitability.

Investments

The acquisition of Plotagon Production AB, which was completed in Q1, represents the largest investment in the first half of 2021. Next comes product development of mobile games, products, software and IP of SEK 11.1 million. Investments historically mainly relate to the acquisitions of Goodbye Kansas, Vobling and Sayduck as well as activation of programming and product development costs for software platform and gaming.

FINANCIAL DEVELOPMENT

Cash flow and cash equivalents

Cash flow amounted to SEK -17.2 million during the period. At the end of the period, on June 30, 2021, the Group's cash and cash equivalents amounted to SEK 21.9 million.

Staff

The number of employees in the Group including the subsidiaries Goodbye Kansas Studios AB, Sayduck Oy, Vobling AB, Vobling Asia Ltd, Virtual Brains AB, and Plotagon Production AB amounted to 285 (267) on June 30.

The share

Goodbye Kansas Group's share (GBK), renamed from Bublar Group on May 3, 2021, was listed on Nasdaq First North Growth Market on November 11, 2019 after being listed earlier on NGM MTF as of November 6, 2017. The share has ISIN code SE0010270793. G & W Fondkommission is the company's Certified Adviser.

On June 30, 2021, the total number of shares amounted to 108,131,727 divided into approximately 5,900 owners.

Risks and uncertainties

The acquisition of Goodbye Kansas Holding has implied that the business has grown significantly in terms of turnover and reached an established business as a driving force in the company's development. At the same time, Goodbye Kansas Studios has a larger cost base, which means that the company is dependent on being able to reach a certain level of capacity utilisation in order to ensure coverage for the fixed costs.

It is the Board's assessment that it has now reached such an established market position that the work can focus on delivering long-term sustainable profitability. But profitability in the business is affected by, for example, declines in order intake. For example, the pandemic has led to shifts in projects in film & TV and VR/AR solutions. Fluctuations in exchange rates will also affect profitability.

The market for the services and products developed by the Group as a whole is in a strong growth phase. Market dynamics mean that there is a risk that the projects in which the group has invested will be received with a weak interest in end customers and that thus expected revenues will not be generated with the consequent negative effect on earnings and cash flows. Even capitalized development costs may need to be written down. If a commercial launch of a project is delayed or results in lower revenues than estimated, it may have a material negative impact on the Group's operations, results and financial position.

Delays in planned and ongoing customer or gaming projects can have a negative effect on cash flow, revenue and operating margin. Delaying one or more of the Group's developed games may have a material negative impact on the Group's operations, earnings and financial position. Both the mobile gaming and XR markets are characterized by rapid technological and innovative development and great competition. Several of the Group's current and future competitors may have a competitive advantage in terms of longer history, a more established brand and greater financial, technical and marketing resources.

The Group consists of an organization with limited resources and may therefore be considered highly dependent on a few key employees. Furthermore, the partners with whom the company has chosen to cooperate may be forced to set priorities other than the company's own with the subsequent risk of delay and completion of the projects.

Comment on accounting and valuation principles

The quarterly report has been prepared in accordance with the Annual Accounts Act (ÅRL) and BFNAR 2012:1 (K3). Applied accounting and valuation principles are unchanged compared to the financial statements for 2020.

Comment on the balance sheet effects

The acquisition of Goodbye Kansas Holding changed the structure of the group's balance sheet as that business was much larger in terms of flow items. The purchase price for Goodbye Kansas Holding amounts to approximately SEK 116 million, of which remaining goodwill after depreciation represents approximately SEK 63 million at the end of the reporting period.

The Group's total goodwill value amounted to approximately SEK 95 million as of June 30. Goodwill is depreciated on a straight-line basis in the consolidated financial statements of 5 years from the date of closing. The intangible assets of the item have also increased through the acquisition due to the intangible values found in Goodbye Kansas Studios. They represent values for proprietary software and proprietary IP. The software solutions represent tools to increase productivity in work processes. The IP can be a concept for TV series, movies or games where the goal is to resell these for projects that generate revenue for the service business but also part of the success of the projects.

FINANCIAL DEVELOPMENT

Goodbye Kansas Group's intangible assets have previously reflected development costs for the mobile gaming software platforms and XR platforms. A straight-line depreciation model of 5 years is applied here. Games developed until June 2020 have been costed 100% due to that the development work did not meet the requirements to be activated. Costs for functional additions to the software platforms are normally activated and depreciated linearly.

Capital requirements

Cash on hand amounted to just under SEK 22 million at the end of the period, which is not enough to finance the business plan in the coming year. The Board of Directors therefore propose that a rights issue of approximately SEK 100 million will be carried out during the fourth quarter of 2021. The company has ensured that such an issue is fully guaranteed.

During July, the company received SEK 55 million in bridge loans from Modelio Equity, which will be repaid in connection with the rights issue.

The company has already entered into a three-year agreement with LDA Capital that provides an opportunity but not an obligation to raise up to SEK 175 million over a three-year period, through directed issues.

If the conditions change in the future, the Board may consider further cost savings and/or additional capital raisings.

The financing solution with the Swiss investment company Nice &Green was not extended and has not entailed any cost for the company.

Financial calendar 2021/2022

Interim Report, Jan – Sept	November 10
Year-end Report, Jan – Dec	February 25
Annual Report Report 2021	March 23

Goodbye Kansas reports and annual report are available on goodbyekansasgroup.com

Review

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

Stockholm July 21, 2021

Board of Directors,
Goodbye Kansas Group AB (publ)

Profit & Loss

Condensed Consolidated Income Statement

	2021 Q2	2020 Q2 Pro forma	2020 Q2	2021 Half year 1	2020 Half year 1	2020 Full year
REVENUE						
Net sales	63 674	68 871	47 916	122 562	52 586	161 301
Capitalized work for own account	5 676	7 698	7 257	14 392	8 491	28 126
Other operating income	4 157	2 009	1 607	5 335	1 967	4 268
Total income	73 507	78 578	56 780	142 289	63 044	193 695
OPERATING EXPENSES						
Other external costs	-39 814	-42 361	-30 178	-74 230	-36 440	-108 315
Employee costs	-48 648	-42 847	-31 263	-92 504	-38 503	-127 335
Earnings before depreciation and amortization (EBITDA)	-14 955	-6 630	-4 661	-24 445	-11 899	-41 955
Depreciation and amortization	-12 608	-12 678	-11 118	-25 975	-15 225	-37 058
Earnings before interest and tax (EBIT)	-27 563	-19 308	-15 779	-50 420	-27 124	-79 013
FINANCIAL ITEMS						
Additional purchase price Sayduck	0	-		-6 005		
Interest income	0	0	0	1	0	1
Interest expense	-1 093	-3 086	-3 086	-2 345	-3 098	-2 953
Currency differences	-1 355	68	68	563	81	-3 131
Other financial items	6 713			6 713		
Total financial items	4 265	-3 018	-3 018	-1 073	-3 017	-6 083
Profit after financial items	-23 298	-22 326	-18 797	-51 493	-30 141	-85 096
Tax	-95	0	0	-98	0	64
Profit/loss for the period	-23 393	-22 326	-18 797	-51 591	-30 141	-85 032

Balance Sheet

Consolidated Statement of Financial Position

SEK Thousands

June 30, 2021

June 30, 2020

Dec 31, 2020

ASSETS

Intangible assets	233 887	220 291	202 234
Material assets	28 083	33 026	30 957
Long-term financial assets	5 986	357	830
Total non-current assets	267 956	253 674	234 021
Short-term receivable	53 658	72 709	48 343
Cash and cash equivalents	21 866	59 331	25 336
Total current assets	75 524	132 040	73 679
Total assets	343 480	385 714	307 700

EQUITY AND LIABILITIES

Share capital	3 088	2 399	2 862
Share premium and other equity	189 248	199 533	256 297
Retained earnings	-51 591	-30 141	-85 032
Equity attributable to parent company shareholders	140 745	171 791	174 127
Minority interest	4 913	1 641	4 776
Equity	145 658	173 432	178 903
Provision for taxes	8 273	330	8 273
Long-term liabilities	26 509	26 878	28 003
Current liabilities	163 040	185 403	92 521
Total liabilities	189 549	212 281	120 524
Total Equity and liabilities	343 480	385 713	307 700
Company mortgage	13 320	13 320	13 320
Contingent liabilities	111 163	130 164	118 896

Cash Flow

Consolidated Statement of Cash Flow

SEK Thousands	2021 Q2	2020 Q2	2021 Half year 1	2020 Half year 1	2020 Full year
OPERATING ACTIVITIES					
Income before taxes	-22 205	-17 216	-49 149	-28 551	-81 990
Adjustments for non-cash flow items	16 257	11 091	28 296	15 217	41 428
Interest expense	-1 090	-1 581	-2 345	-1 590	-3 106
Income tax paid	3 001	682	-322	617	485
Changes in working capital	14 908	-13 823	36 202	-14 961	3 651
Net cash from operated activities	10 868	-20 847	12 683	-29 268	-39 532
INVESTMENT ACTIVITIES					
Purchase of plant and equipment	135	-234	-995	-401	-1 650
Sale intangible fixed assets	41	-	41		
Purchase of group companies	-105	14 778	-599	14 778	14 654
Balanced expenditure on product development	-15 342	-7 712	-26 471	-9 412	-30 028
Other changes in financial items	0	-	669		-473
Net cash from investment activities	-15 271	6 832	-27 355	4 965	-17 497
FINANCING ACTIVITIES					
New share issue	-	48 023		48 023	45 617
Shareholders' contributions	-	-			-
Proceedings from borrowings	0	-	25 000		3 185
Repayment of borrowings	-12 778	-1 611	-13 729	-1 611	-3 576
Net cash from financing activities	-12 778	46 412	11 271	46 412	45 226
In-/decrease of cash	-17 181	32 397	-3 401	22 109	-11 803
Cash at the beginning of the period	39 159	26 989	25 335	37 224	37 224
Currency difference in cash holdings	-111	45	-68	-2	-85
Cash at the end of the period	21 866	59 331	21 866	59 331	25 335

Equity

Consolidated Statement of Changes in Equity

SEK Thousands	Share capital	Other contributed capital	Other equity incl. retained earnings	Parent company's shareholders	Minority-interest	Total equity
Balance at January 1, 2020	1 569	186 392	-92 365	95 596		95 596
Retained earnings			-85 032	-85 032		-85 032
New share issue May 2020	367	49 794		50 161		50 161
Non-cash issue Goodbye Kansas Group	463	54 821		55 284	4 776	60 060
Issue, Additional consideration 1	463	57 729		58 192		58 192
Issue expenses		-4 544		-4 544		-4 544
Warrants, employees		-420	646	226		226
Currency translation differences			4 244	4 244		4 244
Balance at December 31, 2020	2 862	343 772	-172 507	174 127	4 776	178 903
Balance at January 1, 2021	2 862	343 772	-172 507	174 127	4 776	178 903
Retained earnings			-51 591	-51 591		-51 591
Non-cash issue Goodbye Kansas Holding	161	15 139		15 300		15 300
Issue, Additional consideration Sayduck	65	5 940		6 005		6 005
Issue expenses		-750		-750		-750
Correction of acquisition analysis, Goodbye Kansas Group			0	0	137	137
Currency translation differences			-2 308	-2 308		-2 308
Balance at June 30, 2021	3 088	364 101	-226 444	140 745	4 913	145 658