



SOZAP

INTERIM REPORT JAN - MAR 2024

SOZAP AB (publ)

SOZAP is a Swedish digital entertainment company that develops qualitative and innovative games with the ambition of building a product portfolio which appeals to a broad target group. SOZAP was founded in 2014 and shortly after established its first development team, focusing on games in the shooter genre. SOZAP has offices in Nyköping (Sweden) and Niš (Serbia), and is listed on the Nasdaq First North Growth Market with the ticker SOZAP.

For more information, please visit www.sozap.com.

This report is a translated version of the Swedish original. Every care has been taken in the translation of this document. In the event of discrepancies, the Swedish original will supersede the English translation.

JANUARY – MARCH 2024

- Net revenue amounted to MSEK 4.7(3.3), an increase of 42 percent, and an increase of 41 percent in comparable currency.
- EBITDA amounted to MSEK -1.2 MSEK (-0.6).
- Operating result, EBIT, amounted to MSEK -3.9 (-1.9).
- Result for the quarter amounted to MSEK -3.9 (-1.9).
- Earnings per share were SEK -0.34 (-0.22) before and after dilution.
- Cash flow from operating activities was MSEK -1.8 (-1.7).
- Cash and cash equivalents amounted to MSEK 1.8 (6.8).
- Average Revenue Per Daily Active User (ARPDau) amounted to USD 0.083 (0.056), an increase of 48 percent compared to the previous year.
- Unique Monthly Active Users (MAU) during the quarter amounted to 0.9 million (0.9).
- The number of outstanding shares at the end of the period was 11 361 120. The number of subscription warrants issued at the end of the period was 250 000, unchanged during the quarter.

SIGNIFICANT EVENTS DURING THE PERIOD

No significant events have occurred during the reporting period.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- **9 April:** The Board of Directors of SOZAP decided to carry out a rights issue, subject to the subsequent approval of the Annual General Meeting. With a fully subscribed issue, the Company will receive approximately MSEK 11.4 before deduction of issue costs. 45 percent of the issue is secured by subscription commitments. Through the Rights Issue, the Company aims to fulfill the following two main objectives: a) complete and launch Fishing Tour, and b) achieve positive operating cash flow. On May 14, the Annual General Meeting approved the Board of Directors' decision.
- **14 May:** The Annual General Meeting approved the Board of Directors' decision to carry out a rights issue. The AGM also to re-elect the Board members Stefan Janse and Daniel Somos, and elect the Board members Hanif Bali and Rade Prokopovic. Daniel Somos was elected as Chairman of the board.

FINANCIAL OVERVIEW AND KEY FIGURES

	Quarter		Financial Year
	January - March		January - December
Amounts in TSEK, unless otherwise specified (Definitions can be found at the end of the report)	2024	2023	2023
Net revenue	4 681	3 297	14 964
Net revenue growth %	42%	-29%	-10%
Net revenue - comparable currency	4 659	3 157	14 781
Net revenue growth % - comparable currency	41%	-32%	-11%
EBITDA	-1 181	-599	-2 999
EBITDA %	-25%	-18%	-20%
Operating result, EBIT	-3 877	-1 876	-8 940
Operating result, EBIT %	-83%	-57%	-60%
Balance sheet total	29 513	29 033	33 323
MAU; average during the period (number in 000s)	929	905	825
DAU; average during the period (number in 000s)	61	61	56
ARPPDAU (total); average during the period (USD)	0,083	0,056	0,070
Total number of employees; average during the period	22	33	33
Of which are game developers/designers	20	31	31
Number of game development projects live	2	1	2
Number of game development projects in the process of development	1	2	1
Earnings per share before dilution (SEK)	-0,34	-0,22	-0,91
Earnings per share after dilution (SEK)	-0,34	-0,22	-0,91
Average number of shares before dilution	11 361 120	8 520 840	9 822 635
Average number of shares after dilution	12 146 120	9 305 840	10 607 635
Number of outstanding shares at the end of the period	11 361 120	8 520 840	11 361 120

A FEW WORDS FROM OUR CEO

We started 2024 with a more efficient organization and an increased focus on our most promising title in development, Fishing Tour. The soft launch has yielded positive results and insights, and we continue our development of Fishing Tour with great enthusiasm. During the first quarter, we implemented several important product updates that improve the user experience and ongoing development moving forward. We plan to launch a significant update featuring an improved user interface in the current quarter, followed by regular updates with the goal of starting an official launch in the third quarter.

Our portfolio of launched games, ARMED HEIST and Questopia, generated an income of MSEK 4.7 during the quarter, a 41 percent increase compared to the same period last year. ARMED HEIST continues to have stable organic traffic on both the App Store and Google Play, with income and daily active users (DAU) in line with the same period last year. Despite a tougher marketing climate, Questopia has soldiered on in its global launch with user acquisition investments of almost MSEK 2 during the period. Our partner in China, Voodoo, has also faced challenges in user acquisition. The initial UA campaigns showed great promise, but the increased marketing efforts have not yet produced the expected results. In response to these challenges, we launched a comprehensive update in April, which is expected to increase income per user and allow Voodoo to make another attempt at launching in China.

During the first quarter, we completed our proprietary data processing and user monetization system, AGIM, named after our Lead Monetization Manager, Adrian Gersztof, who has a background at Huuuge Games and Ten Square Games. We have updated ARMED HEIST with this innovative system. The update was launched in April and has already started to generate positive results, with increased income per user and improved

conversion to paying users. With ARMED HEIST's strong organic presence on both the App Store and Google Play, we expect this update to lead to continued growth in net income.

Despite the challenges we have faced in the mobile games sector in recent years, with changing conditions for new game launches and user acquisition, I am proud of our progress and the opportunities ahead of us. We have encountered obstacles along the way that have partly slowed our progress, but I am confident that we will succeed even if this will require more capital than we first assumed. We are addressing this through the upcoming rights issue, in which I fully participate to show my confidence and commitment to the Company's future.

We have two main goals for 2024: to launch a scalable version of Fishing Tour, and no later than Q4 achieve a cash flow-neutral company, calculated before investments in marketing for the growth of Fishing Tour. Through our transition, we have adapted to our environment, and we are developing a game title that has the potential to retain its users for several years, which is key to succeeding in the maturing mobile gaming market. I ask our shareholders to be patient; we will continue to be efficient and reduce our costs where possible without jeopardizing the Company's long-term value creation.



Rade Prokopovic
Chief Executive Officer



FINANCIAL COMMENTS

NET REVENUE AND RESULT

Net revenue during the first quarter amounted to MSEK 4.7(3.3), an increase of 42 percent, and an increase of 41 percent in comparable currency. The increase is primarily due to the growth of Questopia, launched in the third quarter 2023, while Armed Heist revenue decreased due to reduced User Acquisition (UA) to optimize the net contribution from the game.

Operating expenses during the first quarter amounted to MSEK 11.5(8.6). The increase of MSEK 2.9 is mainly attributable to marketing costs for Questopia and increased depreciation, as the Company now has three games being depreciated (Armed Heist, Questopia, and Fishing Tour) compared to one game (Armed Heist) in the corresponding quarter last year. The cost increases are partly offset by the annualized cost-saving program of MSEK 8 decided in the fourth quarter of 2023, which is expected to take full effect from the second quarter of 2024. In the first quarter, the savings amounted to MSEK 1.0. Operating expenses consist of purchased services, in the form of marketing, personnel costs, depreciation and impairment of tangible and intangible fixed assets, and other operating expenses.

The operating result in the first quarter amounted to MSEK -3.9(-1.9).

The result for the period during the first quarter amounted to MSEK 3.9(-1.9).

BALANCE SHEET ITEMS

The Company's fixed assets, consisting of intangible, tangible, and financial fixed assets, amounted to

MSEK 23.6(18.4) on March 31. The increase consists of investments in existing and new games. The Company's intangible assets consist of capitalized expenses for development work and similar items.

The Company's current assets, consisting of short-term receivables and cash and cash equivalents, amounted to MSEK 6.0(10.6) on March 31. Cash and cash equivalents as of March 31 amounted to MSEK 1.8(6.8).

The Group's equity amounted to MSEK 26.1(26.5) on March 31.

The Company's short-term liabilities, consisting of the items accounts payable, other liabilities, and accrued expenses and prepaid income, amounted to MSEK 3.4(2.5) on March 31.

CASH FLOW

Cash flow from operating activities in the first quarter amounted to MSEK -1.8(-1.7).

Cash flow from investment activities amounted to MSEK -2.7(-3.7) in the first quarter, mainly related to intangible assets; i.e., the ongoing investment in new game development.

Financing activities had no cash flow activities, either during the first quarter or the corresponding quarter of the previous year.

Cash flow for the period for fourth quarter amounted to MSEK -4.5(-5.4).

OUTLOOK FOR THE COMING YEAR

SOZAP's game Questopia, launched in the third quarter, is generating income, and its content and marketing are now being adapted to optimize the cash flow from the game. Fishing Tour, which was launched at the beginning of October 2023, shows great potential through the measurement data it generated in the soft launch phase. Expected increased income combined with reduced costs creates the conditions for achieving a cash flow-neutral company, calculated before investments in marketing for the growth of Fishing Tour.

On May 14, the Annual General Meeting approved the Board of Directors' decision on a rights issue covered to 45 percent of subscription commitments. With a fully subscribed issue, the Company will receive approximately MSEK 11.4 before deduction of issue costs. The Board of Directors' assessment is therefore that the Company has funding for the next four quarters.

PERSONNEL

The number of employees in the Group as of March 31 was 22 (33), as well as 2 positions on a consulting basis (1).

THE PARENT COMPANY

Sozap AB's net revenue for the first quarter amounted to MSEK 4.7(3.3), with an operating result and result after tax of MSEK -3.8 (-2.1).

The Parent Company's fixed assets, consisting of intangible, tangible, and financial fixed assets, amounted to MSEK 23.4 (18.1) as of March 31.

The Parent Company's cash and cash equivalents as of March 31 amounted to MSEK 1.4 (6,5).

SIGNIFICANT EVENTS DURING THE PERIOD

No significant events have occurred during the reporting period.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- **9 April:** The Board of Directors of SOZAP decided to carry out a rights issue, subject to the subsequent approval of the Annual General Meeting. With a fully subscribed issue, the Company will receive approximately MSEK 11.4 before deduction of issue costs. 45 percent of the issue is secured by subscription commitments. Through the Rights Issue, the Company aims to fulfill the following two main objectives: a) complete and launch Fishing Tour, and b) achieve positive operating cash flow.
- **14 May:** The Annual General Meeting approved the Board of Directors' decision to carry out a rights issue. The AGM also to re-elect the Board members Stefan Janse and Daniel Somos, and elect the Board members Hanif Bali and Rade Prokopovic. Daniel Somos was elected as Chairman of the board.

RELATED PARTY TRANSACTIONS

No significant transactions have taken place during the period, apart from transactions between subsidiaries and remuneration to senior executives for the Group and the Parent Company. Insofar as transactions and agreements on services with related parties are made, these always take place on market terms.

SIGNIFICANT RISKS AND UNCERTAINTIES

Sozap is reliant on successfully developing new games and improving Sozap's existing games.

Sozap relies on virtual app stores for game distribution. The dominant distribution channels are Google Play for Android and Apple's App Store for IOS.

Sozap is reliant on attracting and retaining key people.

At present, there is a platform limitation to mobile devices as a gaming platform. Sozap currently provides games for mobile devices only, not for game consoles or PCs.

Risks related to IT systems are primarily that Sozap is reliant on efficient and uninterrupted operation in external cloud-based IT systems and servers.

No new risks have come about in 2024; for detailed risk factors, please refer to Sozap's Annual Report, which can be found on the Company's website. .

IMPACT OF THE CONFLICT IN UKRAINE AND THE MIDDLE EAST

The conflict in Ukraine and the Middle East has not had a substantial impact on the Company due to the fact an extremely small percentage of the revenue comes from these regions, plus the fact Sozap has no development in Ukraine, Russia, or the Middle East.

GENERAL INFORMATION

Unless otherwise stated in this interim report, numbers refer to the Group.

Figures in brackets relate to the corresponding period of the previous year.

Amounts in MSEK unless otherwise specified.

AUDITOR'S REVIEW

This report has not been subject to review by the Company's auditor.

CERTIFIED ADVISOR

As a business listed on Nasdaq First North Growth Market Stockholm, the Company is obliged to have a Certified Advisor. SOZAP has appointed Augment Partners AB as its Certified Advisor.

FINANCIAL CALENDAR

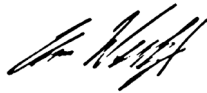
All financial reports are published on <https://www.sozap.com/ir/financial-reports>

- **Interim Report, Q2 2024:** Aug 14, 2024
- **Interim Report, Q3 2024:** Nov 14, 2024
- **Year-end Report 2024:** Feb 14, 2025

BOARD OF DIRECTORS

The Board of Directors and the CEO affirm that the Year-end report provides a fair overview of the Parent Company's and the Group's operations, financial positions and results, and describes the significant risks and uncertainties which the Parent Company and the Group are facing.

Nyköping, May 15, 2024



Claes Wenthzel
Chair of the Board



Annette Colin
Board member



Stefan Janse
Board member



Daniel Somos
Board member



Rade Prokopovic
CEO

FOR FURTHER INFORMATION, PLEASE CONTACT:

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FINANCIAL REPORTS

INCOME STATEMENT – THE GROUP

Amounts in TSEK	Quarter		Financial Year
	January - March		January - December
	2024	2023	2023
Net revenue	4 681	3 297	14 964
Capitalized production	2 678	3 412	13 274
Other operating income	220	38	1 052
	7 580	6 747	29 290
Operating expenses			
Services purchased	-463	-337	-1 496
Other external expenses	-5 785	-3 692	-16 738
Personnel costs	-2 371	-3 430	-13 336
Depreciation and impairment of tangible and intangible assets	-2 697	-1 277	-5 941
Other operating expenses	-142	113	-719
Total operating expenses	-11 457	-8 623	-38 230
Operating result	-3 877	-1 876	-8 940
Result from financial items			
Interest income and similar profit and loss items	1	0	37
Interest costs and similar profit and loss items	0	-1	-5
Total financial items	1	-1	32
Result after financial items	-3 876	-1 876	-8 908
Result before tax	-3 876	-1 876	-8 908
Tax on the result for the period	0	0	-35
Result for the period	-3 876	-1 877	-8 944
Earnings per share (before and after dilution), SEK	-0,34	-0,22	-0,91

BALANCE SHEET - THE GROUP

Amounts in TSEK	2024-03-31	2023-03-31	2023-12-31
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalized expenses for development work and similar items	22 826	17 323	22 766
	22 826	17 323	22 766
<i>Tangible fixed assets</i>			
Equipment, tools and fittings	729	1 089	800
	729	1 089	800
<i>Financial fixed assets</i>			
Other long-term receivables	7	7	7
	7	7	7
Total fixed assets	23 561	18 419	23 572
Current assets			
<i>Short-term receivables</i>			
Accounts receivable	2 787	2 056	2 289
Current tax assets	73	54	95
Other receivables	418	579	288
Prepaid expenses and accrued income	887	1 120	779
Cash and cash equivalents	1 787	6 806	6 300
Total current assets	5 952	10 614	9 752
TOTAL ASSETS	29 513	29 033	33 323
EQUITY AND LIABILITIES			
Equity			
<i>Share capital</i>			
Other contributed capital	1 136	852	1 136
Other equity, including the result for the year	67 040	56 722	67 040
Total equity (attributable to the Parent Company's owners)	-42 068	-31 065	-38 233
Short-term liabilities	26 108	26 509	29 943
Accounts payable			
Other liabilities	1 713	560	1 551
Accrued expenses and prepaid income	535	709	435
Total short-term liabilities	1 157	1 255	1 394
TOTAL EQUITY AND LIABILITIES	3 405	2 524	3 380
Summa eget kapital och skulder	29 513	29 033	33 323

CHANGES IN EQUITY - THE GROUP

Amounts in TSEK	Share capital	Other contributed capital	Other equity, including the result for the period	Equity attributable to the Parent Company's shareholders
Equity 2023-01-01	852	56 722	-29 115	28 459
Translation difference			-73	-73
Result for the period			-1877	-1877
Equity 2023-03-31	852	56 722	-31 065	26 509
Equity 2023-04-01	852	56 722	-31 065	26 509
New share issue	284	11 077		11 361
Issue costs		-759		-759
Translation difference			-101	-101
Result for the period			-7 067	-7 067
Equity 2023-12-31	1 136	67 040	-38 233	29 943
Equity 2024-01-01	1 136	67 040	-38 233	29 943
Translation difference			42	42
Result for the period			-3 876	-3 876
Equity 2024-03-31	1 136	67 040	-42 068	26 108

CASH FLOW - THE GROUP

Amounts in TSEK	Quarter		Financial Year
	January - March		January - December
	2024	2023	2023
Cash flow from operating activities			
Result before financial items	-3 877	-1 889	-8 940
Adjustments for items not included in the cash flow	2 697	1 277	5 941
Interest received	1	-	37
Interest paid	0	-1	-5
Tax paid and received	-	19	-35
Cash flow from operating activities, before changes in working capital	-1 180	-594	-3 003
Cash flow from changes in working capital			
Changes in operating receivables	-577	-768	-973
Changes in operating liabilities	-68	-333	969
Cash flow from changes in working capital	-646	-1 102	-4
Cash flow from operating activities	-1 825	-1 695	-3 007
Investment activities			
Investments in intangible fixed assets	-2 678	-3 412	-13 274
Investments and divestments in tangible fixed assets	1	-313	-277
Investments and divestments in financial fixed assets	-	-	50
Cash flow from investment activities	-2 678	-3 725	-13 502
Financing activities			
New share issues	-	-	11 361
Issue costs	-	-	-759
Cash flow from financing activities	-	-	10 602
Cash flow for the period	-4 503	-5 420	-5 907
Cash and cash equivalents at the beginning of the period	6 300	12 289	12 289
Exchange rate difference in cash and cash equivalents	-10	-63	-82
Cash and cash equivalents at the end of the period	1 787	6 806	6 300

INCOME STATEMENT - THE PARENT COMPANY

Amounts in TSEK	Quarter		Financial Year
	January - March		January - December
	2024	2023	2023
Net revenue	4 681	3 297	14 964
Capitalized production	2 678	3 412	13 274
Other operating income	220	4	907
	7 580	6 712	29 145
Operating expenses			
Services purchased	-463	-337	-1 496
Other external expenses	-6 772	-5 190	-22 791
Personnel costs	-1 333	-1 885	-7 477
Depreciation and impairment of tangible and intangible assets	-2 667	-1 272	-5 821
Other operating expenses	-178	-87	-630
Total operating expenses	-11 412	-8 770	-38 215
Operating result	-3 832	-2 058	-9 070
Result from financial items			
Interest income and similar profit and loss items	1	0	37
Interest costs and similar profit and loss items	0	-1	-5
Total financial items	1	-1	32
Result after financial items	-3 831	-2 058	-9 038
Result before tax	-3 831	-2 058	-9 038
Tax for the period	-	-	-
Result for the period	-3 831	-2 058	-9 038

BALANCE SHEET - THE PARENT COMPANY

Amounts in TSEK	2024-03-31	2023-03-31	2023-12-31
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalized expenses for development work and similar items	22 826	17 323	22 766
	22 826	17 323	22 766
<i>Tangible fixed assets</i>		705	576
Equipment, tools and fittings	528	705	576
	528	705	576
<i>Financial fixed assets</i>			
Interests in Group companies	0	50	0
Other long-term receivables	7	7	7
	7	57	7
Total fixed assets	23 360	18 085	23 349
Current assets			
<i>Short-term receivables</i>			
Accounts receivable	2 787	1 424	2 289
Current tax assets	73	54	95
Other receivables	414	478	280
Prepaid expenses and accrued income	887	1 120	779
Cash and cash equivalents	1 352	6 531	6 140
Total current assets	5 513	9 606	9 583
TOTAL ASSETS	28 872	27 691	32 931
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	1 136	852	1 136
Development expenditure fund	22 826	17 323	22 766
	23 962	18 175	23 902
<i>Unrestricted equity</i>			
Free share premium fund	71 887	60 810	71 887
Balanced profit or loss	-66 635	-51 335	-57 537
Result for the year	-3 831	-2 058	-9 038
	1 421	7 417	5 312
Total equity	25 383	25 592	29 214
Short-term liabilities			
Accounts payable	1 707	554	1 539
Liabilities to Group companies	467	84	552
Other liabilities	159	206	232
Accrued expenses and prepaid income	1 157	1 255	1 394
Total short-term liabilities	3 490	2 099	3 717
TOTAL EQUITY AND LIABILITIES	28 872	27 691	32 931

ACCOUNTING PRINCIPLES AND LIST OF DEFINITION

The interim report has been prepared in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 Annual report and consolidated accounts (K3). The accounting principles are unchanged since the most recently issued annual report. For a more detailed description of the accounting principles, see SOZAP AB (publ.) Annual Report for 2023, pages 19-24.

LIST OF DEFINITIONS

Number of employees	Number of employees with a position at SOZAP, at the end of the period.
Number of employees, average for the period	Average of the number of employees at the end of the period and the number of employees at the end of the previous period.
ARPDUAU	Average Revenue Per Daily Active User (total); The average revenue per daily, unique, active user/player, including in-app purchases and advertising revenue.
Daily Unique Spenders	The number of daily unique players who have made purchases of virtual products via Apple, Google or another platform.
DAU	Daily Active Users; i.e., daily, unique, active user/players.
EBIT	Operating result, before financial items and tax.
EBIT margin (%)	The result before financial items and tax, as a percentage of net revenue.
EBITDA	The result before depreciation of tangible and intangible fixed assets.
EBITDA margin (%)	The result before depreciation of tangible and intangible fixed assets, as a percentage of net revenue.
Free-to-play (FTP)	A revenue model where players gain access to part of the content without payment.
Global launch	A commercial launch to a wide audience.
In-app purchases (IAP)	Microtransactions within the game in order to access virtual goods and content.
In-ad revenues (IAD)	Advertising revenue from third parties for advertisements shown to players.
Live-ops	Changes/improvements in games after launch.
Monthly Active Users (MAU)	Active, unique, monthly players/users as of the last day of the period.
Revenue growth	Difference in revenue from the previous period (comparative period).
Soft launch	A 'soft launch' to a specific audience in order to test game methodology, graphics, etc.
Equity/assets ratio	Proportion of total assets financed with equity.

CREATIVELY TOGETHER STRONG

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