

Q1

**GOODBYE
KANSAS**
GROUP

Goodbye Kansas Group • Interim Report • January – March 2021



Photorealistic stag created by Goodbye Kansas Studios for the drama series "A Discovery of Witches" for Sky One/Bad Wolf.

Summary

The Netflix series "Cursed" is one of four productions that has been nominated in the category "Special, Visual & Graphic Effects" at this year's BAFTA Television Craft Awards, the British equivalent of Emmys. Goodbye Kansas Studios delivered Visual Effects (VFX) for the series and is nominated alongside Milk VFX, DNEG TV, Freefolk, Greg Fisher and David Houghton

First quarter, 1 January – 31 March 2021

- Net sales increased to SEK 58.9 million (4.7).
The increase in sales is explained by the acquisition of Goodbye Kansas Holding.
- Earnings before depreciation and amortization (EBITDA) amounted to SEK -9.5 million (-7.2).
- Cash on hand amounted to SEK 39.2 million as of March 31.
- Earnings before interest and tax (EBIT) amounted to SEK -22.9 million (-11.3), of which amortization of goodwill amounts to SEK 7.0 million.
- Earnings before tax amounted to SEK -28.2 million (-11.3).
- Earnings per share amounted to SEK -0.27 (-0.21).
- Strong sales pipeline approaching the second half year.

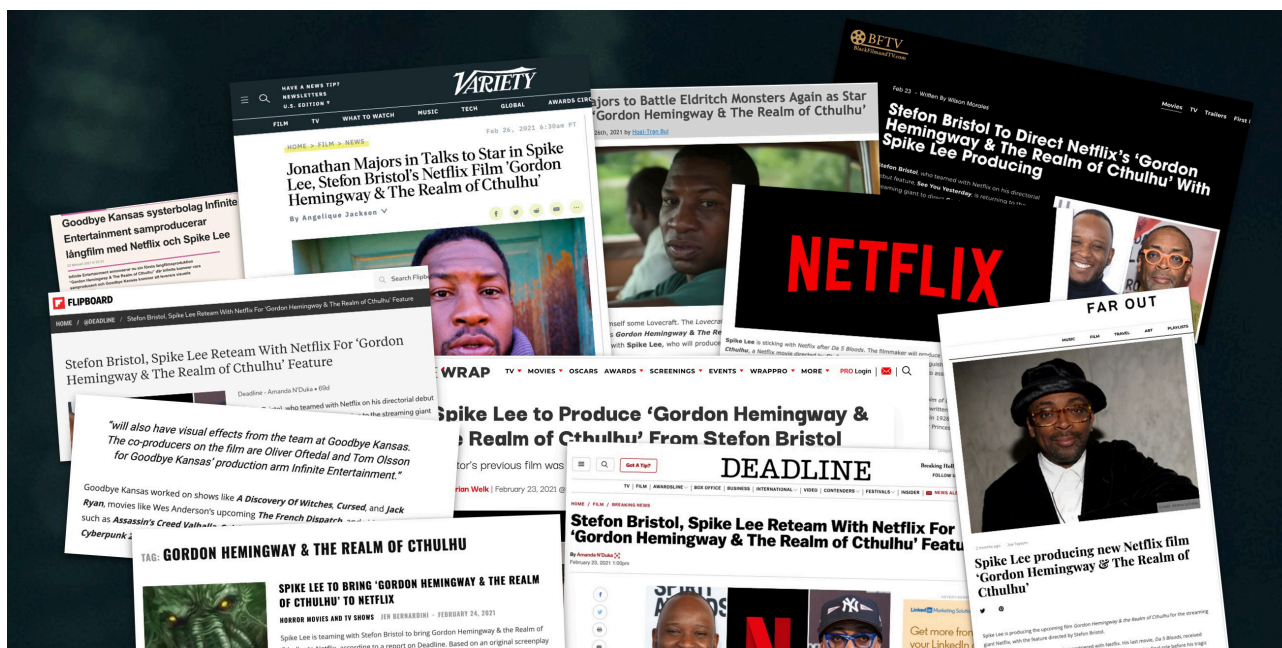
First quarter, pro forma comparison

- **Net sales***
Q1 2021 compared to Q1 2020 amounted to SEK 58.9 million (81.3)
Q1 2021 compared to Q4 2020 amounted to SEK 58.9 million (60.9)
- **EBITDA***
Q1 2021 compared to Q1 2020 amounted to SEK -9.5 million (1.3)
Q1 2021 compared to Q4 2020 amounted to SEK -9.5 million (-17)
Net sales and EBITDA for Q1 are still affected by the pandemic and are lower compared to pro forma Q1 2020, while net sales are in line with pro forma Q4 and EBITDA has improved.
- **Operating expenses*** decreased by 5.2 per cent compared to Q1 2020.

*The comparative figures for Q1 and Q4 2020 are pro forma.

"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 – 31 March 2021. All figures and comments refer to the Group and amounts are expressed in MSEK with the corresponding period last year in brackets, unless otherwise stated.

SUMMARY



In February 2021, **Infinite Entertainment** announced its first feature film production “**Gordon Hemingway & The Realm of Cthulhu**”, where Infinite will be co-producer and Goodbye Kansas will deliver visual effects (VFX). The film will be directed by Stefón Bristol (*See You Yesterday*) and produced by **Netflix**, Oscar winner **Spike Lee** (*BlackKkKlansman*, *Malcolm X*, *Da 5 Bloods*) and veteran producers **Lloyd Levin** (*Da 5 Bloods*, *Watchmen*) and **Beatriz Levin** (*Da 5 Bloods*, *The Mauritanian*). The script is written by **Hank Woon** and edited by him and **Federica Bailey**.



Key events in the first quarter

- **Infinite Entertainment**, Goodbye Kansas production and IP company, has announced its first feature film production with Netflix and Spike Lee, where Infinite will be co-producer and **Goodbye Kansas Studios** will deliver visual effects (VFX).
- Another strategic dealer agreement for **Vobling's** proprietary product **VR Fire Trainer** was struck with **GLORIA**, Europe's largest company in fire and safety solutions. The agreement includes the DACH region in a first step.
- Sayduck entered into a license agreement with **Micro Star International Ltd (MSI)** – World leader in advanced electronics for the gaming sector.
- **A strategic licensing deal was reached with the leading global toy company MGA Entertainment Inc.** Goodbye Kansas receives a global license for games and apps for some of the MGA's most popular brands.
- The acquisition of **Plotagon Production AB** was carried out through an issue in kind
- **Goodbye Kansas** and **Sanrio** bring forward the launch of the mobile game **Hello Kitty**. The license agreement has been extended until 2024.



Important events after the period

- New financial targets were decided by the Board of Directors; **average annual sales growth of 20%** and to reach an **EBITDA margin in excess of 20%** latest by 2024.
- The Annual General Meeting resolved to change the name to **Goodbye Kansas Group**. The market-listed stock is now trading under Goodbye Kansas Group (short name: GBK) as of May 3. The name Goodbye Kansas has, after an evaluation, proven to be the strongest brand internationally and therefore provides an additional strength for future business and growth.
- The Annual General Meeting elected two new board members, **Magnus Meyer** and **Mikko Setälä**. Goodbye Kansas' Board of Directors is thereby complemented by valuable experience from the consulting, technology and gaming industries. **Per Anders Wörn** was elected as the new Chairman.
- Goodbye Kansas Studios extended the assignment with a prominent AAA game developer for directing, Performance Capture and related services. The order value is estimated to approximately SEK 37 million.



CEO's statement

Peter Levin

“We have developed strategy, structure and focus for stability and long-term profitability”

The business model of the Group is based on a combination of cutting-edge technology, world-class artists and value-creating IP's and products. Our business is based on the convergence that takes place in technology and visual content in both the consumer and the business market. The foundation has now been laid so that we can take advantage of all the synergies in the group regarding competence and technology to be able to take on bigger projects.

With our position in the rapidly growing markets immersive tech (XR), film/TV, streaming and gaming industries, I

believe that we are well placed to achieve the new financial targets for growth and profitability recently decided by the Board; average annual sales growth of 20% and to achieve an EBITDA margin exceeding 20% latest by 2024.

We continue to see effects of the pandemic during the first quarter compared to the same period last year that was completely unaffected by the pandemic. Film and TV production has not yet recovered during the first few months of this year. However, we see an improved result compared to the fourth quarter of 2020, which shows that our development continues in the right direction. For the second half of the year, we have a very strong sales pipe-

"We now have a new and clarified structure as well as strategy and focus on driving license and royalty revenues together with an optimized, flexible and growing project and consulting business".

line both in terms of value and international diversification. As our communities now start to open up, I look positively at the revenue opportunities for the full year.

We continue to optimize our current core business, which is mainly based on project revenues from advanced digital productions, to increase productivity and profitability. In addition, over time, we will gradually shift the revenue model for the group to more scalable solutions and recurring sales through longer partner agreements, licenses, micro transactions and proprietary IP.

Goodbye Kansas Studios has successfully positioned itself towards world-leading companies in the field we now call **"Visual Content and Brand"**, and has made significant investments in infrastructure and technology. Recently, an extended agreement was signed with an AAA game developer for a Performance Capture order, one of the largest in the company's history. We are moving forward towards larger and longer projects as well as expanding long-term partnerships with our global customers. To meet the increased demand for Goodbye Kansas Studios' services, we have chosen to expand in the UK during the autumn.

"IP and Products" includes the subsidiaries Infinite Entertainment, Vobling and Sayduck. Here the focus is on driving license and royalty revenue through the development of Film & TV productions as well as our own products and technology. Recently, the first of several ongoing development projects from Infinite Entertainment, the film *"Gordon Hemingway"* was presented in the form of a collaboration agreement with Netflix and – among others – Hollywood director Spike Lee. The project required a small initial investment from mainly existing internal resources that are now fully repaid in connection with the signing of

the agreement. The partnership with Netflix offers the potential for significant revenue to Goodbye Kansas Studios and later on such an IP can provide additional business opportunities for our group.

Vobling is in final negotiations for additional dealer agreements in new markets for the VR Fire Trainer product, which is attracting significant interest. We attach great importance to developing our position in Virtual Reality training, an area growing globally. Sayduck's 3D/AR e-commerce solution continues to meet strong demand and the share of license revenue continues to increase.

"Games & Apps" with Virtual Brains and Plotagon includes our activities towards the B2C market. I have previously informed about our intention to outsource part of our production and here we are now in final negotiations with partners, for further development of, among other things, our map-based mobile game Hello Kitty. Plotagon's project – an entertainment app for South Korean Naver Z and ZEPETO – is scheduled to launch later this year.

Finally, I note that after a few years of major investments, we now have a new and clarified structure as well as strategy and focus on driving license and royalty revenues together with an optimized, flexible and growing project and consulting business. We are in a very strong position to create profitability and growth over the next few years, both organically and through complementary acquisitions.

Peter Levin,
President and CEO,

A world-class visual content & technology partner

The foundation is now laid for the Group's future organization, strategy and re-branding. 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.

Financial targets and strategic direction

The new financial targets are based on the expected market development, the company's position in the market and the developed strategy with expected opportunities for new business. The name change provides an additional strength for future business and growth.

The business model is based on a combination of cutting-edge technology, world-class artistry and value-creation of IP's and products. The current core business, which consists mainly of project revenues from advanced digital productions, is now further optimized for increased efficiency and profitability.

In addition, the group can leverage synergies and gradually switch the revenue model to more scalable solutions and recurring sales through licenses, micro transactions and proprietary IP.

The large global network of customers provides the opportunity for cross-selling and to be able to build on an already established international presence.

New financial targets:

Compound
annual average
sales growth:

20%

EBITDA margin
(latest 2024):

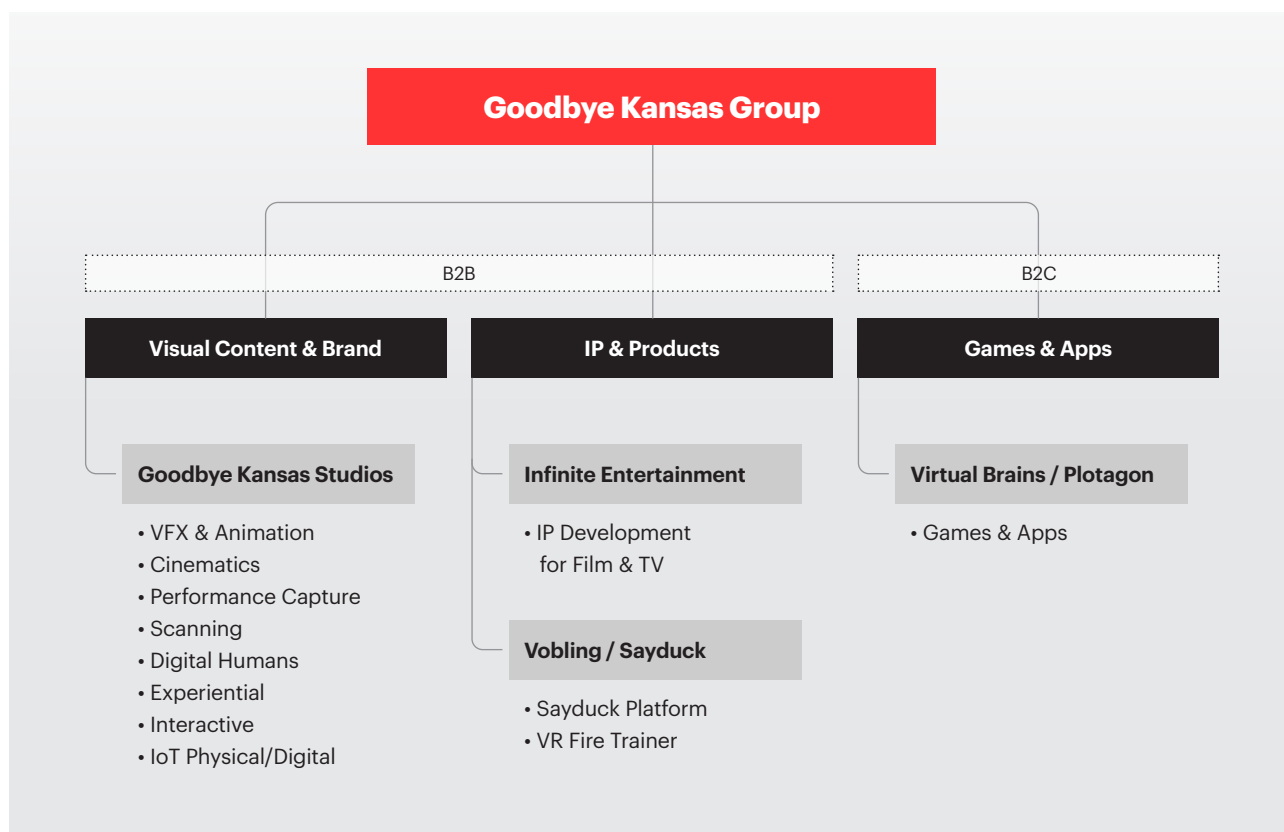
>20%

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, and subscription revenue.



Our Mission

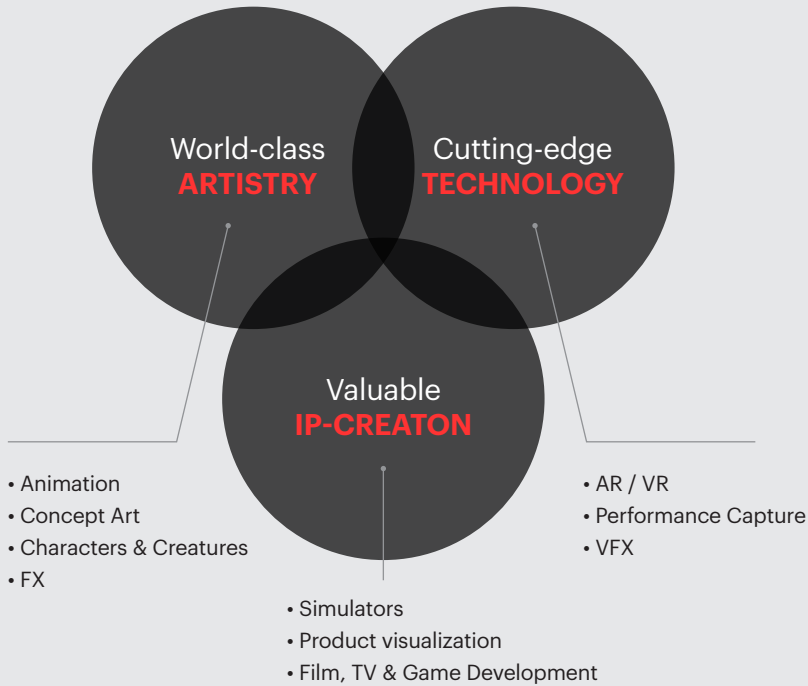
We provide groundbreaking digital experiences to the world through outstanding talent, cutting edge technology and engaging narrative.

Our Vision

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

Business model

The analogue world moves into the digital world both in our daily life and at work. People expect the environments of the digital world to be more authentic than ever. Goodbye Kansas builds its business model on that insight; applies cutting-edge technology, combining it with world-class artistry and the development of proprietary IP and scalable products.



Focus areas for long-term profitability and growth

The Group has a developed strategy to seize the opportunities that now exist in film, gaming, streaming and immersive tech (XR). The markets are in strong growth and converge both in terms of content, technology and across customer segments. The Group has identified a number of key areas to work on in order to capitalize on this development and to achieve stable, long-term and profitable growth in the global market.



Key figures

Group

SEK Thousands	2021 Q1	2020 Q1	2020 Full year	2019 Full year
Net sales	58 888	4 670	161 301	17 081
Capitalized work for own account	8 716	1 234	28 126	1 000
Total revenue	68 782	6 264	193 695	18 572
Operating income (EBITDA)	-9 490	-7 238	-41 955	-31 115
Number of employees, average	288	65	178	57
Balance sheet total	351 667	94 230	307 700	106 155
Cash liquidity	59%	401%	76%	476%
Solidity	45%	89%	58%	90%
Equity per share, SEK	1,48	1,54	1,79	1,74
Earnings per share, SEK				
- before dilution	-0,27	-0,21	-0,85	-0,92
- after dilution	-0,26	-0,19	-0,82	-0,86
Number of shares at the end of the period	105 839 241	54 913 141	100 194 110	54 913 141
Number of shares at the end of the period after full dilution	109 839 241	58 913 141	104 194 110	58 913 141
Average number of shares	103 016 676	54 913 141	77 553 626	51 037 998
Average number of shares after full dilution	107 016 676	58 913 141	81 553 626	55 037 998

Group Relationships

The consolidated financial statements consolidate the parent company and its subsidiaries' operations until 31 March 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

The development of the Group has resulted in a marked increase in turnover and an increase in licensing revenues compared with the same period last year. The increase is explained by the acquisition of Goodbye Kansas Studios. In the comparison of net sales and EBITDA with pro forma for the same period last year, the first quarter is still affected by the pandemic, while net sales are in line and EBITDA has strengthened compared to the fourth quarter of 2020.

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

Visual Content & Brand

Net sales for **Goodbye Kansas Studios** in the quarter amounted to SEK 52.9 million (77.0). Revenues have been driven by assignments from the gaming sector but are still affected by the pandemic in the film/TV segment. Just over 70% of the total revenue was made up by assignments from the gaming industry in the first quarter. For film/TV, we see through our UK sales pipeline that the market is starting to recover.

Operating profit (EBITDA) amounted to SEK -4.8 million (8.0). Order intake and utilization rates of the company's **Motion Capture studio** have remained good and maintain the same **high levels of occupancy as in the same period last year**. During the period, the collaboration with an AAA game developer was expanded, representing one of the major contracts for Goodbye Kansas Studios for Performance Capture. The majority of Goodbye Kansas Studios' revenue today passes in whole or in part through the Capture studio.



Vobling's VR Fire Trainer.

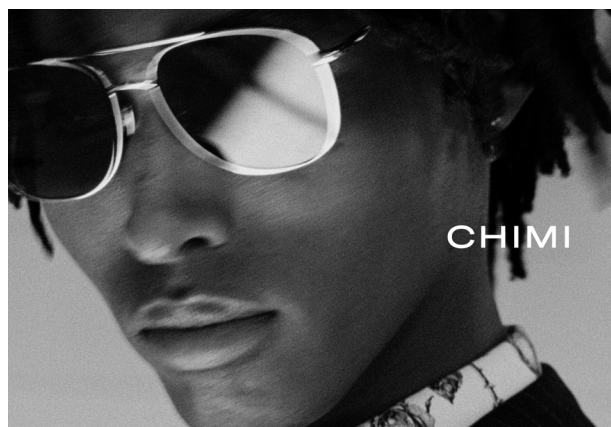
IP & Products

Infinite Entertainment develops film and TV projects and IP:s that are either created internally or in co-production with other creators and partners. The company collaborates with writers and directors both in Europe and the US. Currently, eight different projects are under development. Recently, the first feature film production "**Gordon Hemingway & The Realm of Cthulhu**" was announced, where Infinite will be co-producer and Goodbye Kansas will deliver visual effects (VFX).

Vobling has had a good start to the year and is increasing net sales from the fourth quarter of 2020 to SEK 3.7 million from SEK 3.4 million. License revenues currently represent approximately 8% and **the plan is to increase the share of license revenue** over time. Profit before depreciation and amortization (EBITDA) reached SEK 0.7 million compared to SEK 1.2 million for the first quarter of 2020 and SEK -0.6 million for the fourth quarter of 2020. Interest in VR Fire Trainer has increased following the agreement with **GLORIA**, Europe's largest company in Fire and Safety. Planning for the launch of the **VR Fire Trainer** in Germany, Austria and Switzerland has been intensive and has gone according to plan. The product has also received a lot of international attention and negotiations are held with several potential re-sellers where there is a great interest in launching VR Fire Trainer in additional markets globally.

Vobling gained several new additional orders from large industrial companies during the quarter.

The virtual training market is maturing and more and



Sayduck in collaboration with eyewear brand Chimi.

DEVELOPMENT IN THE GROUP

more companies are starting to train their staff with the help of VR. While the pandemic is a driver of growth, it is an obstacle for making group-wide investment decisions for companies that are about to scale up virtual training to larger volumes.

Sayduck's sales during the quarter amounted to SEK 1.4 million. EBITDA was unchanged, matching the level of the final quarter 2020 and doubling the level of the first quarter 2020.

License revenue's share of total revenue was 66% in the quarter. License revenues doubled compared to the first quarter of 2020. The order value in the first quarter increased by 132% compared to the corresponding period last year.

New customers on the Sayduck platform include **MSI Ltd**, where additional assignments have also been agreed, as well as **the Chimi eyewear brand**. In addition, a new dealership agreement has been signed with **Redstage**.

Games & Apps

Virtual Brains develops mobile games based on licensing partnerships with well-known global consumer brands. The company is in negotiations with a number of major game studios in order to increase production capacity. The intention is to enter into partnerships for the further development and launch of the location-based mobile game based on **Hello Kitty** and the other characters in Japanese Sanrio's portfolio. The license agreement with Japanese **Sanrio** has been extended until 2024 to deal with the fact that the game will not be launched in 2021.

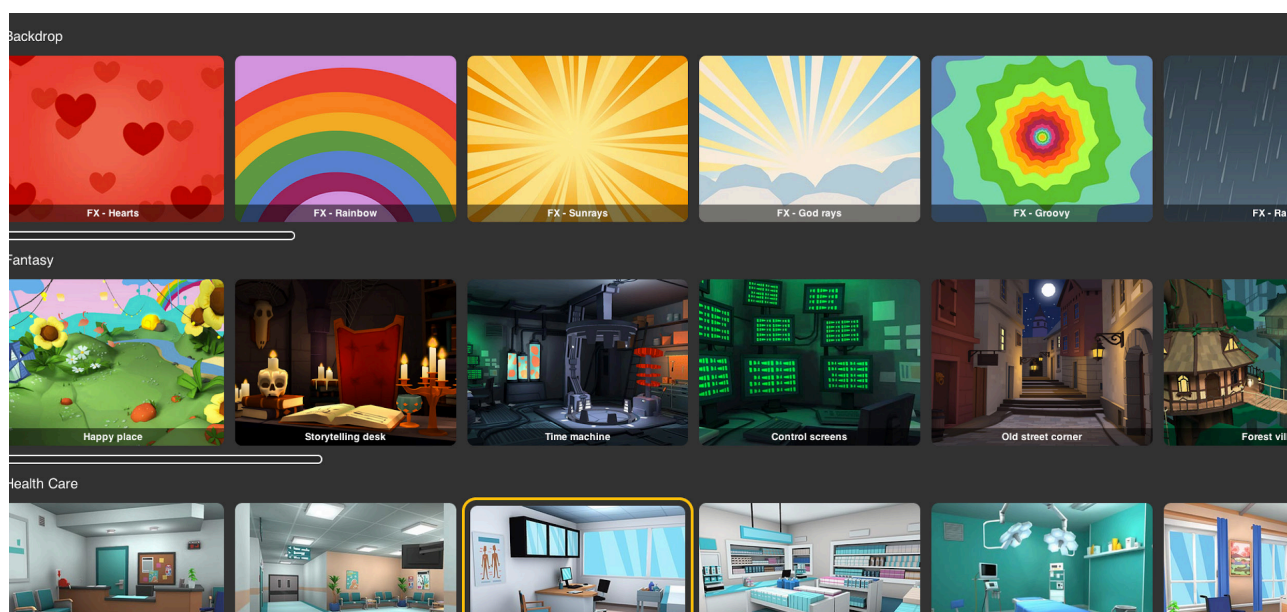
During the quarter, Goodbye Kansas Group also established a global license for games and apps together with the American toy manufacturer **MGA Entertainments**, whose fashion dolls, including LOL Surprise! and Rainbow High, top the sales charts around the world.

Our map-based MMORPG, **Otherworld Heroes**, is still in the evaluation phase in a number of countries and against our test groups on Discord. New game worlds have been introduced and the important input we get from users is used to improve the game in terms of technology, functionality and gameplay. The market in map-based multiplayer games is still in its infancy, partly due to the complexity of the games, and we are working towards improving the game's KPIs.

Plotagon is working on developing a new app in collaboration with South Korean **Naver Z (ZEPETO)**. It proceeds according to plan and the focus is on user experience and design as well as of course the integration with the existing ZEPETO app. There is a close and very creative collaboration with Naver Z and ZEPETO ahead of the launch of the app later this year.

In addition to this collaboration, work continues to increase the number of users and conversion to paying users on an ongoing basis in the existing **Plotagon Story** app.

About 18,000 daily active users (DAU) create about 300 hours of film every day, which in turn spreads across different social media channels. The intention is to increase organic growth through a number of activities. The hashtag **#plotagon** in various variations has about 80 million views in TikTok at present.



Plotagon has in cooperation with Hong Kong Airlines adapted environments to the airline's needs for simulation of different situations.



Digital ambassador for H&M

During Q1 2021, Goodbye Kansas Studios delivered Visual Effects (VFX) for a new international commercial for H&M and created a digital twin for their new Global Sustainability Ambassador Maisie Williams.

The film revolves around H&M's new recycling concept "Looop", where old clothes can be recycled to create new fabric for new clothes. The commercial is produced by New-Land and is directed by Joanna Nordahl. Goodbye Kansas delivered Visual Effects (VFX) and at the end of the film, actress Maisie Williams turns into a digital version of herself.

To create that effect, Goodbye Kansas 3D scanned Williams and then created a fully digital animated avatar version of her; a digital twin adapted for the job as a virtual influencer. Experience **the digital Maisie Williams** [here](#).

– We usually create photorealistic highly

expressive and detailed digital humans for the games and film industry, however this occasion called for a more stylised treatment as H&M wanted to clearly differentiate between live Maisie and the digital Maisie, which we were happy to provide, says Jan Cafourek, Executive Producer at Goodbye Kansas Studios.

Goodbye Kansas creates hundreds of new digital people every year and the revenue from projects that use Capture in some form increased by almost 50% in 2020 compared to 2019.

Goodbye Kansas' expertise in Digital Humans can be used in many different areas. Capture technology, which is used to create digital twins, is becoming an increasingly important part of our offer and the demand for productions where there is a need for this advanced technology is growing steadily.



I am convinced that Maisie Williams won't be the last celebrity that will get a digital twin created by us"

Jan Cafourek,
Executive Producer,
Goodbye Kansas Studios



Global gaming brand MSI chooses 3D/AR solution from Sayduck

Micro Star International Ltd (MSI), headquartered in Taiwan, has extensive experience in cutting-edge gaming technology and an extensive global presence spanning 120 countries. In addition to being a strong brand in the hardware gaming field, MSI is in a strong position and is recognized as a top brand in the digital industry.

When it came time to further improve the customer experience in the sales process, the choice fell on Sayduck's platform for 3D and Augmented Reality. It provides the opportunity to present all the details of the products in a very realistic way.

Sayduck earlier entered into a licensing agreement with MSI, which recently has been expanded with additional orders after the first quarter. The collaboration involves creating 3D gaming hardware that can be seen in web 3D and AR for distribution to e-retailers in the US, Europe, Japan and Australia.

The gaming industry is in rapid growth and another industry that can benefit from the SaaS ecommerce solution.

The Sayduck subsidiary's business is to help product manufacturers and e-commerce companies showcase and present their products in a more realistic way. The Sayduck platform enables businesses to create unique web 3D and AR experiences for their customers – driving product engagement and inspiring customer trust.

MSI

- MSI is a world leader in gaming, content creation and AIoT solutions.
- The company has a large global presence spanning 120 countries and is strengthened by its latest R&D capabilities and customer-driven innovation.
- The large product line of laptops, graphics cards, monitors, motherboards, desktops, peripherals, servers, IPCs, robotic devices and vehicle infotainment & telematics systems is globally recognized.



“The natural choice was to partner with Sayduck as we see that their 3D/AR e-commerce platform is at the forefront technically to create the best user experience.”

Ed Tsai, Channel Marketing Manager at MSI Ltd.



Digital Einstein is powered by innovative AI and he can answer questions about e.g. science and how he himself was created.

Meet digital Albert Einstein

In April 2021, one hundred years after Albert Einstein was awarded the Nobel Prize, a digital version of the famous scientist – “Digital Einstein” – was launched in a unique project for the international AI technology company Uneeq. In close collaboration with Uneeq, Goodbye Kansas created a photorealistic 3D version of the world-famous scientist, who was thus reborn as a “digital human” driven by innovative Artificial Intelligence (AI).

– Creating “Digital Humans” is one of our most important areas of expertise. The collaboration with Uneeq is further proof that Digital Humans is not only beneficial for the gaming and film industry but that the expertise is also in demand in many other areas, such as education, healthcare, customer service and e-commerce, says Peter Levin, CEO at Goodbye Kansas Group

The digital “Einstein experience” is part of Uneeq’s Digital Humans offering, where digital companions can communicate with people

using conversations, gestures and human expressions.

– Digital Einstein is an exploratory project that we hope positively impacts a problem that needs effective, low resourcing and scalable solutions. Actively working across all industries including healthcare and medical settings today, digital humans – more so than chatbots or virtual assistants – create innovative AI through supportive, accessible and meaningful interactions. Having the opportunity to work with the experts at Goodbye Kansas really enabled us to bring Digital Einstein to life, states Daryl Reva, SVP of Revenue Growth, Uneeq.

Goodbye Kansas’ award-winning Digital Humans team has years of experience creating photorealistic people, including animation rigs, and creates hundreds of digital faces every year. Goodbye Kansas has also worked with Uneeq to create additional photorealistic faces, to be released by Uneeq later this year. Experience **Digital Einstein** [here](#).



Having the opportunity to work with the experts at Goodbye Kansas really enabled us to bring Digital Einstein to life”

Daryl Reva, SVP for Revenue Growth, Uneeq.

Financial development



First quarter, January 1 - March 31

Net sales amounted to SEK 58.9 million (SEK 4.7 million) during the period. The acquisition of Goodbye Kansas Holding explains the large increase and a more illustrative comparison can be made with pro forma for the fourth quarter 2020 when sales reached SEK 60.3 million and the first quarter of 2020 with SEK 81.3 million.

Goodbye Kansas Studio's lower sales compared to the first quarter of 2020 is mainly explained by lower film/television and commercial revenues by just over SEK 20 million due to the pandemic. Adjusted for currency effects and for a significant project being moved out of the first quarter into the second quarter, we see underlying growth of approximately 9% in assignments from the gaming industry. Gaming related revenue in the first quarter accounted for just over 70% of the total. In the film/TV segment, we see through our Sales Pipeline for London that the market is starting to recover.

Earnings before depreciation and amortization (EBITDA) amounted to SEK -9.5 million (-7.2), compared to SEK -14.9 million for the fourth quarter of 2020 or pro forma for the first quarter of 2020 of SEK 1.3 million. We estimate that the shift in work on a mission for the gaming industry from the first quarter has negatively impacted EBITDA by just over SEK 5 million.

Since July 2020, the costs of game development for Otherworld Heroes and Hello Kitty have been activated as the activation requirements have been met. The assignments to Goodbye Kansas Studios from the gaming industry continue to drive revenues, but has not been able to fully compensate for the cost mass related to film/TV assignments due to the pandemic.

Earnings before interest and tax (EBIT) amounted to SEK -22.8 million (Q4, 2020 -23.2 million and Q1, 2020 -11.3

million) and includes depreciation (non-cash) related partly to goodwill of SEK 7.0 million and partly to development costs of SEK 1.1 million. Earnings per share amounted to SEK -0.27(-0.21).

Bublar Group was renamed to Goodbye Kansas Group after the quarter.

Investments

The acquisition of Plotagon Production AB was carried out during the quarter through an issue in kind worth SEK 15 million. It corresponds to a first part of an expected total of SEK 25 million in fixed purchase price. The remaining balance of SEK 10 million, which will be paid in shares, has been technically indebted as part of the acquisition analysis. Total investments in the Group during the quarter amount to SEK 12.1 million. The largest item consists of product development of games, products, software, and IP totaling SEK 11.1 million. Investments historically mainly relate to the acquisitions of Goodbye Kansas, Vobling and Sayduck and the activation of programming and product development costs for software platforms and games.

Cash flow and cash equivalents

Cash flow amounted to SEK 13.8 million during the period. At the end of the period, on March 31, 2021, the Group's cash and cash equivalents amounted to SEK 39.2 million. The possibility of deferral of payment of VAT and employers' social contributions has been exercised.

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 284 (68) on 31 March.

FINANCIAL DEVELOPMENT

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 previously having been 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 March 31, 2021, the total number of shares amounted to 105,839,241 divided into approximately 6,400 owners. Since then, the allocation of the earn-out consideration for the acquisition of Sayduck and the purchase of Goodbye Kansas shares from three minority shareholders on the same terms as the offer from the second quarter of 2020 has increased the number of shares to 108,131,727 shares.

Risks and uncertainties

The acquisition of Goodbye Kansas Holding has meant that the business has grown significantly in terms of turnover and reached an established level as a driving force in the company's development. At the same time, Goodbye Kansas Studios has a larger cost pool, which makes it more important for the company to be able to reach a certain level of capacity utilization in order to ensure coverage for the fixed costs. This has been a challenge in 2018 and 2019 during a build-up phase in Goodbye Kansas. The pandemic has created an imbalance from the normal level in film/TV revenue, but we believe that maintaining the unique mix of competence we as a group possess is a critical success factor. The mix will become a success factor when the film/TV market turns.

It is the Board's assessment that Goodbye Kansas Holding 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, slumps in order intake. For example, the pandemic has led to shifts in projects in film & TV and VR/AR solutions. Exchange rate variations 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 by 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 effect on the Group's operations, earnings 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 characterised by rapid technological and innovative development and significant 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. The acquisition of the significantly larger Goodbye Kansas Holding Group, in terms of turnover and structure, entails a change in the management of shares in so-called associates (shareholdings between 20 and 50%). The principles of revenue recognition are the same as those in Vobling. Goodbye Kansas Studios provides services at both fixed and variable prices, in the form of consultants and project fees, for visual effects, animation, Performance Capture for film and TV productions, game trailers and the development of own IP rights. The revenue from the services delivered is recognized in the period in which they are provided. Most of the contracts concluded are at a fixed price, where the revenue is recognized based on the proportion of the total agreed service delivered during the period when the customer receives and uses the services. This is determined based on the actual spent working hours compared to the total expected working hours for the assignment.

Comment on 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, but also included a technical long-term debt related to the lease on Hammar-

FINANCIAL DEVELOPMENT

byterassen. The transaction has been made in two stages through the issue in kind of both shares and receivables on Goodbye Kansas Holding by issuing a fixed number of shares in the former Bublar Group. The purchase price for Goodbye Kansas Holding amounts to approximately SEK 116 million, of which remaining goodwill amortization represents approximately SEK 63 million at the end of the reporting period.

The Group's total goodwill value amounted to approximately SEK 98 million as of March 31. Goodwill is depreciated on a straight-line basis in the consolidated financial statements of 5 years from the date of closing. The intangible asset item has 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 the work processes. 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.

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% because 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 over SEK 39 million at the end of the period. The Board does not believe that this capital is sufficient to capitalize on the opportunities we see for the business but works with various solutions to address this issue.

The financing solution with Swiss investment company Nice & Green in the form of a flexible convertible financing is unused. Through the solution, the Group has the possibility of financing totaling SEK 50.4 million divided into 12 monthly tranches of SEK 4.2 million that Goodbye Kansas Group can call off as long as the conditions in the agreement are met.

The Board of Directors believes that there is an interest in investing in companies that develop applications and products in the areas in which Goodbye Kansas Group operates.

During the autumn/winter of 2020, the Board has therefore worked to ensure that the business develops with the right mix of products and services in the dynamic market ar-

reas we operate in. The pandemic has affected the business, but we believe that investors can understand the impact in terms of decision delays as well as looking at the opportunities in our business, not least towards film & TV. The Board of Directors considers it crucial that Goodbye Kansas Group can operate the business with positive cash flows and that the games are able to generate revenue. If revenue does not evolve in accordance with the Board's assessments, Goodbye Kansas Group needs to consider measures such as cost savings or additional capital raisings. The Board of Directors has a mandate from the Annual General Meeting to issue shares and/or convertibles and/or warrants to be able to handle the financing issue.

Financial calendar 2021/2022

Interim Report, Jan – June	July 21
Interim Report, Jan – Sept	November 10
Year-end Report, Jan – Dec	February 25
Annual Report Report 2021, Jan–Dec	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, May 20, 2021

Board of Directors,
Goodbye Kansas Group AB (publ)

Profil & Loss

Condensed Consolidated Income Statement

SEK Thousands	2021 Q1	2020 Q1 Pro forma	2020 Q1	2020 Full year Pro forma	2020 Full year	2019 Full year
REVENUE						
Net sales	58 888	81 265	4 670	257 244	161 301	17 081
Capitalized work for own account	8 716	2 195	1 234	29 528	28 126	1 000
Other operating income	1 178	360	360	4 669	4 268	491
Total income	68 782	83 820	6 264	291 442	193 695	18 572
OPERATING EXPENSES						
Other external costs	-34 416	-41 413	-6 262	-154 788	-108 315	-21 393
Employee costs	-43 856	-41 128	-7 240	-172 807	-127 335	-28 123
Earnings before depreciation and amortization (EBITDA)	-9 490	1 279	-7 238	-36 153	-41 955	-31 115
Depreciation and amortization	-13 367	-8 424	-4 107	-42 934	-37 058	-14 629
Earnings before interest and tax (EBIT)	-22 857	-7 145	-11 345	-79 087	-79 013	-45 744
FINANCIAL ITEMS						
Additional purchase price Sayduck	-6 005					
Interest income	4	0	0	33	1	0
Interest expense	-1 255	-7 448	-12	-12 131	-2 953	-27
Currency differences	1 918	2 040	13	2 177	-3 131	101
Total financial items	-5 338	-5 408	1	-9 922	-6 083	74
Profit after financial items	-28 195	-12 553	-11 344	-89 009	-85 096	-45 669
Tax	-3	0	0	64	64	-53
Deferred tax	0	0	0			-4 744
Profit/loss for the period	-28 198	-12 553	-11 344	-88 945	-85 032	-50 467

Balance sheet

Consolidated Statement of Financial Position

SEK Thousands	20210331	20200331	20201231	20191231
ASSETS				
Intangible assets	225 839	58 817	202 234	61 032
Material assets	29 775	1 097	30 957	1 012
Long-term financial assets	5 761	354	830	353
Total non-current assets	261 375	60 268	234 021	62 397
Short-term receivable	51 133	6 973	48 343	6 534
Cash and cash equivalents	39 159	26 989	25 336	37 224
Total current assets	90 292	33 962	73 679	43 758
Total assets	351 667	94 230	307 700	106 155
EQUITY AND LIABILITIES				
Share capital	3 023	1 569	2 862	1 569
Share premium and other equity	182 282	94 096	256 297	144 495
Retained earnings	-28 198	-11 344	-85 032	-50 467
Equity attributable to parent company shareholders	157 107	84 321	174 127	95 597
Minority interest	4 776	0	4 776	-
Equity	161 883	84 321	178 903	95 597
Provision for taxes	8 273		8 273	
Long-term liabilities	27 280	1 431	28 003	1 371
Current liabilities	154 231	8 479	92 521	9 187
Total liabilities	181 511	9 910	120 524	10 558
Total Equity and liabilities	351 667	94 231	307 700	106 155
Company mortgage	13 320		13 320	-
Contingent liabilities	113 529		118 896	None

Cash flow

Consolidated Statement of Cash Flow

SEK Thousands	2021 Q1	2020 Q1	2020 Full year	2019 Full year
OPERATING ACTIVITIES				
Income before taxes	-26 944	-11 344	-81 990	-45 642
Adjustments for non-cash flow items	12 039	4 126	41 428	14 905
Interest income	4	0	1	-
Interest expense	-1 255	-9	-3 107	-27
Income tax paid	-3 323	-65	485	-1 364
Changes in working capital	21 294	-1 138	3 651	5 612
Net cash from operated activities	1 815	-8 430	-39 532	-26 516
INVESTMENT ACTIVITIES				
Purchase of plant and equipment	-1 130	-167	-1 650	-865
Purchase of group companies	-494	-	14 654	-14 139
Capitalisation of product costs	-11 129	-1 700	-30 028	-2 106
Changes in investment and other assets	669	-	-473	-186
Net cash from investment activities	-12 084	-1 867	-17 497	-17 296
FINANCING ACTIVITIES				
New share issue	-	-	45 617	61 709
Shareholders' contributions	-	-	-	-
Proceedings from borrowings	25 000	-	3 185	19
Repayment of borrowings	-951	-	-3 576	-1 000
Net cash from financing activities	24 049	0	45 226	60 728
In-/decrease of cash	13 780	-10 288	-11 804	16 916
Cash at the beginning of the period	25 336	37 224	37 224	20 309
Currency difference in cash holdings	43	53	-85	-1
Cash at the end of the period	39 159	26 989	25 335	37 224

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 January 1, 2021	2 862	343 772	-172 507	174 127	4 776	178 903
Retained earnings			-28 198	-28 198		-28 198
Non-cash issue, Jan 12, 2021	161	15 139		15 300		15 300
Issue expenses		-750		-750		-750
Increased holding in Goodbye Kansas, eliminated against balanced result			-115	-115		-115
Currency translation differences			-3 256	-3 256		-3 256
Balance at March 31, 2021	3 023	358 161	-204 076	157 108	4 725	161 884