

26 September 2023

tinyBuild, Inc

("tinyBuild" or the "Company")

2023 Half Year Results

tinyBuild (AIM:TBLD), a premium video games publisher and developer with global operations, is pleased to announce its unaudited results for the 6 months ended 30 June 2023.

Financial highlights:

- Revenue of \$23.3m (H1 2022: \$28.8m), 19% lower primarily due to a sharp drop in development service revenues and underperformance of *Versus Evil*
- Adj EBITDA¹ loss of \$1.2m (H1 2022: \$9.9m), due to lower proportion of revenues from first party titles and higher development cost amortisation
- Adj. Operating Loss² of \$4.7m (H1 2022: \$6.8m), reflecting higher G&A costs
- Cash Flow from operating activities dropped to \$6.6m (H1 2022: \$8.8m), reflecting lower cash profit partly offset by positive net working capital contribution
- One-off impairment of development costs (\$18.3m) and of intangible assets (\$8.9m) reflecting the cancellation of some titles and lower revenue prospects for other titles
- Net cash position of \$14.3m (Dec 2022: \$26.5m), after \$16.9m investment in game development costs (H1 2022: \$14.2m). Cash position at the end of December 2023 expected to be between \$10-20m, as previously announced

¹ Includes amortisation of Development costs. Excludes one-off impairment of Development costs (\$18.3m), goodwill (\$6.1m) and other intangibles (\$2.8m), and share-based compensation expenses (see note 6).

² Includes amortisation of Development costs. Excludes one-off impairment of Development costs (\$18.3m), goodwill (\$6.1m) and other intangibles (\$2.8m).

Operational highlights:

- Release of new titles such as *Rhythm Sprout*, *Farworld Pioneers* and *The Bookwalker*, plus expansion of catalogue with the launch of VR titles for *Kill It With Fire*, *Not For Broadcast* and *Hello Neighbor: Search and Rescue*, alongside platform launches.
- Contribution from own-IP decreased to 65% of group revenue (H1 2022: 83%), due to stronger performance of third-party titles, both from back catalogue and new releases.
- Strong back catalogue sales representing 93% of total revenues (H1 2022: 99%), demonstrating the Company's ability to extend games' life cycles and support investments in new titles.
- Acquisition of NotGames, a UK-based studio, for an upfront cash consideration of \$1.5m plus max contingent consideration of \$4.2m, subject to stretched financial targets. NotGames is the developer studio of *Not For Broadcast*, a critically acclaimed full motion propaganda simulator.

Directorate change:

- On 29 March Luke Burtis, Chief Operating Officer (COO) and Board Member, resigned from his board position and management role to spend more time with his family. As the Company continues to move towards the more decentralised structure set out at the Capital Markets Day in June 2022, the responsibilities of the COO role have been distributed among a wider group of decision-makers, giving individuals and teams more autonomy and accountability for their areas of responsibility.
- On 29 June Tony Assenza, Chief Financial Officer (CFO) and Board Member, resigned from the Company and the Board. On the same date, tinyBuild announced that Giasone (Jaz) Salati was appointed CFO and Michael Schauble Chief Commercial Officer. Jaz joined the Board of Directors on 3 August 2023.

Employee Benefit Trust:

- The Employee Benefit Trust continued to purchase ordinary shares on the market and now holds a total of 1,520,864 ordinary shares as at 25 September 2023. The EBT was set up in 2022 for the benefit of current and future employees and will continue to act independently of the Company to satisfy potential future option exercises of vested options granted. The maximum amount of the loan made available to the EBT at any time will be capped at \$10m.

Post-Period End highlights:

- Released new titles *Punch Club 2: Fast Forward* and *I Am Future*, plus platform launches for *Hello Engineer*, *Black Skylands* and *Potion Craft*.
- New episodes of the *Hello Neighbor* animated series are planned to release in the second half of the year, in conjunction with important console updates to *Hello Neighbor 2*, which continues to enjoy an improvement in the review scores on PC.

Outlook

- The combination of a weak macroeconomic environment, geopolitical instability and shifts in the industry dynamics, dampens the Company's growth potential in the near-term.
- The pipeline for coming months includes a number of new titles (e.g. Critter Cove, Kill It With Fire 2) and further expansion of the catalogue (e.g. Cartel Tycoon launch on consoles), but headwinds observed in the first half of the year will likely continue to weigh on profitability.
- Management is hard at work on two main fronts: 1) to accelerate the operational transition to the 1000-hour game model, and 2) to provide greater visibility on financial progress of each project on a continuous basis
- In this context, the Board remains confident the Company has adopted the right strategy and is on track to deliver results in line with recently-reset expectations.

Alex Nichiporchik, Chief Executive Officer of tinyBuild, commented:

"The first half of 2023 was a story of two halves, with strong underlying direct sales to consumers, offset by a sudden drop in development service revenues. The speed of change in the video games industry is insane and we know we have to adapt quickly if we want to grow above peers. For this reason, we have been gradually shifting towards what we call the 1000-hour game."

"In a difficult environment we continue to invest cautiously in higher-budget games that have the potential to become very large franchises. We are setting new Company records in terms of wishlists on our new IP and leveraging our decentralised structure to fit the different reality of each development team, wherever they are in the world."

"Our core strategy hasn't changed: we are building a diversified portfolio of own-IP, which gives us the best upside with the minimum risk. Once again, I want to thank our exceptional people for their enthusiasm and dedication - we have achieved a lot so far and we can look to the future with cautious optimism."

Enquiries:

tinyBuild, Inc

Alex Nichiporchik - Chief Executive Officer
Giasone (Jaz) Salati - Chief Financial Officer
Michael Schauble - Chief Commercial Officer

investorrelations@tinybuild.com

Berenberg (Nominated Advisor and Joint Broker)

Mark Whitmore, Ciaran Walsh, Milo Bonser

+44 (0)20 3207 7800

Numis (Joint Broker)

Hugo Rubinstein, Tejas Padalkar

+44 (0)20 7260 1000

SEC Newgate (Financial PR)

Robin Tozer, Bob Huxford, George Esmond

tinybuild@secnewgate.co.uk
+44 (0)7540 106366

About tinyBuild:

Founded in 2013, tinyBuild (AIM: TBLD) is a leading premium AA-rated and indie video games publisher and developer. tinyBuild has a strong portfolio of over 80 titles and it strategically secures access to IP and partners with developers to establish a stable platform on which to build multi-game and multimedia franchises.

Headquartered in Bellevue, Washington, USA, the Company has key operations worldwide, with employees, contractors or partners in multiple locations across five continents. tinyBuild's geographic diversity enables it to source high-potential IP, cost-effective development resources and a loyal customer base through innovative grassroots marketing.

tinyBuild was admitted to AIM, a market operated by the London Stock Exchange, in March 2021.

For further information, visit: www.tinybuildinvestors.com.

OPERATIONAL REVIEW

The first half of 2023 was dominated by macroeconomic issues with the trade-off between high inflation and slowing growth aggravating seemingly increased geopolitical tension between US and Europe on one side, and Russia and China on the other side. Central banks had no choice but to increase interest rates, which in turn increased pressure on consumers, via higher mortgage costs among others.

Against this difficult backdrop, global video games sales and the number of players are expected to grow in 2023, after a mild slowdown in 2022. More than offsetting this positive trend tinyBuild, alongside some industry peers, saw a sharp decline in development service revenues as many distribution partners reduced or paused their investments in

content. It is too early to say if some of the lost revenues will return in the form of lower cannibalisation and increased sales direct to consumers, so the Company has quickly adopted a conservative cash management and capital allocation policy.

The Company already identified in 2022 the need to focus on relatively larger, more recognisable franchises that can command player's attention in a crowded environment, games with which players can spend over a thousand hours. There is a direct correlation between long-term sales and system-driven games where customers immerse themselves for several hours every day for months. We see this very clearly in our catalogue data. Alongside larger-budget titles we continue to scout work for indie developers and studios that can grow over time.

The pipeline of new titles has been realigned to maximise the long-term revenue potential, while maintaining a well-diversified portfolio. The progress of every project has also been reviewed and the investments resized where necessary.

tinyBuild operational model also continued to evolve reflecting industry trends such as multiplatform development and virtual reality (VR). AI may offer some productivity gains and in the long it may even improve videogames engagement, for example through more meaningful interactions with non-player characters (NPCs).

In the first half, back catalogue and own-IP titles contributed 93% and 65% of total revenue respectively, broadly in line with the average of the past five years. New records in terms of playlist count following the announcement of a new title have been set with a handful of promising higher-budget games under development, including the already announced *Ferocious* and *SAND*.

In an uncertain environment, the Board is pleased with the recent changes to the executive team and it is confident the company is progressing in line with expectations for the financial year 2023.

Current portfolio and pipeline

In 2023, tinyBuild release schedule is slightly skewed towards the second half of the year. New game launches in the first six months performed in line with expectations and some back-catalogue titles performed strongly as we continue to invest to strengthen existing franchises.

In the first six months of the year, tinyBuild published three new games and expanded the back catalogue with version 1.0, downloadable content ("DLC") and new platforms launches:

- *Rhythm Sprout* (PC and consoles) - Step to the rhythm and fight to the beat. A handcrafted rhythm action game with original music and a wacky story mode
- *Farworld Pioneers* (PC and consoles) - A vast colony-builder. An open world, sci-fi sandbox in PVP, PVE, and co-op
- *The Bookwalker* (PC and consoles) - A narrative adventure. You play as Etienne Quist, a writer-turned-thief with the ability to dive into books to steal Thor's Hammer, Excalibur and more.
- *Kill It With Fire, Not For Broadcast* and *Hello Neighbor* (VR version)

And after the end of the period, tinyBuild published:

- *Punch Club 2* - A fighter management sim
- *I Am Future* - a base-building game set on the ruins of a former civilisation
- *Hello Engineer*, *Black Skylands* and *Potion Craft* (platform launches)

Looking at the rest of 2023 and beyond, we announced a number of new titles, including:

- *Critter Cove* - a cozy life sim adventure that takes places across a string of islands in a colorful and mysterious open world
- *Tamarak Trail* - A deck-building roguelike, with customisable dice as you battle through randomly generated trails
- *Lil' Gardsman* - A deduction adventure. Lil - an unlikely 12-year-old hero - is tasked with deciding the fate of over 100 unique characters
- *Kill It With Fire 2* - An interdimensional action comedy game about murdering spiders. As The Exterminator, you'll travel across the multiverse
- *Slime 3K* - a rogue-lite shooter starring a big blob of jelly
- *RAWMEN* - a light hearted, third person, food fighter. Battle alongside or against your taste buds (2-8 players), pitting average cooks with a talent for hurling fiery feasts against one another
- *Streets of Rogue 2* - an immersive RPG sandbox set in a vast randomly generated open world that gives you maximum freedom to fight, sneak, hack, farm, build, steal, or talk your way to power
- *Stray Souls* - an immersive action-horror game about terrifying creatures, mind-bending puzzles, and family secrets
- *Pigeon Simulator* - a 'physics sandbox roguelite about the world's most notorious birds. and their quest for world domination
- *Broken Roads* - a narrative-driven RPG set in Australia with a very distinct look
- *Ferocious* - a survival shooter in which you will discover a lost prehistoric world full of deadly creatures under the control of hostile forces
- *SAND* - A multiplayer sandbox shooter from the developers of *Secret Neighbor*

Investing and innovating for growth

In a period of uncertainty in the industry, the Company continuously reviews the quantum and allocation of investments into new higher-budget and higher-potential titles, with lower-risk investment in catalogue expansion. Since before the IPO, tinyBuild's mantra has been to build a well-diversified portfolio of own-IP that can be scaled into

cross-media franchises, and we remain loyal to that.

Our increasingly nimble and decentralised structure is capable of handling larger projects, delivering them across platforms, on time, quality and budget. Recent launches like Punch Club 2 and I am Future are good examples of how our sophisticated marketing strategy can attract a large audience for a well-known franchise and for a new IP alike.

In the first half of 2023, the executive team has become even more selective about signing up new titles, while we continue to take advantage of opportunities created by an uncertain macroeconomic environment. We adopted the same cautious approach to develop our first animated series, which will see new episodes launching in October.

In 2023, M&A multiples still appear anchored to unrealistic expectations, so we stepped away from some potential acquisitions and preferred to invest more directly in studios we already have a good working relationship with (e.g. Not Games), and in titles spawned from our internal studios.

People

After enjoying an extended paternity leave during the first part of the year, on 29 March, Luke Burtis (COO) announced his resignation from the post of COO and the Board of tinyBuild to spend more time with his family and work on exciting new projects. Luke has been with the Company since the beginning and his contribution to strategy and operations has been invaluable.

On 29 June, after a short period of leave for personal reasons, Tony Assenza, CFO, resigned from the Company and the Board. Following a Board process, tinyBuild appointed Giasone (Jaz) Salati as CFO. On the same day, completing tinyBuild's transition to a more focused management team, Michael Schauble, previously senior VP of Business Development, was appointed Chief Commercial Officer. On 3 August, Jaz joined the Board of Directors.

Company-wide, tinyBuild continues to support all its staff (employees and independent contractors) and their families affected by the war in Ukraine and it continues to carefully monitor the situation. Having helped staff move out of the riskiest areas, the Company is now focusing on mental health and administrative support so everybody can settle in their preferred location across Europe.

Position and strategy

tinyBuild is well-positioned with a strong pipeline of new titles and a proven ability to attract, screen and market high-quality game franchises. Our balanced investment strategy aims at building a diversified portfolio of high-potential own-IP, and our multimedia franchise model allows us to extend the life of our IP, maximising our return on investment.

Our medium-term strategy is to expand our position as a leading global video games developer and publisher, focussing on IP ownership while creating long-term scalable franchises across multiple media formats. 2023 has seen significant progress towards that ambition, and I would like to thank all of our shareholders for their support.

Alex Nichiporchik

Chief Executive Officer

26 September 2023

FINANCIAL REVIEW

Results for the six months ended June 2023 were in line with recently-reset expectations, and the Company closed one acquisition in the period.

Revenue

In the six months to June 2023, tinyBuild revenues were \$23.3m, a 19% decrease compared to the previous year (H1 2022: \$28.8m), primarily attributable to the \$5.9m drop in development services revenues and to continued underperformance of Versus Evil, only partly offset by the resilient performance of direct-to-consumer sales. Excluding development services and events, revenues were flat at \$17.5m, highlighting a stronger underlying performance. Back catalogue performed strongly in the first half, supported by over 80 titles and by well-established franchises such as Graveyard Keeper. Revenue from events, primarily DevGAMM, increased to \$0.6m from \$0.2m as a result of events reboot in Central and Western Europe.

Adjusted EBITDA and Operating Profit

Adjusted EBITDA is presented net of amortisation of development costs, excluding impairment of development costs, share-based compensation expenses and exceptional costs (e.g. legal costs related to M&A), giving a clear, yet conservative, picture of the business progression. Adjusted EBITDA was negative \$1.2m (\$9.9m in H1 of 2022).

concentration, pressure on the business progression suggested EBITDA was negative \$4.1m (positive \$1.1m in H1 2022), reflecting a significantly lower revenue base, a less favourable revenue mix (higher share of third and second party titles) and an increase in amortisation of development costs (\$5.0m in H1 2023 vs \$3.8m in H1 2022).

Operating profit for H1 2023 was negative \$31.9m (H1 2022: positive \$6.8m), after accounting for the \$18.8m impairment of development costs, \$2.8m impairment of intangibles, and \$6.1m impairment of goodwill. Excluding the \$27.7m one-off impairment charges, Adjusted Operating Profit was negative \$4.7m, reflecting a lower EBITDA and higher general and administrative expenses (\$13.6m in H1 2023 vs \$12.0m in H1 2022), only partly offset by lower share-based compensation (\$0.4m in H1 2023 vs \$0.9m in H1 2022).

Finance costs and taxation

Finance costs were immaterial in H1 2023, and taxation credit was \$6.4m (H1 2022: \$2.3m charge) reflecting the lower taxable income.

Impairment

In H1 2023, tinyBuild incurred substantial charges relating to the impairment of development costs (\$18.8m in H1 2023 vs \$0m in H1 2022), M&A-related intangibles (\$2.8m in H1 2023 vs \$0m in H1 2022) and goodwill (\$6.1m in H1 2023 vs \$0m in H1 2022). These non-cash charges reflect the adjustment of expectations for future revenues of some titles due to the industry-wide changes and therefore are not expected to recur.

Cash Flow

Cash flows from operating activities was \$6.6m (\$8.8m in H1 2022), a relatively modest drop despite the sharper decline in revenues and increase in costs thanks to more careful cash management and also due to a normalisation of timing differences that impacted results in the second half of 2022. Software development costs, mainly consisting of developer salaries, advances, localisation and porting, was at \$16.9m (\$14.2m in H1 2022), reflecting a stabilisation in investment for upcoming pipeline releases.

Financial Position

The net cash position at the end of June 2023 was \$14.3m (\$26.5m at the end of December 2022), with the majority of the variation driven by lower revenues and higher organic investments. tinyBuild has zero debt and a completely undrawn revolving credit facility of up to \$35m.

Events after the reporting date

Giasone (Jaz) Salati was appointed to the Board of Directors on 3 August 2023.

Giasone (Jaz) Salati

Chief Financial Officer

26 September 2023

TINYBUILD INC.

CONSOLIDATED CONDENSED INCOME STATEMENT

	Note	6 months ended 30 June 2023	6 months ended 30 June 2022	Year ended 31 December 2022
		Unaudited \$'000	Unaudited \$'000	Audited \$'000
Revenue	4	23,295	28,750	63,295
Cost of sales:				
- Cost of sales		(13,832)	(9,058)	(20,592)
- Impairment of development costs	7	(18,288)	-	(95)
Total cost of sales		(32,120)	(9,058)	(20,687)
Gross (loss)/profit		(8,825)	19,692	42,608
Administrative expenses:				
- General administrative expenses		(13,561)	(12,000)	(23,328)
- Impairment of intangible assets	7	(8,908)	-	(11,075)
- Share-based payment expenses		(367)	(887)	(1,726)
- Litigation/Dispute-related costs		(284)	-	(1,578)

- Ukraine/Russia conflict related costs	(201)	-	(1,070)	
Total administrative expenses	(23,117)	(12,887)	(37,807)	
Other operating income	-	-	11,122	
Operating (loss)/profit	(31,942)	6,805	15,923	
Finance costs	(16)	(24)	(73)	
Finance income	261	8	80	
Profit before tax	(31,697)	6,789	15,930	
Income tax credit/(expense)	6,414	(2,306)	(4,417)	
(Loss)/profit for the year	(25,283)	4,483	11,513	
Attributable to:				
Owners of the parent company	(25,523)	4,457	11,545	
Non-controlling interests	240	26	(32)	
	(25,283)	4,483	11,513	
Basic earnings/(loss) per share (\$)	5	(0.126)	0.022	0.057
Diluted earnings/(loss) per share (\$)	5	(0.126)	0.022	0.056
Adjusted EBITDA	6	(1,249)	9,882	24,355
Adjusted total comprehensive income attributable to the owners per share (\$)	6	0.010	0.023	0.066

TINYBUILD INC.

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 June 2023	6 months ended 30 June 2022	Year ended 31 December 2022
	Unaudited \$'000	Unaudited \$'000	Audited \$'000
(Loss)/Profit for the year	(25,283)	4,483	11,513
Other comprehensive income net of taxation			
Exchange differences on translation of foreign operations - may be reclassified to profit and loss	94	-	7
Total comprehensive (loss)/income for the year	(25,189)	4,483	11,520
Attributable to:			
Owners of the parent company	(25,429)	4,457	11,552
Non-controlling interests	240	26	(32)
	(25,189)	4,483	11,520

TINYBUILD INC.

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

30 June 2023	31 December 2022
Unaudited	Audited

ASSETS	Note	Unaudited \$'000	Audited \$'000
Non-current assets			
Goodwill	7	29	3,746
Other intangible assets	7	65,180	76,638
Property, plant and equipment:			
- owned assets		846	794
- right-of-use assets		282	342
Deferred tax assets		4,934	-
Trade and other receivables		405	406
Total non-current assets		71,676	81,926
Current assets			
Trade and other receivables		16,173	25,382
Cash and cash equivalents		14,338	26,496
Total current assets		30,511	51,878
TOTAL ASSETS		102,187	133,804
EQUITY AND LIABILITIES			
Equity			
Share capital	10	204	204
Share premium		65,593	65,593
Warrant reserve		1,920	1,920
Translation reserve		101	7
Retained earnings		18,754	43,910
Equity attributable to owners of the parent company		86,572	111,634
Non-controlling interest		197	(43)
Total equity		86,769	111,591
LIABILITIES			
Non-current liabilities			
Lease liabilities		47	97
Contingent consideration		705	-
Deferred tax liabilities		-	1,800
Total non-current liabilities		752	1,897
Current liabilities			
Trade and other payables		13,862	20,046
Contingent consideration		531	-
Lease liabilities		273	270
Total current liabilities		14,666	20,316
Total liabilities		15,418	22,213
TOTAL EQUITY AND LIABILITIES		102,187	133,804

TINYBUILD INC.

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital \$'000	Share premium \$'000	Warrant reserve \$'000	Translation reserve \$'000	Retained earnings \$'000	Total attributable to owners of the
Balance at 1 January 2022		203	63,546	1,920	-	30,639	
Profit and total comprehensive income for the year		-	-	-	-	4,457	

From and total comprehensive income for the year

1,191

Transactions with owners in their capacity as owners:

Issue of shares, net of transaction costs	1	1,569	-	-	-	-
Issue of shares on exercise of options	-	28	-	-	-	-
Dividends paid	-	-	-	-	-	-
Share-based payments	-	-	-	-	887	-
Total transactions with owners	1	1,597	-	-	887	-
Balance at 30 June 2022	204	65,143	1,920	-	35,983	1
	Share capital	Share premium	Warrant reserve	Translation reserve	Retained earnings	Total attributable to owners
	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 January 2023	204	65,593	1,920	7	43,910	1
Loss for the period	-	-	-	-	(25,523)	(
Other comprehensive income:						
Foreign exchange differences on translation of foreign operations	-	-	-	94	-	-
Total comprehensive loss for the period	-	-	-	94	(25,523)	(
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares, net of transaction costs	10	-	-	-	-	-
Share-based payments	-	-	-	-	367	-
Total transactions with owners	-	-	-	-	367	-
Balance at 30 June 2023	204	65,593	1,920	101	18,754	-

TINYBUILD INC.

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

		6 months ended 30 June 2023 Unaudited \$'000	6 months ended 30 June 2022 Unaudited \$'000	Year ended 31 December 2022 Audited \$'000
Cash flows from operating activities	Note			
Cash generated from operations	11	6,289	8,811	19,188
Interest received		261	-	80
Net cash generated from operating activities		6,550	8,811	19,268
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired		(1,234)	-	-
Software development		(16,925)	(14,245)	(35,789)
Purchase of intellectual property		-	-	(4,150)
Purchase of property, plant and equipment		(287)	(554)	(1,180)
Interest received		-	8	-
Net cash used in investing activities		(18,446)	(14,791)	(41,119)
Cash flows from financing activities				
Proceeds on exercise of share options		-	-	28
Payment of principal portion of lease liabilities		(262)	(92)	(365)
Dividends paid to non-controlling interests		-	(440)	(440)

Dividends paid to non-controlling interests	-	(148)	(148)
Net cash used in financing activities	(262)	(240)	(485)
Cash and cash equivalents			
Net (decrease)/increase in the year	(12,158)	(6,220)	(22,336)
At beginning of period	26,496	48,832	48,832
At end of period	14,338	42,612	26,496

TINYBUILD INC.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023

1 GENERAL INFORMATION

tinyBuild Inc. ("the Company") is a public company limited by shares, and is registered, domiciled and incorporated in Delaware, USA. The address of the registered office is 1100 Bellevue Way NE, STE 8A #317, Bellevue, WA 98004, United States.

The Group ("the Group") consists of tinyBuild Inc. and all of its subsidiaries. The Group's principal activity is that of an indie video game publisher and developer.

The Board of Directors approved this interim financial information on 26 September 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed, consolidated financial statements for the interim half-year reporting period ended 30 June 2023 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. These interim financial statements do not constitute full financial statements and do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2022.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Annual Report and Financial Statements for 2022 have been issued and are available on the Group's investor relations' website: <https://www.tinybuildinvestors.com/documents-and-presentations>.

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 31 December 2022 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2023 and have been adopted in the 2023 financial statements. There are no new and amended standards and/or interpretations that will apply for the first time in the next annual financial statements that will have a material impact on the Group.

Tax charged within the 6 months ended 30 June 2023 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the year ending 31 December 2023 as required by IAS 34.

The financial statements have been prepared on the historical cost basis except for, where disclosed in the accounting policies, certain financial instruments that are measured at fair value. The financial statements are prepared in US Dollars, which is the functional currency and presentational currency of the Company. Monetary amounts in these financial statements are rounded to the nearest thousand US Dollars (US\$'000).

Going concern

The Group has cash and cash equivalents of \$14.3m, which is sufficient to cover its current trade and other payables balance of \$13.9m. Furthermore, the Group has access to a currently undrawn loan facility of up to \$35m. In light of this, the Directors confirm that they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for at least twelve months beyond the issuance of these financial statements and accordingly these financial statements are prepared on a going concern basis, with no material uncertainty over going concern.

3 SEGMENTAL REPORTING

IFRS 8 'Operating Segments' requires that operating segments be identified on the basis of internal reporting and decision-making. The Group identifies operating segments based on internal management reporting that is regularly reported to and reviewed by the Chief Executive Officer, which is identified as the chief operating decision maker. Management information is reported as one operating segment, being revenue from self-published franchises and other revenue streams such as royalties, licensing, development and events.

Whilst the chief operating decision maker assessed there to be only one segment, the Company's portfolio of games is split between those based on IP owned by the Group and IP owned by a third party and hence to aid the readers' understanding of our results, the split of revenue from these two categories is shown below.

Game and merchandise royalties	6 months ended 30 June 2023 Unaudited \$'000	6 months ended 30 June 2022 Unaudited \$'000	Year ended 31 December 2022 Audited \$'000
Owned IP	12,765	13,107	26,915
Third-party IP	4,690	4,359	13,105
	<u>17,455</u>	<u>17,466</u>	<u>40,020</u>

Three customers were responsible for approximately 51% of the Group's revenues (30 June 2022: three - 70%, 31 December 2022: three - 67%).

The Group has nine right-of-use assets located overseas with a carrying value of \$272,000 (30 June 2022: six - \$374,000, 31 December 2022: seven - \$342,000). The Group also has tangible fixed assets located overseas with a total carrying value of \$687,000 (30 June 2022: \$212,000, 31 December 2022: \$623,000). All other non-current assets are located in the US.

4 REVENUE

	6 months ended 30 June 2023 Unaudited \$'000	6 months ended 30 June 2022 Unaudited \$'000	Year ended 31 December 2022 Audited \$'000
An analysis of the Group's revenue is as follows:			
Revenue analysed by class of business			
Game and merchandise royalties	17,455	17,466	40,020
Development services	5,224	11,134	22,744
Events	616	150	531
	<u>23,295</u>	<u>28,750</u>	<u>63,295</u>

5 EARNINGS PER SHARE

The Group reports basic and diluted earnings per common share. Basic earnings per share is calculated by dividing the profit attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, which excludes any treasury shares held by the Group.

Diluted earnings per share is determined by dividing the profit attributable to common shareholders by the weighted average number of common shares outstanding, taking into account the effects of all potential dilutive common shares, including options.

6 months ended 30	6 months ended 30 June	Year ended 31 December
----------------------	---------------------------	---------------------------

	June 2023 Unaudited \$'000	2022 Unaudited \$'000	2022 Audited \$'000
Total comprehensive (loss)/income attributable to the owners of the company	(25,523)	4,457	11,545
Weighted average number of shares	203,284,429	203,119,680	203,421,359
Basic earnings/(loss) per share (\$)	(0.126)	0.022	0.057

	6 months ended 30 June 2023 Unaudited \$'000	6 months ended 30 June 2022 Unaudited \$'000	Year ended 31 December 2022 Audited \$'000
Total comprehensive (loss)/income attributable to the owners of the company	(25,523)	4,457	11,545
Weighted average number of shares	203,284,429	203,119,680	203,421,359
Dilutive effect of share options	-	2,135,640	1,481,621
Dilutive effect of warrants	-	149,130	-
Dilutive effect of restricted stock awards	-	954,654	954,654
Weighted average number of diluted shares	203,284,429	206,359,104	205,857,634
Diluted earnings/(loss) per share (\$)	(0.126)	0.022	0.056

Pursuant to IAS 33 'Earnings per Share', options whose exercise price is higher than the value of the Company's security were not taken into account in determining the effect of dilutive instruments. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

6 ALTERNATIVE PERFORMANCE MEASURES

The Directors of the Group have presented the performance measures 'Adjusted EBITDA' and 'Adjusted total comprehensive income attributable to the owners per share' as they monitor these performance measures at a consolidated level and they believe this measure is relevant to an understanding of the Group's financial performance. The Group does not present a 'Diluted Adjusted total comprehensive income attributable to the owners per share'. Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net finance costs, share-based payment expenses, depreciation, impairment of intangible assets, amortisation of purchased intellectual property, acquisition costs, legal and professional costs associated with the purchase of subsidiaries and intellectual property, Ukraine related expenses and fair value gains on contingent consideration liabilities. Adjusted total comprehensive income attributable to the owners per share is calculated by adjusting total comprehensive income attributable to the owners of the company to exclude the impact of impairment of intangible assets, legal and professional costs associated with the purchase of subsidiaries and intellectual property, Ukraine related expenses and fair value gains on contingent consideration liabilities. Adjusted EBITDA and Adjusted total comprehensive income attributable to the owners per share are not defined performance measures in IFRS. The Group's definition of Adjusted EBITDA and Adjusted total comprehensive income attributable to the owners per share may not be comparable with similarly titled performance measures and disclosures by other entities.

Amortisation of \$5.0m (30 June 2022: \$3.8m, 31 December 2022: \$5.8m) of software development costs has been included in arriving at Adjusted EBITDA and Adjusted total comprehensive income attributable to the owners per share as they are a primary cost in the company's ordinary course of business.

	6 months ended 30 June 2023 Unaudited \$'000	6 months ended 30 June 2022 Unaudited \$'000	Year ended 31 December 2022 Audited \$'000
Profit/(loss) for the period	(25,283)	4,483	11,513
Income tax expense	(6,414)	2,306	4,417
Finance costs	16	24	73
Finance income	(261)	(8)	(80)
Share-based payment expenses	367	887	1,726
Amortisation of purchased intellectual property, brands and customer relationships	2,327	1,754	3,999
Depreciation of property, plant and equipment	496	224	747
Impairment of intangible assets	27,195	-	11,075
Ukraine/Russia conflict related costs	281	-	1,678

Ukraine/Russia conflict related costs	201	-	1,070
Acquisition costs	27	212	329
Other operating income	-	-	(11,122)
Adjusted EBITDA	(1,249)	9,882	24,355

	6 months ended 30 June 2023 Unaudited \$'000	6 months ended 30 June 2022 Unaudited \$'000	Year ended 31 December 2022 Audited \$'000
Total comprehensive (loss)/income attributable to the owners of the company	(25,523)	4,457	11,545
Impairment of intangible assets	27,195	-	11,075
Ukraine/Russia conflict related costs	281	-	1,678
Acquisition costs	27	212	329
Other operating income	-	-	(11,122)
Adjusted total comprehensive income attributable to the owners of the company	1,980	4,669	13,505
Weighted average number of shares	203,284,429	203,119,680	203,421,359
Adjusted total comprehensive income attributable to the owners per share (\$)	0.010	0.023	0.066

7 INTANGIBLE ASSETS

	Goodwill \$'000	Brands \$'000	Customer relationships \$'000	Purchased intellectual property \$'000	Software development costs \$'000	Total \$'000
Cost:						
As at 1 January 2022	13,202	1,815	4,261	21,320	30,160	70,758
Additions - internally generated	-	-	-	-	35,789	35,789
Additions - separately acquired	-	-	-	8,395	-	8,395
Transfers	-	-	-	251	(251)	-
As at 31 December 2022	13,202	1,815	4,261	29,966	65,697	114,941
Additions - internally generated	-	-	-	-	16,926	16,926
Additions - business combinations	2,418	-	-	-	-	2,418
As at 30 June 2023	15,620	1,815	4,261	29,966	82,623	134,285
Amortisation and impairment:						
As at 1 January 2022	-	10	51	2,687	10,853	13,601
Amortisation charge for the year	-	121	609	3,269	5,787	9,786
Impairment charge for the year	9,456	675	-	944	95	11,170
As at 31 December 2022	9,456	806	660	6,900	16,735	34,557
Amortisation charge for the period	-	36	304	1,987	4,996	7,323
Impairment charge for the period	6,135	-	2,773	-	18,288	27,196
As at 30 June 2023	15,591	842	3,737	8,887	40,019	69,076
Carrying amount:						
As at 30 June 2023	29	973	524	21,079	42,604	65,209
As at 31 December 2022	3,746	1,009	3,601	23,066	48,962	80,384

Impairment of goodwill relates to acquisitions made in 2021 and 2023, and impairment of customer relationships relates to a 2021 acquisition. The impairment of software development costs reflects lower than expected sales and future projections, as well as a number of games for which development has ceased. The recoverable amounts of the consolidated entity's goodwill and intangible assets have been determined by a value-in-use calculation using a discounted cash flow model, based on an annual projection period approved by management and extrapolated for a further 4 years, together with a terminal value. Where the value in use recoverable amount of the cash-generating units (CGU's) was not sufficient to support the carrying value, the assets were impaired. The impairment recognised during the financial period was due to lower than expected sales and future projections. The following key assumptions were used in the discounted cash flow model:

discounted cash flow model.

- 13% pre-tax discount rate;
- 5.4% to 5.5% per annum projected revenue growth rate;
- 3.0% to 4.7% per annum increase in operating costs and overheads.

8 BUSINESS COMBINATIONS

On 6 April 2023, the Group acquired 100% of the issued share capital of NotGames Ltd, a private company domiciled and incorporated in the United Kingdom. NotGames is the development studio of Not For Broadcast, a critically acclaimed full motion propaganda simulator. The goodwill of \$2,418,000 represents our bolstered development capabilities in propaganda genres. Consideration for the acquisition comprised \$1,500,000 initial cash consideration and a further \$1,236,000 of contingent consideration has been recognised in respect of cash and a variable number of equity instruments which will be issued in the event of the acquired company meeting certain financial targets in the future. The fair value of the contingent consideration has been calculated by estimating the probability of targets being met and discounting the corresponding liability to its present value. The potential outcome of the undiscounted contingent consideration ranges between \$Nil and \$4,200,000. Acquisition related costs totalling \$27,000 have been recognised in profit or loss within general administrative expenses. The acquired business contributed revenues of \$nil and losses after tax of \$207,000 to the Group. If the business combination took place on 1 January 2023, the contribution would have been \$nil revenue and \$187,000 losses after tax.

The fair values of the identifiable assets acquired, and liabilities assumed at the date of acquisition were:

	Book value \$'000	Fair value adjustments \$'000	Total \$'000
Property, plant and equipment	40	-	40
Trade and other receivables	42	-	42
Cash and cash equivalents	266	-	266
Trade and other payables	(30)	-	(30)
	<hr/> 318	<hr/> -	<hr/> 318
Goodwill			2,418
			<hr/> 2,736
Consideration:			
Cash			1,500
Fair value of contingent consideration liability			1,236
Total consideration			<hr/> 2,736

As disclosed in note 7, intangible assets including goodwill have been subject to impairment testing due to lower than expected sales and future projections. Impairments recognised are disclosed in note 7. The contingent consideration liability is categorised within level 3 of the fair value hierarchy as one or more inputs are not based on observable market data, including forecasts. There has been no change in the fair value of the contingent consideration from the date of initial recognition up to the reporting date which requires adjustment, therefore there is no impact on the income statement for the period. The key unobservable input in the valuation of the contingent consideration and the recoverable amount of the goodwill is the discount rate, which management have estimated to be 13%.

9 SHARE-BASED PAYMENTS

The Group operates two share-based payment plans, the Equity Incentive Plan and a Stock Restriction Agreement, which are detailed as follows:

The Stock Restriction Agreement is a plan that provides for grants of Restricted Stock Awards (RSA) for the founders of the company and acquired employees. The awarded shares are made in the Company's ordinary share capital. The fair value of the RSAs is estimated by using the Black-Scholes valuation model on the date of grant, based on certain assumptions, and is charged on a straight-line basis over the required service period, normally two to three years. The fair value of the 2021 grant is \$2.095 per share. The 2021 RSAs vest over 3 years in a 50:25:25 ratio. Each instalment has been treated as a separate share option grant because

each instalment has a different vesting period. This plan is equity-settled. A reconciliation of RSAs is as follows:

	30 June 2023	31 December 2022
Opening RSA outstanding	477,327	954,654
RSA granted	-	-
RSA vested	-	(477,327)
Closing RSA outstanding	477,327	477,327
Weighted average remaining contractual life in years	0.92	1.42

The company has an Equity Incentive Plan that provides for the issuance of non-qualified stock options to officers and other employees that have a contracted term of 10 years and generally vest over four years. The stock options are granted on shares issued by the company. A reconciliation of share option movements is shown below:

	Number of options outstanding	Weighted average exercise price (\$)	Number of options exercisable	Weighted average exercise price (\$)	Weighted average remaining contractual life (years)
At 1 January 2023	3,547,217	1.02	1,812,394	0.94	7.58
Exercised during the period	-	-	-	-	-
Forfeited during the period	(403,685)	0.80	-	-	-
At 30 June 2023	3,143,531	1.06	1,728,204	1.11	7.17

During the period covered by the financial statements, no options were granted or exercised and no options expired. A total of 403,685 options were forfeited.

10 SHARE CAPITAL

	30 June 2023 Unaudited Number	31 December 2022 Audited Number
Class of share		
Ordinary shares of \$0.001 each	203,878,238	203,848,987
	30 June 2023 Unaudited \$'000	31 December 2022 Audited \$'000
Class of share		
Ordinary shares of \$0.001 each	204	204
	204	204

On 17 January 2023, 29,251 Ordinary shares of \$0.001 each were issued to employees for nil consideration. The shares are subject to a 12 month lock-up period.

11 CASH GENERATED FROM OPERATIONS

	6 months ended 30 June 2023 Unaudited \$'000	6 months ended 30 June 2022 Unaudited \$'000	Year ended 31 December 2022 Audited \$'000
Profit/(loss) for the year	(25,283)	4,483	11,513
Adjustments for:			
Share-based payments	367	887	1,726
Amortisation of intangible assets	7,323	5,577	9,777
Impairment of goodwill	6,135	-	9,456
Impairment of intangible assets	21,061	-	1,714
Gain on contingent consideration	-	-	(11,129)
Depreciation of tangible fixed assets	496	224	747
Loss on disposal of tangible fixed assets	39	-	-
Finance costs	16	24	73
Finance income	(261)	(8)	(80)
Income tax (credit)/expense	(6,414)	2,306	4,962
(Decrease)/increase in deferred tax liability	-	371	(545)

Movements in working capital:

Decrease/(increase) in receivables	9,250	(737)	(13,778)
(Decrease)/increase in payables	(5,075)	(3,914)	5,887
Income tax paid	(1,365)	(402)	(1,135)
Cash generated from/(used in) operations	6,289	8,811	19,188

12 RELATED PARTY TRANSACTIONS

An analysis of key management personnel remuneration is set out below:

Key management personnel remuneration	6 months ended 30 June 2023 Unaudited \$'000	6 months ended 30 June 2022 Unaudited \$'000	Year ended 31 December 2022 Audited \$'000
Aggregate emoluments	1,559	802	2,217
Equity-settled share-based payments	15	61	88
	1,574	863	2,305

Transactions with other related parties

The wife of the Company's CEO is a member and manager of DevGAMM LLC. During the period, DevGAMM LLC paid dividends totalling \$Nil (30 June 2022: \$148,000, 31 December 2022: \$148,000) to this related party. There were no other related party transactions during the period which require disclosure.

13 CONTINGENT LIABILITIES

In November 2021, tinyBuild acquired Versus Evil LLC ("Versus Evil") and Red Cerberus LLC ("Red Cerberus") from third parties ("claimants"). The claimants allege that tinyBuild breached three material obligations under the relevant Membership Interest Purchase Agreement (the "MIPA"). First, the claimants allege that tinyBuild was obligated and failed to make timely capital contributions to Versus Evil during fiscal years 2022 and 2023. Second, the claimants allege that tinyBuild was obligated and failed to release to the claimants certain funds that were held back under the terms of the MIPA. Third, the claimants allege that tinyBuild was obligated and failed to provide material support to Versus Evil that was promised under the MIPA.

In May 2020, a third party contracted with Red Cerberus to provide consulting services. tinyBuild acquired Red Cerberus in November 2021 along with the rights and obligations under the relevant Consulting Agreement and Nondisclosure Agreement with the third party. The third party alleges that in 2022, a Red Cerberus employee misappropriated the claimant's confidential information while employed by Red Cerberus and asserts potential losses in both the United States and Brazil. The third party has submitted a demand for indemnification against such losses to Red Cerberus.

The Group has obtained professional legal advice and considers that it had strong and convincing arguments for disputing the claims. At 30 June 2023, management considered probability of payment to be remote and no provision had been recognised.

14 SUBSEQUENT EVENTS

Subsequent events have been reviewed and evaluated up to the date that these financial statements were approved and authorised for issue by the Directors, and there are no material events to be disclosed or adjusted for in these financial statements.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

IR PPUUPBUPWGRA