



MAG INTERACTIVE

MAG INTERACTIVE AB (PUBL)
INTERIM REPORT AND YEAR END
REPORT SEP-AUG 2018/19

2018/19

INTERIM REPORT AND YEAR END REPORT SEP—AUG 2018/19

ABOUT

MAG INTERACTIVE AB (PUBL)

FOUNDED IN 2010, MAG INTERACTIVE IS A GLOBAL DEVELOPER OF CASUAL SOCIAL GAMES FOR SMART MOBILE PHONES. THE PORTFOLIO CONSISTS OF GAMES THAT HAVE BEEN COLLECTIVELY DOWNLOADED OVER 250 MILLION TIMES. FROM MAG'S DIVERSE CATALOGUE OF GAMES, THE MOST WELL KNOWN TITLES ARE RUZZLE, WORD DOMINATION, WORDBRAIN AND QUIZDUEL. REVENUE IS MAINLY DERIVED FROM IN-APP PURCHASES AND ADVERTISEMENTS. MAG HAS OFFICES IN STOCKHOLM AND BRIGHTON AND THE COMPANY IS LISTED ON NASDAQ FIRST NORTH PREMIER GROWTH MARKET WITH THE TICKER MAGI. FOR MORE INFORMATION VISIT WWW.MAGINTERACTIVE.COM.

SUMMARY OF THE PERIOD JUNE UNTIL AUG 2019

- The Group's net sales for the period were 43,109 KSEK (53,740 KSEK), a decrease of 20% compared to the same period the previous year
- EBITDA for the period was 5,985 KSEK (-797 KSEK)
- The Group's game contribution for the period was 29,547 KSEK (22,849 KSEK), an increase of 29% compared to the same period the previous year
- ARPDAU for the period was 2.6 US cents (2.4 US cents). The biggest game QuizDuel increased its ARPDAU compared to the same period last year by around 60%
- The result per share during the quarter was 0.00 SEK/share (0.02 SEK/share)
- The costs for performance marketing in the period was 9,075 KSEK (23,772 KSEK)
- Daily and monthly active users (DAU and MAU) were 1.9 million and 6.2 million respectively during the quarter, a decrease of 32% and 60% compared to the same period last year

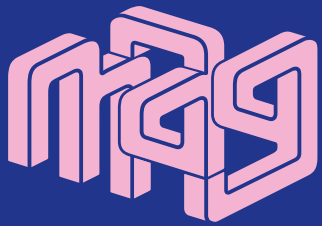
SUMMARY OF THE PERIOD SEP 2018 UNTIL AUG 2019

- The Group's net sales for the period were 172,953 KSEK (216,870 KSEK), a decrease of 20% compared to the same period the previous year
- EBITDA for the period was 4,949 KSEK (-40,343 KSEK)
- The Group's game contribution for the period was 105,260 KSEK (105,648 KSEK), a decrease of 0.4% compared to the same period the previous year
- Adjusted EBITDA for the period was 4,949 KSEK (8,683 KSEK)
- The result per share during the quarter was -0.52 SEK/share (-2.43 SEK/share)

SIGNIFICANT EVENTS DURING THE PERIOD SEP 2018 TO AUG 2019

- On December 18 the company held its annual general meeting for shareholders where resolutions relating to personnel incentive program of an equivalent number of warrants of 526,428 and mandate to issue shares corresponding to 10% of the share capital were made. During the period 490,000 employee stock options (corresponding to the same number of warrants) were subscribed for by employees in the Stockholm and the Brighton office





MAG INTERACTIVE

FROM THE CEO CONTINUED IMPROVEMENT IN MULTIPLAYER GAMES

2018/19

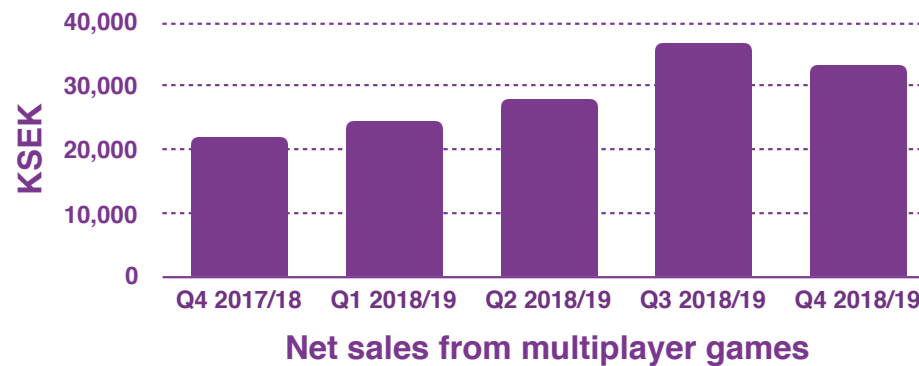
Improved ARPDAU and evolved business model

The increase in the ARPDAU for our multiplayer games has continued into Q4 with QuizDuel reaching a 60% higher ARPDAU compared to the same period last year. We have seen a continued rise in this important KPI for both Ruzzle and Word Domination as well.

We now have a full quarter behind us with subscriptions available to all Word Domination players. At the end of the fourth quarter, we note that 10% of Word Domination's in-app revenue was derived from subscriptions. We view this feature as a strong complement to in-app purchases and ads, and in the coming year will focus further investment into product improvements for subscribers in order to build on the great start we've achieved.

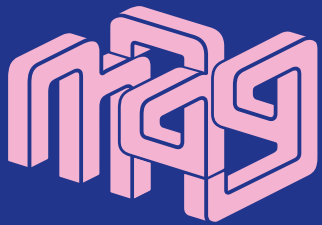
Focus on social multiplayer games

Revenue from multiplayer games has increased by 50% and now accounts for over 75% of total sales compared to last year's Q4.



Compared with the previous year's Q4 there is a significant difference in the number of daily active players and total revenue, as the hyper casual game Paint Hit reached a huge number of downloads over a short period of time last year. MAG no longer develops these types of games but is now fully focused on social multiplayer games.





MAG INTERACTIVE

FROM THE CEO CONTINUED IMPROVEMENT IN MULTIPLAYER GAMES

2018/19

Strengthened results and higher margins

With an EBITDA of 6 million SEK during Q4 this is the company's most profitable quarter for this fiscal year, and a clear improvement compared to the same quarter last year. Game contribution which in Q4 amounted to close to 30 million SEK, a historically high figure for MAG, constitutes the best explanation for the uplift in profit. Game contribution measures net sales with deductions for marketing and shows contribution from the games and forms the basis for creating a profitable business.

Investments in performance based marketing vary between quarters as we always seek optimal long-term returns rather than focusing on daily volume. Despite a reduction in marketing spend for Word Domination during Q4, revenue from the game has been stable leading to increased margins.

As the foundation for long term growth is increased investments in performance based marketing, our ambition is to invest more in the future than we have done in the past quarter. Continued improvement of our live games in combination with new game releases will enable such increased marketing investments.

Investment year behind us - exciting opportunities for 2019/20

The financial year we exit has been a great investment year in which we have focused our resources on the new strategy and the development of new games.

As previously communicated, we intend to launch a next-generation QuizDuel during the 2019 calendar year, thereby taking MAG's biggest game to a new level in terms of quality, commitment and earnings per player.

We have also announced plans to soft launch a new game in the UK and Sweden during Q1 (Sep-Nov). In addition to these upcoming games, we have other exciting products under development that will hopefully see the light of day during the current financial year.

We look forward to 2019/2020 with excitement and hope to reap the rewards of the hard work that's been put into the company over the past year with successful gaming releases and the growth they bring.

DANIEL HASSELBERG, CEO



Word Domination reaches eight million downloads

Word Domination is a tactical multiplayer game where users play against each other in exciting word matches. Players compete against each other in real time, attempting to earn the most points on the board by creating words over five rounds. Since the launch of Word Domination in May 2018, the game has achieved an active base of over one million active players per month. During Q4 the game surpassed eight million downloads in total.

Positive growth of subscriptions

Subscriptions were introduced in Word Domination in April, offering a VIP package for a flat monthly cost. Initially, the subscription gave players more energy to spend on matches per day, a special tile rack and an ad-free experience. From Q4, VIP players were also given early access to events. In the future, we plan to give subscribers exclusive access to unique game content and events to further increase the value of being a VIP player.

Since launching the feature we have had positive continued development of subscriptions with the number of VIP users growing every day. These users have the best retention and highest ARPDAU of all our players. In addition, users who test the free subscription are very likely to renew it as a paying subscriber. Subscriptions comprised 10% of Word Domination's in-app revenue by the end of Q4. Due to the fact that subscriptions do not reduce in-app purchases but generate additional revenue for the in-game economy, it is likely that the importance of VIP players will increase in the future.

Events drive revenue and ARPDAU

During the quarter, the game's event page was redesigned to include more varied additional content, offering difficult challenges and better rewards. This resulted in increased engagement and spending on in-app purchases, which has contributed to a general uplift in ARPDAU.



Market leader in trivia games in Europe for iOS and Android

QuizDuel is a social quiz game where users can challenge friends and other players around the world in trivia. With millions of unique players every month, QuizDuel is the largest quiz game in Europe for iOS and Android.

New user interface launches

MAG launched the new user interface in QuizDuel during June, partly to modernize the game's design and partly to make the transition to the sequel of QuizDuel smoother and more logical for the players.

Extra content lifts engagement despite the summer season

A decline in revenue was expected for all products due to the summer months. QuizDuel partially managed to counteract this by implementing more content in the game; about twice as many special and monthly quizzes were published compared to a regular month. It resulted in an uplift in player engagement and thus both a smaller decline in revenue and a higher ARPDAU than expected. ARPDAU in QuizDuel increased by 60% during Q4 compared to the same quarter last year.

Preparations for the sequel continues with further investments

With the launch of the new interface, MAG has laid the foundation for further development of QuizDuel as an IP. The game will be maintained to ease player transition to the sequel when it arrives on the market. As communicated previously, the company plans to release the sequel of QuizDuel to a global market during the 2019 calendar year.



MAG's classic word game

Released in 2012, Ruzzle was the company's first major success and is known as one of the world's classic mobile word games, with more than 60 million downloads to date. In Ruzzle, the player is challenged to find as many words as possible in two minutes within a limited grid of letters.

Stable product yields predictable long-term revenue

Ruzzle is one of MAG's core products as it provides long-term stable dividends. Therefore it is important to the company that the game continues to be relevant to its players in order to guarantee predictable revenue in the future.

MAG continuously optimizes the game with updated content that aims to both increase player engagement and improve the in-game economy.

Optimizations strengthen ARPDAU and in-game economy

The summer months yielded expected lower revenue and daily activity from users, but ARPDAU was strengthened during the quarter thanks to the optimizations made in the game during the quarter.

New and improved tournaments were also introduced in Ruzzle at the end of Q4. It is too early to draw any conclusions about whether these improvements will affect revenue, but the goal is to further improve the monetization in the game.



CONSOLIDATED PROFIT/LOSS AND CASHFLOW FOR THE PERIOD 2018/19 JUNE UNTIL AUG 2019

WINS



CURRENT PRIZE



OPERATING INCOME

The Group's operating income for the period was 49,410 KSEK (59,576 KSEK), a decrease of 17% compared to the same period the previous year. The Group's net sales for the period totalled 43,109 KSEK (53,740 KSEK), a decrease of 20%. Own work capitalised totalled 5,345 KSEK (4,161 KSEK). See below for further details of capitalised expenses as well as depreciation of the same.

The group's net sales was primarily attributable to the games QuizDuel, Word Domination, Ruzzle, WordBrain, Wordalot and WordBrain2.

OPERATING EXPENSES, EBITDA AND OPERATING PROFIT/LOSS

Operating expenses totalled 43,424 KSEK (60,372 KSEK). Of these, 10,187 KSEK (14,107 KSEK) were sales related costs, primarily originating from fees to Apple App Store and Google Play, as well as server costs. In addition to this 9,075 KSEK (23,772 KSEK) were costs of direct marketing and 8,949 KSEK (8,598 KSEK) were other external operating expenses.

Direct marketing costs in the third quarter are mainly attributable to the game Word Domination.

Personnel expenses totalled 15,213 KSEK (13,895 KSEK) an increase of 9%.

EBITDA for the period was 5,985 KSEK (-797 KSEK).

Depreciation of tangible and intangible assets totalled 6,365 KSEK (8,187 KSEK), of which 4,837 KSEK (5,115 KSEK) was depreciation of capitalised development expenses.

The Group's operating profit was -380 KSEK (-8,983 KSEK) and profit before tax 299 KSEK (-8,738 KSEK).

ADJUSTED RESULT (NOTE 3)

Adjusted EBITDA for the period was 5,985 KSEK (-797 KSEK)

Adjusted operating result for the period was 299 KSEK (-8,738 KSEK)

PROFIT/LOSS AFTER TAX

Profit after tax totalled -85 KSEK (548 KSEK)

The profit after tax per share was 0.00SEK/share (0.02SEK/share) and the profit after tax per share fully diluted was 0.00 SEK/share (0.02 SEK/share)

The average number of share during the period was 26,321,393 (26,321,393) and the average number of shares fully diluted was 27,317,067 (26,790,639)

CASH FLOW FOR THE PERIOD – PERIODEN JUNE 2019 TILL AUG 2019

The Group's cash flow from operating activities during the quarter was 3,692 KSEK (-5,824 KSEK). Cash flow from investing activities was -2,940 KSEK (-5,312 KSEK). Cashflow from financing activities was -3,966 TSEK (-3,918 TSEK)

CONSOLIDATED PROFIT/LOSS FOR THE PERIOD SEPTEMBER 2018 UNTIL AUG 2019

2018/19

OPERATING INCOME

The Group's operating income for the period was 198,670 KSEK (240,213 KSEK), a decrease of 17% compared to the same period the previous year. The Group's net sales for the period totalled 172,953 KSEK (216,870 KSEK), a decrease of 20%.

Own work capitalised totalled 23,667 KSEK (19,954 KSEK). See below for further details of capitalised expenses as well as impairments and depreciation of the same.

The group's net sales was primarily attributable to the games QuizDuel, Word Domination, WordBrain, Ruzzle, Wordalot, WordBrain2 and Paint Hit.

OPERATING EXPENSES, EBITDA AND OPERATING PROFIT/LOSS

Operating expenses totalled 193,721 KSEK (280,556 KSEK). Of these, 41,854 KSEK (61,744 KSEK) were sales related costs, primarily originating from fees to Apple App Store and Google Play, as well as server costs. In addition to this 48,673 KSEK (72,390 KSEK) were costs of direct marketing and 37,992 KSEK (77,046 KSEK) were other external operating expenses.

Costs for direct marketing are lower compared to previous year due to lower volumes for Wordbrain, Wordbrain 2 and Wordalot. Direct marketing costs during the year are mainly attributable to the game Word Domination.

Personnel expenses totalled 65,203 KSEK (69,377 KSEK) a decrease of 6%. The average number of employees during the period was 73 (84) a decrease of 13%. The personel costs for the comparison period includes a restructuring cost of 3.7 MSEK.

EBITDA for the period was 4,949 KSEK (-40,343 KSEK).

Depreciation and impairments of tangible and intangible assets totalled 24,345 KSEK (26,539 KSEK), of which 18,950 KSEK (18,342 KSEK) was depreciation of capitalised development expenses and 0 KSEK (4,496 KSEK) was depreciation of intangible assets.

The Group's operating profit was -19,397 KSEK (-66,883 KSEK) and profit before tax -17,216 KSEK (-65,231 KSEK).

ADJUSTED RESULT [NOTE 3]

Adjusted EBITDA for the period was 4,949 KSEK (8,683 KSEK)

PROFIT/LOSS AFTER TAX

Profit after tax totalled -13,750 KSEK (-59,797 KSEK)

The profit after tax per share was -0.52 SEK/share (-2.43 SEK/share) och the profit after tax per share fully diluted was -0.51 SEK/share (-2.39 SEK/share)

The average number of share during the period was 26,321,393 (24,598,653) and the average number of shares fully diluted was 27,094,958 (25,038,233)

PARENT COMPANY PROFIT/LOSS FOR THE PERIOD JUNE UNTIL AUG 2019

2018/19

OPERATING INCOME

The parent company's net sales for the period were 28,845 KSEK (43,053 KSEK), a decrease of 33% compared with the same period the previous year.

OPERATING EXPENSES AND OPERATING PROFIT/LOSS

Operating expenses totalled 42,322 KSEK (56,724 KSEK).

Of these 9,880 KSEK (11,987 KSEK) were sales related costs originating primarily from fees to Apple App Store and Google Play, costs of performance based marketing were 9,075 KSEK (23,622 KSEK) and 8,725 KSEK (8,093 KSEK) was other external operating expenses.

Depreciation of tangible and intangible assets totalled 440 KSEK (237 KSEK), of which 0 KSEK (0 KSEK) was depreciation of intangible assets.

The parent company's operating profit for the period was -9,173 KSEK (-8,213 KSEK).

PROFIT AFTER TAX

Profit after tax totalled to 36,290 KSEK (33,083 KSEK). A group contribution of 57 355 KSEK was part of the parent company result, and reversed accrual fund of 40 120 KSEK in the comparison period.



PARENT COMPANY PROFIT/LOSS FOR THE PERIOD SEPTEMBER 2018 UNTIL AUG 2019

2018/19

OPERATING INCOME

The parent company's net sales for the period were 116,547 KSEK (166,666 KSEK), a decrease of 30% compared with the same period the previous year.

OPERATING EXPENSES AND OPERATING PROFIT/LOSS

Operating expenses totalled 184,850 KSEK (213,181 KSEK).

Of these 38,682 KSEK (51,863 KSEK) were sales related costs originating primarily from fees to Apple App Store and Google Play, costs of performance based marketing were 48,393 KSEK (71,617 KSEK) and 36,848 KSEK (35,832 KSEK) was other external operating expenses.

Depreciation and impairments of tangible and intangible assets totalled 1,450 KSEK (5,309 KSEK), of which 0 KSEK (4,496 KSEK) was depreciation of intangible assets.

The parent company's operating profit for the period was -54,028 KSEK (-45,038 KSEK).

PROFIT AFTER TAX

Profit after tax totalled to 633 KSEK (-3,186 KSEK).



THE GROUP'S FINANCIAL POSITION AT THE END OF THE PERIOD

2018/19

Intangible non-current assets at the end of the period totalled 141,309 KSEK (140,287 KSEK), of which 77,482 KSEK (77,415 KSEK) relates to intellectual property and 63,827 KSEK (62,872 KSEK) to other intangible assets. The latter consists primarily of capitalised development expenses on own account and acquired IP.

Cash and cash equivalents at the end of the period totalled 185,071 KSEK (228,083 KSEK)

Equity at the end of the period totalled 330,908 KSEK (344,179 KSEK), corresponding to 12.6 SEK/share (13.1 SEK/share)

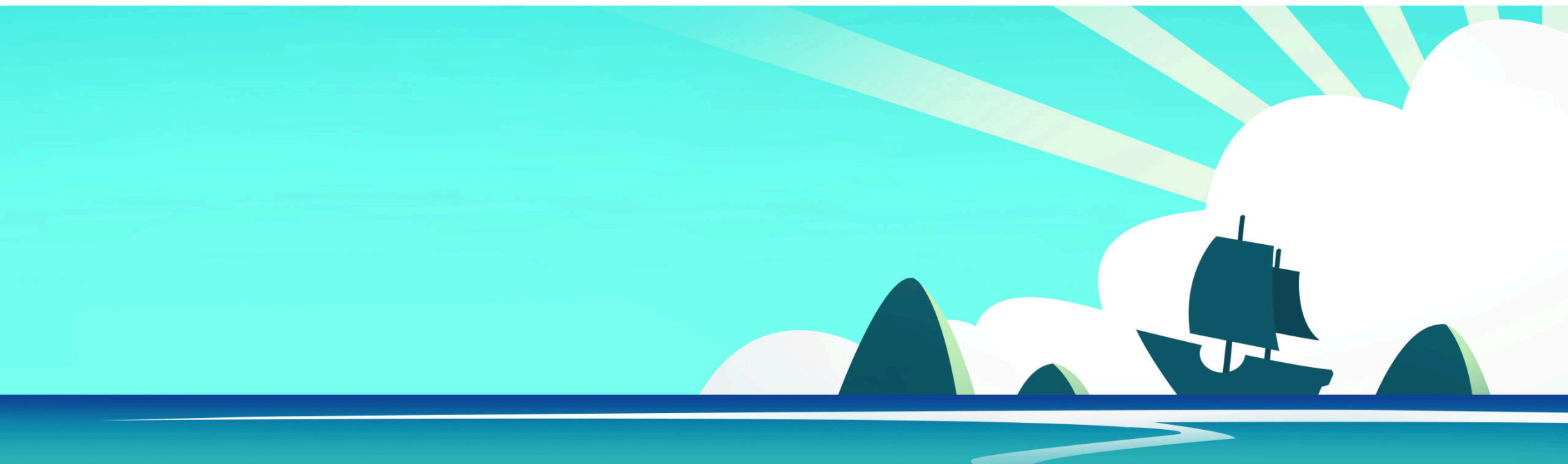
The equity/assets ratio at the same time was 90.4% (82.4%)

The group has interest bearing debt of 15,556 KSEK (31,112 KSEK)

THE PARENT COMPANY'S FINANCIAL POSITION AT THE END OF THE PERIOD

Cash and cash equivalents at the end of the period totalled 179,465 KSEK (181,305 KSEK)

Equity at the end of the period totalled 350,637 KSEK (349,826 KSEK)



KEY INDICATORS FOR THE BUSINESS PERIOD JUNI UNTIL AUG 2019

2018/19

DISTRIBUTION OF REVENUES BY BUSINESS MODEL

The Group's net sales are distributed primarily between in app purchases (purchases made inside games via the Apple App Store or Google Play) and in-app advertising.

The Group's net sales from In-app purchases for the period were 14,956 KSEK (23,709 KSEK), a decrease of 37% compared to the same period the previous year.

The Group's net sales from in-app advertising were 27,998 KSEK (29,984 KSEK), a decrease of 7% compared with the same period the previous year.

GAME CONTRIBUTION

Games that are marketed by MAG Interactive have different cost levels in their distribution cost (sales related costs) and marketing cost (performance based marketing), not least relating to which phase the games are in. The Group therefore reports the total contribution from games activities according to the following model: net sales minus platform-fees and performance-based marketing. Performance based marketing includes digital advertising and other advertising associated directly with the company's products, as well as services and charges directly attributable to performance-based marketing. General marketing of the company and brand is not included in the cost of direct marketing.

The Group's contribution from sales activities for the period was 29,547 KSEK (22,849 TSEK), an increase of 29% compared to the same period the previous year.

COMMENTS ON THE DISTRIBUTION OF INCOME AND CONTRIBUTIONS FROM SALES ACTIVITIES

Net sales from in-app purchases decreases as a result of games with higher share of revenue from in-app purchases taking a smaller share of the portfolio compared to the same period previous year. Game contribution increases sharply to 29.6 MSEK as a result primarily of lower marketing volumes.



OTHER KEY INDICATORS

The company monitors its operations according to a number of key performance indicators that reflect how the games industry in general measures its business activities. These indicators are defined as follows;

DAU and MAU are defined as the number of unique daily and monthly users respectively that use one of the company's products, presented as an average over the period, adjusted for the number of days in the months in the period. Each individual game's unique users are summed up to present the company's total unique users.

MUP is the number of unique users who made a purchase in one of the company's products. A purchase is defined as a purchase in accordance with the above definition of in app purchases and to a value greater than zero. The value is reported as an average value over the three months in the period.

ARPDau is calculated as the company's daily average of net sales during the period divided by DAU. Riksbanken's average exchange rate per month is used for translation into USD.

THE BUSINESS'S KEY INDICATORS DURING THE PERIOD

DAU for the period 1.9 million (2.8 million), a decrease of 32% compared with the same period the previous year.

MAU for the period 6.2 million (15.3 million), a decrease of 60% compared with the same period the previous year.

MUP for the period 43 thousand (91 thousand), a decrease of 52% compared with the same period the previous year.

ARPDau for the period 2.6 US \$ cent (2.4 US \$ cent), an increase of 11% compared with the same period the previous year.

COMMENTS TO THE KPIS

The player base is decreasing mainly due to the fact that Paint Hit, that contributed significantly to the same period last year, is no longer contributing except only levels. In particular MAU is effected by Paint Hit. Also the lower marketing spend is causing a decrease in number of players as well as number of payers.

SUMMARY OF THE BUSINESS' KEY PERFORMANCE INDICATORS

2018/19

Period		June-Aug 19	June-Aug 18	Y/Y change
In-app purchases	KSEK	14,956	23,709	-37%
Advertising	KSEK	27,998	29,984	-7%
Other	KSEK	155	48	
Net sales	KSEK	43,109	53,740	-20%
Average SEK/USD		9.487	8.884	7%
<i>Share of Net sales</i>				
<i>In-app purchases</i>		35%	44%	-9%
<i>Advertising</i>		65%	56%	9%
<i>Other</i>		0.4%	0.1%	0%
Platform fee	KSEK	4,487	7,119	-37%
Direct marketing	KSEK	9,075	23,772	-62%
Game contribution	KSEK	29,547	22,849	29%
<i>Share of Net sales</i>				
<i>Platform fee</i>		10%	13%	-3%
<i>Direct marketing</i>		21%	44%	-23%
Game contribution		69%	43%	26%
<i>EBITDA</i>	KSEK	5,985	-797	
<i>Adjusted EBITDA (note 3)</i>	KSEK	5,985	-797	
DAU	Millions	1.9	2.8	-32%
MAU	Millions	6.2	15.3	-60%
MUP	Thousands	43	91	-52%
ARPPDAU	US \$ cent	2.6	2.4	11%

PARENT COMPANY

The parent company MAG Interactive AB (publ), corporate ID number 556804-3524, has its registered office in Stockholm. A large part of the Group's business activity is in the parent company, with employees, agreements, intangible assets (incl. IP) and revenues. There are two fully owned subsidiaries in the group. MAG Games Ltd with 16 employees has only Group internal invoicing and carries out development and other functions in the company's operations. FEO Media AB with its base in Stockholm and 7 employees operates the game QuizDuel.

ACCOUNTING PRINCIPLES

The consolidated accounts for the MAG Interactive AB Group ("MAG Interactive") have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU as well as RFR 1 Complementary Accounting Rules for Groups and the Swedish Annual Accounts Act. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, the Swedish Annual Accounts Act and RFR 1 Complementary Accounting Rules for Groups. The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Annual Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The application of RFR 2 means that the parent company, in the interim report for the legal entity, applies all of the EU-adopted IFRS and statements as far as is possible within the framework of the Swedish Annual Accounts Act, the Swedish Act on Safeguarding Pension Commitments and with due reference to the relationship between accounting and taxation. For a more detailed description of the accounting policies applied for the Group and the parent company in this interim report, see Note 2 for the Group and Note 2 for the parent company respectively in the annual accounts for 2017/2018.

IFRS 15 "Revenue from contracts with customers" entered into force on 1 January 2018. For the Group this means application since the financial year that began on 1 September 2018. MAG has quantified the affects of IFRS 15 and the analysis shows that the affect from IFRS 15 is not material. Future changes in type of games and type of items sold will be evaluated when appropriate.

IFRS 9, "Financial instruments" enters into force on 1 January 2018. For the Group this means application in the financial year that begins on 1 September 2018. The work of analyzing the affects of IFRS 9 has been completed. IFRS 9 will does have any material impact on the Groups financial statements.

Starting 2019 IFRS 16 enters into force; demanding that assets and liabilities attributable to all leasing agreements, with certain exceptions, are accounted for in the balance sheet. This way of accounting is based on the view that the lessee has the right to use an asset for a certain time period and at the same time has an obligation to pay for this right. The new standard is applicable for financial years starting January 1, 2019 or later, the company will apply this standard at the start of the financial year 2019/20, starting September 1, 2019. The standard is adopted by the EU. The standard will primarily affect the Group's accounting of operational leasing agreements, which mostly includes office rent costs. Leasing commitments will be accounted for to current value and will be reported as fixed asset with the corresponding interest-bearing debt in the balance sheet. In the profits and loss, the leasing cost will be replaced by depreciation and interest cost. The change will cause the assets and the operating result to increase which will affect some KPIs and the Group's Cash Flow Statement.

MAG Interactive have chosen to apply the change to the new standard with use of the modified retrospective approach under which comparative periods are not restated. The fixed asset corresponds to the interest-bearing debt with adjusting for any prepaid or accrued leasing fees. The effects to the balance sheet when transitioning to the new standard is stated below. The effects to the Profit and loss statement is considered not to be material.

Mkr	Adjustment 1 september 2019
Right of use asset	35
Prepaid rent	-1
Interest-bearing debt	34

RISKS AND UNCERTAINTIES

Like all other companies, MAG Interactive is exposed to risks in its business activities. To name some of these risks: dependence on key persons, exchange rate fluctuations, delays in launches, unsuccessful launches, changes in external sales partners when such changes are entirely beyond the company's control. The company's Board of Directors and management work on an ongoing basis on risk management in order to minimize these effects.

CURRENCY EFFECTS

MAG Interactive is exposed to a large number of currencies based on the way that Google Play and Apple App Store operate. The most important market for the company is USA. In addition most of the advertising income is realized in USD, and the majority of the direct marketing is purchased in USD. The most important currency is thus USD and the average rate to SEK, wighted by the company's months Net sales. A Net sales adjusted for currency effects is presented in the report and is based on movements in the fifteen most important currencies, representing 99% of Net sales.

CERTIFIED ADVISER

FNCA Sweden AB is appointed as the Company's Certified Adviser and ensures that the Company complies with the Nasdaq First North rules. FNCA does not hold any shares in MAG Interactive.

PERSONNEL

The average number of employees during the quarter was 74, compared to 73 the same period previous year.

CONTACT

Further information is available on the company's website: maginteractive.se/investor-relations

Or contact

Daniel Hasselberg, CEO, at daniel@maginteractive.se

Magnus Wiklander, CFO, at magnus.wiklander@maginteractive.se

MAG INTERACTIVE AB [PUBL]

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FURTHER REPORTING DATES

AGM Fiscal year 2018/19
Interim report Q1 September-November 2019/2020

14 January 2020
22 January 2020

AUDIT

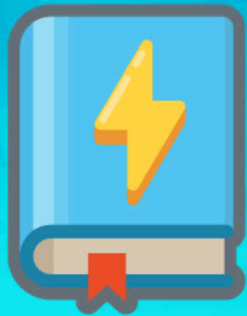
This report has been reviewed by auditors

TWITCH STREAM

On October 23rd, 2019 at 10:00 CET, CEO Daniel Hasselberg and CFO Magnus Wiklander will present the interim report live on Twitch. The presentation will be held in English. Link to the Twitch feed www.twitch.com/maginteractive
More information is available at maginteractive.se/investors

STATEMENTS ABOUT THE FUTURE

Certain formulations can be, or interpreted to be, forecasts about the future. In cases where such statements are made, MAG Interactive's management and Board of Directors have assessed the assumptions behind these statements as being reasonable. There are, however, risks in all statements about the future, and the actual outcome with regard to the external environment and the company may deviate significantly from what has been stated. What is stated with reference to the future is made in the light of the information that the company has at the time of the statement, and the company assumes no obligation to update such statements if new information arrives at a later date that in any way changes the conditions relating to the statement.



ASSURANCE BY THE BOARD OF DIRECTORS

Stockholm 23 October 2019



BIRGITTA STYMNE GÖRANSSON
Chairman of the Board

DANIEL HASSELBERG
CEO, Board member

TAINA MALÉN
Board member

ANDRAS VAJLOK
Board member

TEEMU HUUHTANEN
Board member

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**2018/19**

Amounts in KSEK	Note	June-Aug 19	June-Aug 18	Sep-Aug 18/19	Sep-Aug 17/18
Operating income					
Net sales	1	43,109	53,740	172,953	216,870
Own work capitalised		5,345	4,161	23,667	19,954
Other operating income		955	1,675	2,050	3,389
Total		49,410	59,576	198,670	240,213
Operating expenses					
Sales related costs	2	-10,187	-14,107	-41,854	-61,744
Performance based marketing		-9,075	-23,772	-48,673	-72,390
Other external expenses	5, 6	-8,949	-8,598	-37,992	-77,046
Personnel costs	5	-15,213	-13,895	-65,203	-69,377
Total operating expenses		-43,424	-60,372	-193,721	-280,556
EBITDA		5,985	-797	4,949	-40,343
Depreciation of tangible and intangible non-current assets		-6,365	-8,187	-24,345	-26,539
Operating profit/loss (EBIT)		-380	-8,983	-19,397	-66,883
Financial items					
Income from securities		0	0	0	407
Interest income and similar		1,652	855	3,847	2,832
Interest expense and similar		-974	-610	-1,666	-1,587
Total financial items		678	245	2,181	1,652
Profit/loss after financial items		299	-8,738	-17,216	-65,231
Bokslutsdispositioner		0	0	0	0
Taxes		-384	9,286	3,466	5,434
Profit/loss for the period		-85	548	-13,750	-59,797
Other comprehensive result					
Exchange rate differences		-40	127	301	1,897
Total comprehensive income for the period		-125	675	-13,449	-57,900

The profit/loss and total comprehensive income for the year are attributable in full to the parent company's shareholders.

Earnings per share (based on average number of shares)	0.00	0.02	-0.52	-2.43
Earnings per share fully diluted (based on average number of shares)	0.00	0.02	-0.51	-2.39
Average number of shares during the period	26,321,393	26,321,393	26,321,393	24,598,653
Average number of shares during the period fully diluted	27,317,067	26,790,639	27,094,958	25,038,233
Number of shares at the end of the period	26,321,393	26,321,393	26,321,393	26,321,393
Number of shares at the end of the period fully diluted	27,317,067	26,790,639	27,317,067	26,790,639

CONSOLIDATED BALANCE SHEET

ASSETS

2018/19

Amounts in KSEK	Note	31/8 2019	31/8 2018
ASSETS			
Goodwill	4	77,482	77,415
Other intangible assets		63,827	62,872
Total intangible assets		141,309	140,287
Equipment, tools, fixtures and fittings		5,562	2,823
Total tangible assets		5,562	2,823
Other long-term receivables		2,085	4,300
Total financial non-current assets		2,085	4,300
Deferred tax assets		672	1,699
Total non-current assets		149,629	149,109
Current assets			
Trade and other receivables		19,517	10,063
Current tax assets		74	5,990
Other current receivables		8,001	4,009
Prepaid expenses and accrued income		3,762	20,488
Cash and cash equivalent		185,071	228,083
Total current assets		216,425	268,632
TOTAL ASSETS		366,054	417,741

CONSOLIDATED BALANCE SHEET LIABILITIES AND EQUITY

2018/19

Amounts in KSEK	Not	31/8 2019	31/8 2018
EQUITY AND LIABILITIES			
Equity			
Share capital		684	684
Other contributed capital		281,219	281,041
Reserves		-1,583	-1,883
Retained earnings incl. comprehensive income for the period		50,588	64,338
Total equity		330,908	344,179
Deferred tax liabilities		13,148	17,925
Other long-term liabilities		0	15,556
Total long-term liabilities		13,148	33,481
Current liabilities			
Trade and other payables		6,611	5,047
Current tax liability		-11,289	1,041
Short term bank loans		15,556	15,556
Accrued expenses and prepaid income	5	8,011	15,483
Other current liabilities		3,109	2,954
Total current liabilities		21,998	40,081
TOTAL EQUITY AND LIABILITIES		366,054	417,741

CONSOLIDATED CASH FLOW STATEMENT**2018/19**

Amounts in KSEK	Notes	June-Aug 19	June-Aug 18	Sep-Aug 18/19	Sep-Aug 17/18
Cash flow from operating activities					
Profit/loss before financial items		-380	-8,983	-19,397	-66,883
Adjustments for items not part of cashflow		128	1,118	255	31,405
Depreciations		6,365	8,187	24,346	26,539
Interest received		131	855	478	3,239
Interest paid		-83	-1,940	-464	-1,587
Income tax paid		4,659	-3,437	-6,698	-5,916
Cash flow from operating activities before change in working capital		10,820	-4,201	-1,480	-13,202
Change in working capital		-7,129	-1,623	-2,339	10,668
Cash flow from operating activities		3,692	-5,824	-3,819	-2,534
Cash flow from investing activities					
Investments in tangible non-current assets		-96	-1,387	-4,373	-1,005
Capitalized work		-5,345	-4,161	-23,667	-19,954
Investment in intangible assets		0	0	0	0
Aquisition of subsidiary, after deduction of cash and cash equivalents acquired	4	0	0	0	-110,821
Change in securities		0	235	0	19,018
Change in long-term receivables		2,501	-0	2,216	-0
Cash flow from investing activities		-2,940	-5,312	-25,824	-112,761
Cash flow from financing activities					
New share issue		-77	-28	-77	271,707
Long-term loans		0	0	0	31,111
Amortized loans		-3,889	-3,889	-15,556	0
Cash flow from financing activities		-3,966	-3,918	-15,632	302,818
Reduction/increase in cash and cash equivalents					
Cash flow for the period		-3,214	-15,054	-45,275	187,523
Exchange rate differences in cash and cash equivalents		732	1,083	2,208	0
Opening cash and cash equivalents		187,553	242,054	228,138	40,561
Closing cash and cash equivalents		185,071	228,083	185,071	228,083

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2018/19

KSEK	Share capital	Other external capital	Reserves	Retained earnings	Total equity
Starting balance 1/9 2018	684	281,041	-1,883	64,338	344,179
Profit/loss for the period				-13,750	-13,750
Exchange rate differences			301		301
Total comprehensive income			301	-13,750	-13,449
Option program		178			178
Ending balance 31/8 2019	684	281,219	-1,583	50,588	330,908

KSEK	Share capital	Other external capital	Reserves	Retained earnings	Total equity
Starting balance 1/9 2017	50	1,234	-3,840	101,463	98,907
Profit/loss for the period				-59,797	-59,797
Exchange rate differences			1,957		1,957
Total comprehensive income			1,957	-59,797	-57,840
Increase share capital	450			-450	
IPO costs				-8,284	-8,284
Share issue	184	279,807			279,991
Delinquent share issue				31,405	31,405
Ending balance 31/5 2018	684	281,041	-1,883	64,337	344,179

PARENT COMPANY'S INCOME STATEMENT**2018/19**

Amounts in KSEK	June-Aug 19	June-Aug 18	Sep-Aug 18/19	Sep-Aug 17/18
Operating income				
Net sales	28,845	43,053	116,547	166,666
Other operating income	4,743	5,695	15,724	6,786
Total operating income	33,588	48,748	132,272	173,452
Operating expenses				
Sales related costs	-9,880	-11,987	-38,682	-51,863
Performance based marketing	-9,075	-23,622	-48,393	-71,617
Other external expenses	-8,725	-8,093	-36,848	-35,832
Personnel costs	-14,641	-13,023	-60,926	-53,869
Total operating expenses	-42,322	-56,724	-184,850	-213,181
EBITDA	-8,734	-7,977	-52,578	-39,729
Depreciation of tangible and intangible non-current assets	-440	-237	-1,450	-5,309
Operating profit/loss	-9,173	-8,213	-54,028	-45,038
Financial items				
Profit/loss from securities	0	0	0	421
Financial income	131	33	352	224
Financial expenses	-1,220	-557	-2,019	-613
Total financial items	-1,089	-523	-1,667	33
Profit/loss after financial items	-10,263	-8,737	-55,695	-45,005
Tax allocation reserve	57,355	40,120	57,355	40,120
Taxes	-10,803	1,699	-1,027	1,699
Profit/loss for the period	36,290	33,083	633	-3,186

The parent company has no items recorded as other comprehensive income, and total comprehensive income therefore corresponds with the profit/loss for the period.

PARENT COMPANY'S BALANCE SHEET ASSETS

2018/19

Amounts in KSEK	31/8 2019	31/8 2018
Equipment, tools, fixtures and fittings	1,921	2,358
Total tangible non-current assets	1,921	2,358
Participation in Group companies	181,983	181,933
Other long-term receivables	2,516	3,482
Total financial non-current assets	184,499	185,415
Total non-current assets	186,420	187,773
Current assets		
Trade and other receivables	14,731	18,332
Other receivables	57,716	1,224
Prepaid expenses and accrued income	3,504	15,343
Other long-term securities	0	0
Total current assets	75,951	34,899
Cash at bank	179,465	181,305
TOTAL ASSETS	441,836	403,977

PARENT COMPANY'S BALANCE SHEET LIABILITIES AND EQUITY

2018/19

Amounts in KSEK	31/8 2019	31/8 2018
EQUITY AND LIABILITIES		
Restricted equity		
Share capital	684	684
Non-restricted equity		
Other contributed capital	312,608	312,430
Retained earnings incl. comprehensive income for the period	37,345	36,712
Total equity	350,637	349,826
Tax allocation reserve	0	0
Untaxed reserves	0	0
Other long-term liabilities	0	15,556
Total long-term liabilities	0	15,556
Current liabilities		
Trade and other payables	6,374	8,310
Liabilities to Group companies	2,034	2,589
Other liabilities	76,545	17,866
Accrued expenses and prepaid income	6,247	9,831
Total current liabilities	91,200	38,595
TOTAL EQUITY AND LIABILITIES	441,836	403,977

Term	Description
Net sales	Total game revenue, drawn from In-app purchases and advertising sales. MAG records the full value of items sold as In-app purchases and reports the platform share as Sales related costs. The Platform fee is normally 30% of the item price (Apple and Google)
In-app purchases	The value of purchases made in an app through Google Play or Apple App Store or other such store.
Advertising sales	Net sales from ads in the games.
Activated costs for own account	Development work activated to the balance sheet. The company activates personnel costs, including social fees and other related costs such as office space, for games in soft launch and until the game moves into live ops. Soft launch is the last development phase prior to global launch and the probability of a global launch is high. Live ops is when a central team takes responsibility of the game and works with content and events mainly, no costs are activated in this phase. MAG has not had any amortizations of activated development costs since the company was public.
Platform fee	30% of the In-app purchases are costs to the platform, primarily Google Play and Apple App Store.
Performance marketing	Marketing costs with direct connection to one of the games and with measurable effect and demands on ROI (return on investment). A common ROI requirement is to have the investment paid back as net revenues within nine months, and longer periods can be relevant in situations with strong retention and long term monetization
Contribution	Net sales minus platform fees (primarily to Google and Apple) minus direct marketing.
EBITDA	Profit/loss before financial items, taxes and depreciation.
Equity/asset ratio	Equity as a percentage of total assets.
DAU	Average number of Daily Active Users for the days during the period. Calculated as the sum of DAU for the individual games in such a way so that a player that plays more than one game in one day is counted once per game.
MAU	Average number of Monthly Active Users over the months during the period. Calculated as the sum of MAU for the individual games in such a way so that a player that plays more than one game in one month is counted once per game. An average over the months in the period is calculated.
MUP	Average Monthly Unique during the period is the total number of unique users that makes an In-app purchase in a game. Counted in such a way that a user that makes purchases in more than one game during the month is counted once per game. An average over the months in the period is calculated.
ARPPDAU	Average Net sales per daily active user (DAU). If nothing else is stated this is measured in US cents.

NOTES TO THE INTERIM REPORT

2018/19

NOTE 1: DISTRIBUTION OF NET SALES

	June-Aug 19	June-Aug 18	Sep-Aug 18/19	Sep-Aug 17/18
Amounts in KSEK				
In-app purchases	14,956	23,709	63,432	129,434
Advertising income	27,998	29,984	108,659	86,824
Other	155	48	863	612
Total	43,109	53,741	172,954	216,870

NOTE 2: SALES RELATED COSTS

Platform fee	-4,487	-7,119	-19,020	-38,832
Server costs	-3,272	-4,984	-14,917	-16,833
Other sales related costs	-2,429	-2,004	-7,917	-6,078
Total sales related costs	-10,188	-14,107	-41,854	-61,743

NOTE 3: ADJUSTED EBITDA AND PROFIT BEFORE TAX

EBITDA	5,985	-797	4,949	-40,343
Acquisition cost Delinquent (note 6,7)	0	0	0	31,405
IPO cost	0	0	0	7,239
Acquisition cost Feo media AB	0	0	0	976
Restructuring cost	0	0	0	9,406
Adjusted EBITDA	5,985	-797	4,949	8,683
Profit/loss before tax	299	-8,738	-17,216	-65,231
Acquisition cost Delinquent (note 6,7)	0	0	0	31,405
IPO cost	0	0	0	7,239
Acquisition cost Feo media AB	0	0	0	976
Restructuring cost	0	0	0	9,406
Adjusted profit/loss before tax	299	-8,738	-17,216	-16,205

NOT 4: FEO MEDIA AB ACQUISITION

On 7 November 2017 100% of the shares in FEO Media AB were acquired and since the quarter the company is a fully owned subsidiary of the group. FEO Media is the creator of the hugely successful game QuizDuel which is published on Google Play and Apple App Store and has its main audience in Germany.

The acquisition was made with cash of 85 SEK on 7 November 2017 and an additional payment, preliminary valued at 33,755 KSEK is expected to be made during the first half of 2018. The additional payment was determined in a closing balance sheet. The final payment of 15,000 KSEK was made in June 2018 from escrow funds.

A acquisition analysis is presented below.

Amounts in KSEK	Final acquisition analysis
Paid as of 31 August 2018 (final)	
Cash consideration	133,755
Total paid cash	133,755
Reported amounts on acquired assets and debt	
Share capital	50
Result from acquisition	23,460
Acquired owners equity	12,154
Intangible fixed assets	37,600
Deferred tax	-7,746
Total	65,518
Goodwill	68,237

FEO Media has during the financial year 2017/18 contributed 51,298 KSEK to the Net sales and 10,267 KSEK to EBITDA since acquisition date. If FEO Media would have been included from the start of the year, from September 1 2017, the contribution to Net sales would have been 60,643 KSEK and the contribution to EBITDA would have been 12,628 KSEK. Transaction cost have contributed to the consolidated profit and loss during the period with 976 KSEK. Goodwill corresponding to 68,237 KSEK that arose in the transaction was the result of factors that are attributed to the synergies that the company expects to realise.

NOTE 5: RESTRUCTURING COST

Amounts in KSEK	June-Aug 19	June-Aug 18	Sep-Aug 18/19	Sep-Aug 17/18
Rent	0	0	0	-5,659
Personnel costs	0	0	0	-3,747
Total Restructuring cost	0	0	0	-9,406

The personnel part of the restructuring costs are salaries mostly paid out during the third quarter, March to May 2018. The Rent part is related to rents that will be paid out until June 2019

NOTE 6: OTHER EXTERNAL EXPENSES

KSEK	June-Aug 19	June-Aug 18	Sep-Aug 18/19	Sep-Aug 17/18
Cost related to the acquisition of MAG Games Ltd	0	0	0	-31,405
IPO costs	0	0	0	-7,239
Cost related to the acquisition of FEO Media AB	0	0	0	-976
Restructuring costs FEO Media AB	0	0	0	-5,659
Other external expenses	-8,949	-8,598	-37,992	-31,767
Total other external expenses	-8,949	-8,598	-37,992	-77,046

NOT 7: TRANSACTIONS WITH CLOSELY RELATED

As final payment in the acquisition of MAG Games Ltd (formerly Delinquent Interactive Ltd), MAG issued 714 175 shares during November 2017. The new issue of shares was conducted at ratio value and the effect on the group result is accounted for in the profit and loss and the details are in note 6. One of the former owners of MAG Games Ltd, David Amor, is now part of the management team of MAG Interactive

	Emission	SEK
Issued shares	714,175	
Ratio value	0.025974	18,550
Market value	44	31,423,700
Share premium	18.55	
Not yet registered share capital	18,550	
Effect on profit and loss	31,405,131.45	SEK

GOOD TIMES