

MAG INTERACTIVE

MAG INTERACTIVE AB [PUBL]
INTERIM REPORT
SEP-NOV 2020/21

2020/21

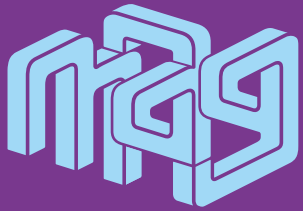
INTERIM REPORT

SEP—NOV 2020/21

ABOUT

MAG INTERACTIVE AB [PUBL]

MAG INTERACTIVE IS A LEADING MOBILE GAME DEVELOPER FOCUSED ON CASUAL SOCIAL GAMES. WITH PASSIONATE, CREATIVE TEAMS AND A DATA-DRIVEN BUSINESS MODEL, MAG DELIVERS WORLD-CLASS GAMING EXPERIENCES TO MILLIONS OF PLAYERS WORLDWIDE. MAG'S EXPERTISE IN WORD GAMES AND TRIVIA, HAS CREATED A CATALOG OF GAMES, INCLUDING RUZZLE, WORD DOMINATION, WORDBRAIN AND QUIZDUEL, THAT HAVE BEEN DOWNLOADED OVER 250 MILLION TIMES. 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.



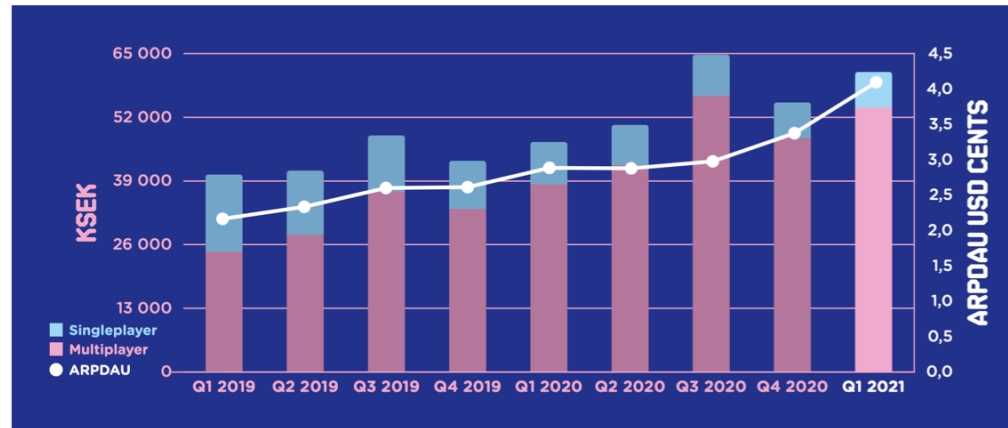
MAG INTERACTIVE

FROM THE CEO A POSITIVE START OF THE FINANCIAL YEAR

2020/21

Significant revenue growth thanks to continued ARPDau improvements

Q1 revenues grew 34% to 63 MSEK compared to the same period last year thanks to continuous improvements to the average revenue per daily active user (ARPDau). Excluding acquisitions the revenue growth was 25%. The ARPDau in Q1 is 43% higher than the same period last year - strongly correlated to an 86% increase in in-app revenues.



Revenue and arpdau development

The EBITDA in Q1 reached 9.3 MSEK which makes for an EBITDA margin of 15% and we report a record game contribution of 38.5 MSEK. The game contribution reflects the margin after having paid for user acquisition and platform fees. The fact that we see the highest game contribution level in many years shows that we are on the right track. We continue to execute on our strategy to improve current games and invest in both user acquisition as well as the development of new games to further grow our business.

Successful migration of New QuizDuel players

At the end of November we had reached a point where more than 90% of QuizDuel players are actively playing the new generation of the game. New QuizDuel is now the only version of the game available for download. There are multiple benefits from having all the players on the new generation of the game; the team can focus on one single product, the players all get to enjoy the new features such as "Arena" and MAG's business gets a benefit of a significantly improved ARPDau now applied across the entire player population. It is a far from straightforward task to migrate several million players to a new game but the team has pulled it off successfully. We are moving ahead at increasing speed, now with a great technical and design foundation. It can also be noted that the number of subscribers is steadily increasing in New QuizDuel. Subscriptions were introduced before the summer of 2020 and the offering is now attracting an increasing number of players. In Word Domination subscribers have by far the highest long term engagement of all players and which is why we see this trend in New QuizDuel as something very positive.



Next phase for New QuizDuel

As announced at the beginning of December, New QuizDuel has now been downloaded more than five million times. With the migration behind us, we are now fully focused on getting new and exciting features out to the player base. The most significant upcoming new feature in New QuizDuel is the live broadcasting of interactive trivia shows. Similarly to how the Primetime app works, players will be able to compete for real money in shows that broadcast at specific times. This adds an immediacy and highly social experience to the quizzes, which is what attracted us to Primetime in the first place.

We aim to start broadcasting shows targeting the entire German-speaking player base during our financial Q2, which ends in February. The live game mode will be monetized primarily through sponsorships, and we are offering sponsorship opportunities for brands targeting the Germany-Austria-Switzerland region. We thus expect some positive contribution to our sales during Q2 and full effect in Q3.

Continued investments in user acquisition for Wordzee

User acquisition in Q1 was 16 MSEK, which is 44% higher than the same period last year. Due to the nature of user acquisition and ROI-based marketing, we expect to continue to see fluctuations in terms of monthly investment volumes but we aim to increase our investments in this area over time. The targeted payback time of our user acquisition is 180 days.

Wordzee has by far the highest ARPDAU and strongest monetization potential we have seen in a game from MAG, and we continue to be optimistic about the game's future scaling opportunities. In Q1 Wordzee was the game in the portfolio that attracted the majority of user acquisition investments.

Word Domination, Ruzzle and live-ops games perform well

During Q1 we have seen the ARPDAU continue to improve across all multiplayer games compared to last year. Word Domination's subscription revenues currently make up 27% of all IAP revenues for the game. This contributes to the game's stable performance despite having limited user acquisition support. Together with Ruzzle and the live-ops games, Word Domination has been a strong driver of game contribution in the quarter.

Remote work continues

As the situation in both Stockholm and Brighton has become more severe in terms of virus spread we have emphasized the remote first work approach we introduced in the spring. We encourage our employees to work from home and not have any physical meetings indoors. On the positive side, we are finding more and better ways to collaborate over video and are still to see any negative impacts on productivity. Our focus continues to be to ensure the physical and mental wellbeing of our colleagues.





FROM THE CEO

A POSITIVE START OF THE FINANCIAL YEAR

2020/21

Apprope joins the MAG family

On December 21 we announced the acquisition of Swedish mobile games developer Apprope. Founded in 2012, they are best known for their game WordBubbles, which has reached about 100 MSEK in lifetime sales and has been downloaded ten million times.

During the latter part of 2020 they launched Word Mansion, a word puzzle game with a narrative-driven decoration meta-story. This kind of puzzle-narrative game is growing in popularity within the word game category. We believe the acquisition of Apprope will help MAG grow quickly within this category. Word Mansion is designed in a way that enables the Apprope team to build multiple games on the same framework and we look forward to exploring that further. Word Mansion has grown quickly in both downloads and revenues since its launch and through accessing MAG's capabilities in analytics and user acquisition, we hope to further improve that growth. The acquisition was formally closed on January 4, 2021 and will add almost two full months of contribution to our Q2 results. Last financial year, ending August 2020, Apprope made a profit of 11.4 MSEK.

A goal-oriented approach that delivers results

The goal we set two years ago to improve the ARPDau across all games has had a positive impact on the business. We have seen this important metric improve continuously and this quarter the pace of improvement was even higher than before. I am very happy to see that MAG's way of working with highly empowered teams and a goal-oriented approach is successful. This makes for an engaging and passionate workplace that copes well with the remote work situation as it is not dependent on day-to-day detailed management but rather relies on well-informed teams that strive to create something valuable together. We can also see that world class talent chooses to join MAG as our way of working is a perfect fit for their skills and passion. External game studios we are in dialogue with regarding potential acquisitions also see our model as attractive as it gives them room for the autonomy and creativity that has enabled them to get to where they are today.

2021 is off to a great start and I can't wait to see what we can deliver together with our new teams from Apprope and Primetime that have joined in the recent months. Given the interest we see from external studios to join MAG, we are optimistic about the opportunities to make further acquisitions during the year.

A handwritten signature in blue ink, appearing to read 'Daniel Hasselberg'.

DANIEL HASSELBERG, CEO

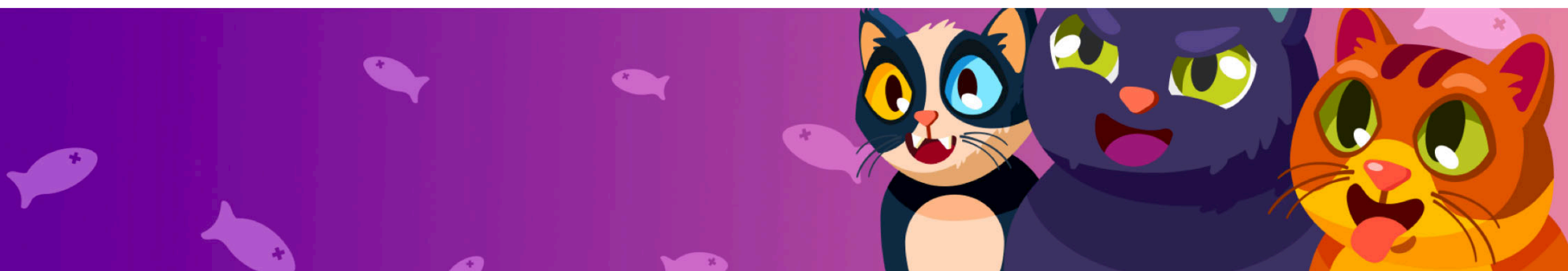


SUMMARY OF THE BUSINESS' KEY PERFORMANCE INDICATORS

2020/21

		Sep-Nov 20	Sep-Nov 19	Y/Y change	FY 19/20
Net sales	KSEK	62,950	47,102	34%	217,567
In-app purchases	KSEK	26,978	14,490	86%	83,586
Advertising sales	KSEK	35,971	32,085	12%	133,390
User acquisition	KSEK	16,419	11,379	44%	-72,774
Game contribution	KSEK	38,466	31,373	23%	119,735
EBITDA	KSEK	9,290	5,029	85%	21,157
EBITDA margin ¹	%	15%	11%	4	10%
Operating profit	KSEK	-2,190	-3,024	28%	-16,611
Operating profit margin ¹	%	-3%	-6%	3	-8%
Profit	KSEK	-185	-2,899	94%	-17,371
Earnings per share	KSEK	-0.01	-0.11		-0.66
Cash flow from operating activities	KSEK	4,642	20,944	-78%	37,874
Average employees		103	77	34%	84
Daily active users (DAU)	Millions	1.92	1.84	4%	2.05
Monthly active users (MAU)	Millions	6.15	5.87	5%	6.78
Monthly unique payers (MUP)	Thousands	54	41	33%	52
ARPPDAU	US \$ cent	4.11	2.87	43%	2.99

¹Y/Y change in percentage points



MAG's newest word game turns one year old

Wordzee is MAG's innovative word game which launched globally at the end of November 2019. The game thus turned one year old at the end of the quarter and has also passed three million downloads. In Wordzee, players challenge each other by competing head-to-head using letter tiles to form high scoring words on a special board. As an added challenge, filling the entire board earns the player "Wordzee" and major bonus points.

Strong growth product with highest ARPDau in the portfolio

Wordzee is one of MAG's strongest growth products with the highest average revenue per daily active user, ARPDau, in the portfolio. Wordzee's game mechanics are centered around the ability to replace letter tiles, something that is also effectively monetized by allowing players to make in-app purchases to trade additional tiles. To further optimize this part of the game, part of the reward system was updated. This change encourages increased long-term player engagement and the company also believes that it will have a positive impact on monetization long-term.

Launching new events has positive effects

At the beginning of the quarter, a new solo event was launched that had a positive impact on most of the KPIs in the game, including ARPDau. This game mode later turned into the new event called "Journeys", which will be able to be reused with different themes. We expect many upcoming "Journeys" events with various interesting themes which will hopefully lead to continued increased in-app spend. During MAG's tenth anniversary, a special birthday event was also launched in Wordzee. During the period for the event, Wordzee was also cross-promoted in several of MAG's other live games, which resulted in increased downloads, engagement and revenue.

Continued investment in user acquisition

Thanks to Wordzee's strong monetization, the acquisition of high-quality players is possible, as seen especially at the beginning of the quarter. As MAG believes in strong growth for Wordzee, investment in user acquisition will continue - and upgrades will take place whenever possible according to the company's ROI model for player acquisitions, with full repayment within 180 days.



New QuizDuel passes five million downloads

New QuizDuel was launched globally in May 2020 and has now passed five million downloads. New QuizDuel is the sequel and heir to the classic QuizDuel game where users challenge friends and other players around the world in trivia. New QuizDuel also offers the new multiplayer game mode "Arena", where the player competes against four other people to climb leaderboards.

The migration reaches its goal

New QuizDuel has a higher monetization potential than classic QuizDuel and the company's goal has therefore been to migrate all QuizDuel players to the new game before the end of 2020.

During Q1, two changes have had a positive effect on migration. On the one hand, QuizDuel has been removed from the App Store and Google Play in all markets, and on the other hand, all old players have had to upgrade to New QuizDuel to continue playing. This resulted in a large influx of users in the new app during the quarter. At the end of November 2020, New QuizDuel had more daily active users than classic QuizDuel had during the same period last year.

Revenue grows after increased advertising revenue

At the end of the quarter, ad impressions in New QuizDuel were also activated for players who previously had been Premium players in classic QuizDuel. Premium was a monetization model in classic QuizDuel where the user paid a one-time cost to get an ad-free experience and during a transition phase, no ads were shown to most of these players in New QuizDuel. From the end of the quarter, players will be offered a more wide-ranging monthly subscription, with an ad-free experience as one of the perks included. This change mainly affected advertising revenues, which grew significantly at the end of the quarter.

New game mode with a live quiz show

In collaboration with Primetime, which the company acquired in September 2020, MAG is developing a live-hosted trivia show as a new game mode in New QuizDuel. The new game mode will primarily be launched on the game's largest market, Germany. Testing of the live show began after the end of the quarter targeting a limited audience on the German-speaking market.

MAG sees this new type of quiz entertainment as the next step in making New QuizDuel the best mobile trivia experience in the world. The company also sees new revenue opportunities with the new live mode, which will be monetized through sponsorship campaigns. MAG hopes to launch the live show to the entire German-speaking audience during Q2.



MAG's tactical word game with real-time matches

Word Domination is a clever multiplayer game where users play against each other in exciting real-time word matches. Players compete against each other attempting to earn the most points on the board by creating words over five rounds. With so-called booster cards, players can improve their chances with time-limited benefits. Since launching Word Domination globally in May 2018, the game has ranked top five in the word game category across 140 countries and been downloaded over 10 million times.

Record-breaking events increased revenues

During Q1, two of the most revenue-driven events to date in Word Domination were released; an ice cream collection event and an event that celebrated MAG's tenth year anniversary. These events included a new type of reward ladder, which meant that users had to play multiple times to complete the event. This resulted in increased in-app purchases, advertising revenue and number of subscriptions during the period. The event boosted player engagement and both events broke records in average revenue per daily active user, ARPDau, which reached the highest level in the game to date.

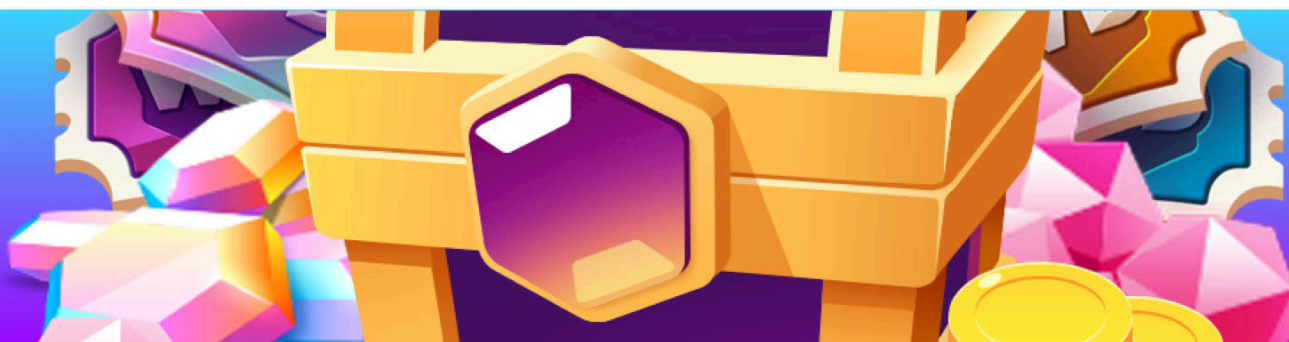
The group of loyal players is growing

Word Domination has loyal players who return to the game for a long time. The most dedicated users are the VIP players - users who pay a monthly fee for a subscription and thus get access to, among other things, exclusive content and an ad-free experience. Subscriptions were introduced in Word Domination in the spring of 2019 and added another layer of monetization to MAG's portfolio. The subscriptions have grown steadily since they were introduced in the spring of 2019, and there is now a growing group of players that have been VIP members for over a year. In addition to showing a long-term player engagement, MAG benefits from the 30% to 15% that applies to subscriptions after 12 months on both iOS and Android.

VIP players have the highest revenue per daily active user, ARPDau, of all Word Domination players. In Q1, subscriptions accounted for 27% of in-app revenue. Total in-app revenues increased, as did the amount of subscriptions in Q1 compared with the previous quarter.

New releases increase engagement

In addition to new events, several new features were also released, both temporary new "Power up" cards and more permanent booster cards. Updated features and content are a way to offer loyal players something new and exciting, thereby improving their long-term engagement while strengthening monetization. Word Domination increased its long-term player retention during Q1 compared to the same period last year. New content keeps the players' engagement alive and this is something that Word Domination continues to focus on.



Revenues increase for MAG's word game classic

Ruzzle is a social word game where players are challenged to find as many words as possible in two minutes within a limited grid of letters. The game was released in 2012 and has been downloaded over 60 million times. Thanks to the major update to the in-game economy that was launched two quarters ago, Ruzzle continues to increase in revenue. Total revenue increased in the quarter compared to the same period last year.

Record level for ARPDAU reached in Ruzzle

MAG celebrated its tenth anniversary as a company during the quarter, and it was highlighted in five of the company's live games, including through special birthday events and special offers to players. The events drive the players' long-term engagement and improve monetization.

In Ruzzle, an anniversary event was launched, as well as other solo events, and also special offers; a collection of in-game currency, badges and new avatars for a one-time cost. Thanks to these offers, solo events and even technical optimizations, Ruzzle reached the highest average revenue per daily active user (ARPDAU) since the game was launched.

Still profitable evergreen

Ruzzle has low development costs and since the new in-game economy was launched, the game has steadily improved its profitability. The company believes that further optimization of other mechanics in the game - such as improving the first-time user experience - can increase profitability further in the future.

Ruzzle is one of MAG's outstanding evergreens and most long-term profitable games. MAG hopes of continued positive development and is confident that Ruzzle will continue to be instrumental to the gaming portfolio.



Primetime - a new member in MAG's portfolio

Primetime is a live quiz app that was acquired on September 1. The app was released in Sweden in 2018 and has since expanded to Norway, Denmark and Finland. Primetime broadcasts trivia shows live with a host seven days a week, where players compete for a sum of money by answering up to eleven questions live.

The app is monetized through sponsorship campaigns, a business model that differs from the rest of MAG's portfolio. The business model has worked well for Primetime, which has made a profit in the past year. A major focus in the future for Primetime is the collaboration with New QuizDuel and the upcoming launch of the live game mode in the German market.

Primetime had sales of just over MSEK 9 during the first half of 2020 - an increase of 57% compared with the same period last year - and made a profit before tax of MSEK 1.3.

As per the acquisition note on page 32, Primetime's revenues during the first quarter of our financial year (September - November) were MSEK 3.8 which resulted in a loss of MSEK 0.5. This is mainly due to sponsorship agreements in Norway and Finland that were affected by Primetime's alignment with MAG policies that do not allow for casino advertising in those markets. We believe this is a short term effect and expect Primetime to return to profitability shortly.

Primetime had an average revenue per daily active user (ARPDau) in Q1 of 7.9 cents which is significantly higher than the MAG portfolio on average. The business model with sponsored live shows will be an exciting addition to the existing business model in New QuizDuel with in-app-purchases, subscriptions and advertising.





CONSOLIDATED PROFIT/LOSS AND CASHFLOW FOR THE PERIOD 2020/21 SEP UNTIL NOV 2020

OPERATING INCOME

The Group's operating income for the period was 73,931 KSEK (54,369 KSEK), an increase of 36% compared to the same period the previous year. The Group's net sales for the period totalled 62,950 KSEK (47,102 KSEK), an increase of 34%.

Own work capitalised totalled 10,140 KSEK (7,511 KSEK). See below for further details of capitalized expenses as well as depreciation of the same.

The group's net sales was primarily attributable to the games Wordzee, New QuizDuel, Word Domination, Ruzzle, WordBrain, QuizDuel, Primetime, WordBrain 2 and Wordalot.

OPERATING EXPENSES, EBITDA AND OPERATING PROFIT/LOSS

Operating expenses totalled 64,640 KSEK (49,340 KSEK). Of these, 15,349 KSEK (10,342 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 16,419 KSEK (11,379 KSEK) were costs of user acquisition and 8,482 KSEK (7,883 KSEK) were other external operating expenses.

User acquisition costs in the first quarter is mainly attributable to the game Wordzee.

Personnel expenses totalled 24,391 KSEK (19,736 KSEK) an increase of 24%.

EBITDA for the period was 9,290 KSEK (5,029 KSEK).

Depreciation of tangible and intangible assets totalled 11,480 KSEK (8,054 KSEK), of which 6,337 KSEK (5,603 KSEK) was depreciation of capitalized development expenses.

The Group's operating profit was -2,190 KSEK (-3,024 KSEK) and profit before tax -2,482 KSEK (-4,556 KSEK).

PROFIT/LOSS AFTER TAX

The tax for the quarter includes a reevaluation of previous losses, which brings a deferred tax of -1 735 KSEK. Profit after tax totalled -185 KSEK (-2,899 KSEK).

The profit after tax per share was -0.01 SEK/share (-0.11 SEK/share) and the profit after tax per share fully diluted was -0.01 SEK/share (-0.11 SEK/share).

The average number of shares during the period was 26,454,632 (26,321,393) and the average number of shares fully diluted was 27,614,148 (27,317,067).

CASH FLOW FOR THE PERIOD

The Group's cash flow from operating activities during the quarter was 4,642 KSEK (20,944 KSEK). Cash flow from investing activities was -30,620 KSEK (-7,577 KSEK). Cashflow from financing activities was -5,147 KSEK (-3,889 KSEK).

PARENT COMPANY PROFIT/LOSS FOR THE PERIOD SEP UNTIL NOV 2020

2020/21

OPERATING INCOME

The parent company's net sales for the period were 59,149 KSEK (32,614 KSEK), an increase of 81% compared with the same period the previous year.

OPERATING EXPENSES AND OPERATING PROFIT/LOSS

Operating expenses totalled 63,528 KSEK (48,361 KSEK).

Of these 14,070 KSEK (10,137 KSEK) were sales related costs originating primarily from fees to Apple App Store and Google Play, costs of user acquisition were 16,419 KSEK (11,379 KSEK) and 14,231 KSEK (8,582 KSEK) was other external operating expenses.

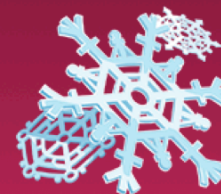
Personnel expenses totalled 18,808 KSEK (18,263 KSEK) en an increase of 3%.

Depreciation of tangible and intangible assets totalled 4,868 KSEK (451 KSEK). The increase compared to previous year is related to the goodwill from the merger of FEO Media AB.

The parent company's operating profit for the period was -8,302 KSEK (-12,108 KSEK).

PROFIT AFTER TAX

Profit after tax totalled to -7,117 KSEK (-10,452 KSEK).



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

2020/21

Intangible non-current assets at the end of the period totalled 199,322 KSEK (142,587 KSEK), of which 112,769 KSEK (77,792 KSEK) relates to goodwill and 86,553 KSEK (64,795 KSEK) to other intangible assets. The latter consists primarily of capitalized development expenses on own account and acquired intellectual property.

Cash and cash equivalents at the end of the period totalled 128,723 KSEK (193,129 KSEK).

Equity at the end of the period totalled 313,180 KSEK (328,704 KSEK), corresponding to 11.8 SEK/share (12.5 SEK/share).

The equity/assets ratio at the same time was 70.3% (80.5%).

The group has interest bearing debt of 52,128 KSEK (33,571 KSEK) of which 119 KSEK is attributable to loan to financial institutes and the rest refers to financial lease.

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

Cash and cash equivalents at the end of the period totalled 121,267 KSEK (189,947 KSEK).

Equity at the end of the period totalled 272,287 KSEK (340,312 KSEK).





KEY INDICATORS FOR THE BUSINESS PERIOD SEP UNTIL NOV 2020

2020/21

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 26,978 KSEK (14,490 KSEK), an increase of 86% compared to the same period the previous year.

The Group's net sales from in-app advertising were 35,971 KSEK (32,085 KSEK), an increase of 12% 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 38,466 KSEK (31,373 TSEK), an increase of 23% compared to the same period the previous year.

COMMENTS ON THE DISTRIBUTION OF INCOME AND CONTRIBUTIONS FROM SALES ACTIVITIES

In-app purchases is the drive behind the overall increase in net sales. Contribution is up by 23 % based on broad improvement in monetization and despite higher costs for user acquisition in the quarter.

KEY INDICATORS FOR THE BUSINESS CONTO.

2020/21

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. Riksbankens 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 (1.8 million), an increase of 4% compared with the same period the previous year.

MAU for the period 6.2 million (5.9 million), an increase of 5% compared with the same period the previous year.

MUP for the period 54 thousand (41 thousand), an increase of 33% compared with the same period the previous year.

ARPDau for the period 4.1 US \$ cent (2.9 US \$ cent), an increase of 43% compared with the same period the previous year.

COMMENTS TO THE KPIS

DAU and MAU for the period end on a slight increase. The increase in MUP can be traced back to Wordzee and the stronger in-app-monetization that we have seen there. The increase in ARPDau can be traced to a broad portfolio improvement in monetization as well as to Wordzee, with an ARPDau that is higher than the rest of the portfolio, combined with its growing user base.

PARENT COMPANY

The parent company MAG Interactive AB (publ), corporate ID number 556804-3524, has its registered office in Stockholm with 71 employees. A big part of the Group's business activity is in the parent company, with employees, agreements, intangible assets (incl. IP) and revenues. There are eight fully owned subsidiaries in the group. MAG Games Ltd, with its registered office in Brighton and 22 employees, has only Group internal invoicing and carries out development and other functions in the company's operations. MAG United AB, with its registered office in Stockholm, has no employees. Sventertainment AB, with its registered office in Stockholm, is a subsidiary group consisting of six companies and was acquired during the first quarter 2020/21. Sventertainment is the developer and publisher of the trivia app Primetime and has 13 employees.

ACCOUNTING PRINCIPLES

The consolidated accounts for the MAG Interactive AB Group ("MAG Interactive") have been prepared 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 in the annual report for 2019/2020.



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. For more information regarding the risks and uncertainties, please refer to the annual report of 2019/2020.

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.

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 103, compared to 77 the same period the 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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OTHER DISCLOSURES CONTO.

2020/21

FURTHER REPORTING DATES

Interim Report Q2 September 2020 - February 2021

March 31, 2021

Interim Report Q3 September 2020 - May 2021

June 30, 2021

AUDIT

This report has not been reviewed by auditors.

TWITCH STREAM

On January 20th, 2020 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

Daniel Hasselberg will also take questions on Twitter during the course of the day, write to @d_hasselberg or @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

2020/21

ASSURANCE BY THE BOARD OF DIRECTORS

Stockholm January 20, 2020

DANIEL HASSELBERG
CEO, Board member

BIRGITTA STYMNE GÖRANSSON
Chairman of the Board

TAINA MALÉN
Board member

ANDRAS VAJLOK
Board member

ASBJOERN SOENDERGAARD
Board member

TEEMU HUUHTANEN
Board member

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**2020/21**

Amounts in KSEK	Note	Sep-Nov 20	Sep-Nov 19	FY 19/20
Operating income				
Net sales	1	62,950	47,102	217,567
Own work capitalised		10,140	7,511	28,099
Other operating income		840	-243	2,046
Total		73,931	54,369	247,711
Operating expenses				
Sales related costs	2	-15,349	-10,342	-51,129
User acquisition		-16,419	-11,379	-72,774
Other external expenses		-8,482	-7,883	-28,791
Personnel costs		-24,391	-19,736	-73,860
Total operating expenses		-64,640	-49,340	-226,554
EBITDA		9,290	5,029	21,157
Depreciation and write downs of tangible and intangible non-current assets	3	-11,480	-8,054	-37,768
Operating profit/loss (EBIT)		-2,190	-3,024	-16,611
Financial items				
Profit/loss from securities		0	0	-663
Interest income and similar		6	-857	729
Interest expense and similar		-297	-675	-6,090
Total financial items		-292	-1,531	-6,025
Profit/loss after financial items		-2,482	-4,556	-22,636
Taxes		2,297	1,656	5,265
Profit/loss for the period		-185	-2,899	-17,371
Other comprehensive result				
Exchange rate differences		-575	567	-659
Total comprehensive income for the period		-760	-2,332	-18,029
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)		-0.01	-0.11	-0.66
Earnings per share fully diluted (based on average number of shares)		-0.01	-0.11	-0.63
Average number of shares during the period		26,454,632	26,321,393	26,343,600
Average number of shares during the period fully diluted		27,614,148	27,317,067	27,530,821
Number of shares at the end of the period		26,454,632	26,321,393	26,454,632
Number of shares at the end of the period fully diluted		27,614,148	27,317,067	27,614,148

**CONSOLIDATED BALANCE SHEET
ASSETS****2020/21**

Amounts in KSEK	Note	30/11 2020	30/11 2019	31/8 2020
ASSETS				
Goodwill	5	112,769	77,792	77,153
Other intangible assets		86,553	64,795	64,690
Total intangible assets		199,322	142,587	141,843
Right-of-use assets	4	50,249	33,461	52,751
Equipment, tools, fixtures and fittings	4	10,081	5,342	8,438
Total tangible assets		60,329	38,803	61,190
Other long-term receivables		4,072	2,096	4,052
Deferred tax assets		8,522	2,528	5,841
Total financial non-current assets		12,594	4,624	9,893
Total non-current assets		272,244	186,014	212,926
Current assets				
Trade and other receivables		28,531	23,417	23,015
Current tax assets		1,275	1,608	1,075
Other current receivables		1,068	758	979
Prepaid expenses and accrued income		13,581	3,644	13,360
Cash and cash equivalents		128,723	193,129	160,630
Total current assets		173,178	222,557	199,059
TOTAL ASSETS		445,422	408,571	411,985

CONSOLIDATED BALANCE SHEET LIABILITIES AND EQUITY

2020/21

Amounts in KSEK	Note	30/11 2020	30/11 2019	31/8 2020
EQUITY AND LIABILITIES				
Equity				
Share capital		688	684	687
Other contributed capital		282,276	281,346	282,176
Reserves		-2,817	-1,015	-2,241
Retained earnings incl. comprehensive income for the period		33,033	47,689	33,218
Total equity		313,180	328,704	313,840
Long-term liabilities				
Deferred tax liabilities		17,830	13,348	13,326
Long-term lease liabilities	4	42,848	25,277	45,239
Other long-term liabilities	5	30,744	0	0
Total long-term liabilities		91,422	38,625	58,565
Current liabilities				
Trade and other payables		12,809	8,478	11,919
Current tax liability		81	387	86
Short-term bank loans		493	11,667	0
Accrued expenses and prepaid income		10,515	9,144	15,119
Short-term lease liabilities	4	9,161	8,294	9,107
Other current liabilities	5	7,761	3,272	3,349
Total current liabilities		40,820	41,242	39,581
TOTAL EQUITY AND LIABILITIES		445,422	408,571	411,985

CONSOLIDATED CASH FLOW STATEMENT**2020/21**

Amounts in KSEK	Note	Sep-Nov 20	Sep-Nov 19	FY 19/20
Cash flow from operating activities				
Profit/loss before financial items		-2,190	-3,024	-16,611
Adjustments for items not part of cash flow				
LTIP		101	127	457
Depreciations and write-downs		11,378	6,965	37,768
Interest received		5	553	729
Interest paid		-339	-457	-1,541
Income tax paid		3,919	10,134	10,656
Cash flow from operating activities before change in working capital		12,874	14,299	31,458
Change in current operating receivables		-3,813	3,546	-6,153
Change in current operating liabilities		-4,419	3,099	12,569
Change in working capital		-8,232	6,645	6,416
Cash flow from operating activities		4,642	20,944	37,874
Cash flow from investing activities				
Capitalized work		-10,140	-7,511	-28,099
Investments in tangible non-current assets		-1,828	-64	-5,102
Investments in subsidiaries	5	-18,652	0	0
Change in financial investments		0	0	-2,641
Change in long-term receivables		0	-2	0
Cash flow from investing activities		-30,620	-7,577	-35,842
Cash flow from financing activities				
Option scheme		0	0	504
Amortized short-term loans		-5,147	-3,889	-22,428
Cash flow from financing activities		-5,147	-3,889	-21,924
Increase/decrease in cash and cash equivalents				
Cash flow for the period		-31,125	9,478	-19,892
Effects of exchange rate changes		-782	-1,420	-4,549
Opening cash and cash equivalents		160,630	185,071	185,071
Closing cash and cash equivalents		128,723	193,129	160,630

**CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY****2020/21**

KSEK	Share capital	Other external capital	Reserves	Retained earnings	Total equity
Starting balance 1/9 2020	687	282,176	-2,241	33,218	313,840
Profit/loss for the period				-185	-185
Exchange rate differences			-575		-575
Total comprehensive income			-575	-185	-760
LTIP	1	100			101
Ending balance 30/11 2020	688	282,276	-2,817	33,033	313,180

KSEK	Share capital	Other external capital	Reserves	Retained earnings	Total equity
Starting balance 1/9 2019	684	281,219	-1,583	50,588	330,908
Profit/loss for the period				-2,899	-2,899
Exchange rate differences			567		567
Total comprehensive income			567	-2,899	-2,332
LTIP		127			127
Ending balance 30/11 2019	684	281,346	-1,015	47,689	328,704

PARENT COMPANY'S INCOME STATEMENT**2020/21**

Amounts in KSEK	Note	Sep-Nov 20	Sep-Nov 19	FY 19/20
Operating income				
Net sales		59,149	32,614	217,566
Other operating income		945	4,089	2,046
Total operating income		60,094	36,703	219,612
Operating expenses				
Sales related costs		-14,070	-10,137	-51,168
User acquisition		-16,419	-11,379	-72,774
Other external expenses		-14,231	-8,582	-35,568
Personnel costs		-18,808	-18,263	-74,511
Total operating expenses		-63,528	-48,361	-234,022
EBITDA		-3,434	-11,657	-14,410
Depreciation of tangible and intangible non-current assets	3	-4,868	-451	-20,575
Operating profit/loss		-8,302	-12,108	-34,985
Financial items				
Profit/loss from securities		0	0	-663
Financial income		5	263	1,265
Financial expenses		41	-462	-5,403
Total financial items		46	-199	-4,802
Profit/loss after financial items		-8,256	-12,308	-39,786
Tax allocation reserve		0	0	0
Taxes		1,139	1,856	5,944
Profit/loss for the period		-7,117	-10,452	-33,843

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

2020/21

Amounts in KSEK	Note	30/11 2020	30/11 2019	31/8 2020
ASSETS				
Goodwill		27,295	0	30,707
Other intangible assets		26,320	0	27,260
Total intangible assets		53,615	0	57,967
Equipment, tools, fixtures and fittings		7,095	1,740	5,579
Total tangible non-current assets		7,095	1,740	5,579
Participation in Group companies		104,424	181,983	47,252
Other long-term receivables		10,552	4,310	9,607
Long-term receivables from Group companies		154	92	136
Total financial non-current assets		115,130	186,385	56,995
Total non-current assets		175,840	188,125	120,541
Current assets				
Trade and other receivables		25,851	16,310	23,015
Short-term receivable from Group companies		0	59,043	0
Other receivables		2,199	444	2,410
Prepaid expenses and accrued income		12,401	3,471	13,213
Total current assets		40,451	79,269	38,638
Cash and cash equivalents		121,267	189,947	156,668
TOTAL ASSETS		337,559	457,342	315,847

PARENT COMPANY'S BALANCE SHEET LIABILITIES AND EQUITY

2020/21

Amounts in KSEK	Note	30/11 2020	30/11 2019	31/8 2020
EQUITY AND LIABILITIES				
Restricted equity				
Share capital		688	684	687
Non-restricted equity				
Other contributed capital		313,665	312,736	313,565
Retained earnings incl. comprehensive income for the period		-42,066	26,893	-34,949
Total equity		272,287	340,312	279,304
Provisions				
Deferred tax liabilities		5,422	0	5,616
Other provisions		32,250	0	0
Total provisions		37,672	0	5,616
Current liabilities				
Trade and other payables		12,488	8,258	11,702
Liabilities to Group companies		1,862	87,675	2,845
Other liabilities		4,705	13,153	3,140
Accrued expenses and prepaid income		8,546	7,944	13,241
Total current liabilities		27,600	117,029	30,928
TOTAL EQUITY AND LIABILITIES		337,559	457,342	315,847

DEFINITIONS**2020/21**

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. Subscriptions have a reduced fee of 15% after a user has been a subscriber for 12 months.
User acquisition	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 six or nine months, and longer periods can be relevant in situations with strong retention and long term monetization.
Game 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.
ARPDau	Daily average Net sales per daily active user (DAU). If nothing else is stated this is measured in US cents.

NOTES TO THE INTERIM REPORT**2020/21**

	Sep-Nov 20	Sep-Nov 19	FY 19/20
Amounts in KSEK			
NOTE 1: DISTRIBUTION OF NET SALES			
In-app purchases	26,978	14,490	83,586
Advertising income	35,971	32,085	133,390
Other	1	527	591
Total	62,950	47,102	217,567
NOTE 2: SALES RELATED COSTS			
Platform fee	-8,065	-4,350	-25,058
Server costs	-4,867	-3,665	-17,868
Other sales related costs	-2,417	-2,328	-8,202
Total sales related costs	-15,349	-10,343	-51,128

NOTES TO THE INTERIM REPORT**2020/21**

	Sep-Nov 20	Sep-Nov 19	FY 19/20
Amounts in KSEK			
NOTE 3: DEPRECIATIONS			
Group			
Right-of-use assets	-2,422	-1,427	-8,464
Equipment, tools, fixtures and fittings	-781	-422	-2,069
Intellectual properties	-1,940	-940	-3,759
Own work capitalized	-6,337	-5,603	-23,476
Other	0	338	0
Total	-11,480	-8,054	-37,768
Parent			
Goodwill	-3,412	0	-13,647
Equipment, tools, fixtures and fittings	-516	-181	-1,076
Intellectual properties	-940	0	-3,759
Intercompany related depreciations	0	-270	-2,092
Total	-4,868	-451	-20,575

NOTE 4: RECLASSIFICATION OF FINANCIAL LEASING

The financial leasing for Q1 2019/20 has been reclassified in accordance to the table below:

	This report	Previous year report
Right-of-use assets	33,461	0
Equipment, tools, fixtures and fittings	5,342	38,803
Total assets	38,803	38,803
Long-term lease liabilities	25,277	0
Trade and other payables	8,478	42,049
Short-term lease liabilities	8,294	0
Total liabilities	42,049	42,049

NOTE 5: ACQUISITION OF SVENTERTAINMENT GROUP

In September 2020 MAG Interactive AB (publ) acquired 100 % of the shares in Sventertainment AB (corp no 559155-8464) and the company became a fully owned subsidiary. Sventertainment AB is the creator of the successful trivia app Primetime, which broadcasts live trivia seven days a week.

The acquisition was financed through existing cash and cash equivalents. The upfront payment of the acquisition totalled to 20 MSEK and the contingent consideration, earnout, is subject to a cap of 80 MSEK. Furthermore, a payment of additional 4 MSEK was made for the net assets. Sventertainment is consolidated in MAG's financial reports as of September 1 2020.

The purchase consideration follows:

KSEK

Purchase consideration

Cash and cash equivalents	24,407
Contingent consideration	32,250
Total purchase consideration	56,657

Preliminary purchase price allocation

A preliminary purchase price allocation of Sventertainment is presented below. The purchase price allocation is preliminary due to that the contingent consideration is calculated based on a forecasted EBIT-growth.

KSEK

Property, plant and equipment	492
Current receivables excluding cash and cash equivalents	2,222
Cash and cash equivalents	5,754
Long-term liabilities	-208
Current liabilities	-3,265
Total acquired net assets excl consolidated values	8,468
Intellectual property	20,000
Deferred tax liabilities	-4,120
Goodwill	35,782
Total acquired net assets incl consolidated values	60,130

The goodwill is allocated to synergy effects and global expansion.

NOTE 5: ACQUISITION OF SVENTERTAINMENT GROUP

KPI for Q1	Unit	MAG Interactive Group excl Sventertainment	Sventertainment Group	MAG Interactive Group Total
Net sales	KSEK	59,148	3,802	62,950
EBITDA	KSEK	9,804	-514	9,290
EBIT	KSEK	-1,641	-549	-2,190
DAU	Million	1.85	0.06	1.92
MAU	Million	5.91	0.22	6.15
ARPDau	US \$ cent	3.98	7.90	4.11
Average no of employees		92	11	103

The Sventertainment Group consists of the following:

Name	Corporate number
Sventertainment AB	559155-8464
Sventertainment Sverige AB	559193-4822
Sventertainment Danmark ApS	40274642
Sventertainment Suomi Oy	2984460-2
Sventertainment Norge AS	922877246
Sventertainmen Poland Sp. z o. o.	0000780125

GOOD TIMES