

MAG INTERACTIVE

MAG INTERACTIVE AB [PUBL]
INTERIM REPORT SEP-MAY 2017/18

2017/18

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ABOUT

MAG INTERACTIVE AB [PUBL]

MAG INTERACTIVE IS A LEADING DEVELOPER AND PUBLISHER OF CASUAL MOBILE GAMES FOR A GLOBAL AUDIENCE. MAG INTERACTIVE REACHES OVER 10 MILLION ACTIVE PLAYERS EVERY MONTH AND THE GAME PORTFOLIO CONSISTS OF TEN SUCCESSFUL GAMES WITH OVER 200 MILLION DOWNLOADS, INCLUDING SUCCESSFUL TITLES RUZZLE, QUIZ DUEL AND WORDBRAIN, ALL OF WHICH HAVE REACHED #1 SPOTS ON THE APP STORE AND GOOGLE PLAY. WITH OFFICES LOCATED IN STOCKHOLM AND BRIGHTON, MAG INTERACTIVE'S GAMES ARE DISTRIBUTED THROUGH VIRTUAL APP STORES ALLOWING FOR GLOBAL REACH WITH MINIMUM EFFORT. MAG INTERACTIVE IS LISTED ON NASDAQ FIRST NORTH PREMIER WITH TICKER MAGI. FOR MORE INFORMATION VISIT

WWW.MAGINTERACTIVE.COM



SUMMARY OF THE PERIOD MARCH UNTIL MAY 2018

- The Group's Net sales for the period were 51,202 KSEK (75,139 KSEK), a decrease of 32% compared to the same period previous year. Net sales adjusted for currency effects is 51,832 KSEK
- The Group's game contribution for the period was 31,103 KSEK (21,231 KSEK), an increase of 46% compared to the same period the previous year
- Daily and monthly active users (DAU and MAU) were 2.9 million and 9.7 million respectively during the quarter, an increase 60% and 22% respectively compared to the same period previous year
- The Group's EBITDA for the period was 5,417 tkr (4,919 tkr) an increase of 10%

SUMMARY OF THE NINE MONTH PERIOD SEP 2017 UNTIL MAY 2018

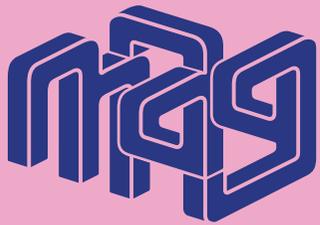
- The Group's Net sales for the period were 163,130 KSEK (202,490 KSEK), a decrease of 19% compared to the same period previous year
- The Group's game contribution for the period was 82,799 KSEK (66,976 KSEK), an increase of 24% compared to the same period the previous year
- Adjusted EBITDA for the period was 9,479 KSEK (22,882 KSEK)
- On October 12 2017 the game Backpacker was launched globally on Apple App Store and Google Play
- On November 7 2017 100% of the shares in FEO Media AB were acquired for a total of 133.8 MSEK

SIGNIFICANT EVENTS DURING THE PERIOD MARCH TO MAY 2018

- On May 31 the game Word Domination was released to a global audience

SIGNIFICANT EVENTS SINCE THE END OF THE REPORTING PERIOD

- On June 11 the company announced the release of the game Paint Hit and on June 13 further announced that the game had reached 1 million downloads



MAG INTERACTIVE

FROM THE CEO TWO GLOBAL GAME LAUNCHES AND IMPROVED EARNINGS

2017/18

Building for long term growth

MAG's long-term goal is strong, profitable growth that we'll reach by having a broader portfolio and world-class delivery to the audience we have gotten to know so well over the last six years and more than 200 million downloads. Both revenue and profitability will vary over time depending on launches of new games and the different life cycle phases of live titles. Over time, a bigger portfolio of games will help negate the dependency on individual titles as they become less impactful on the overall result. Our stated goal is to add two to four games to the portfolio per year, and so far this financial year we have launched Backpacker, acquired Quiz Duel, and launched the in-house developed games Word Domination (May 31) and Paint Hit (June 11). I am happy to see our strategy paying off with new games being added to the portfolio as planned.

EBITDA increases and marketing decreases

The contribution from games increased when compared to the same period in the previous year (+46%). At the same time, sales decreased (-32%) due to lower volumes of performance marketing. The contribution from games is defined as sales minus marketing costs and platform fees, and is the foundation for the profitability of the business. We see that reflected in an increase of EBITDA when compared to last year (+10%). The strong increase in contribution from games is due to the addition of Quiz Duel to the portfolio, as well as an overall decrease in marketing costs. The key to enabling an increase in performance marketing is to get new titles out into the market, but as Word Domination was only included one (1) day during this period and Paint Hit was launched in June, those effects are not visible in this report. However, we do see a shift to an increase in both sales and marketing in June.

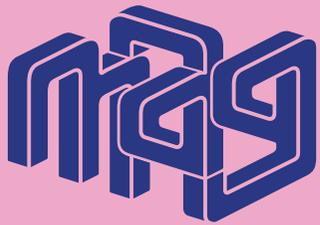
Word Domination has already been played by more than one million players

On May 31st, Word Domination was launched globally on the App Store and Google Play. The game received strong support from the editorial teams at both Apple and Google, and was showcased on the front page of the stores in many of the most important Western market such as the USA, UK, Germany and France. On the App Store, the promotion continued for three weeks compared to the expected one week, which demonstrates the appeal of the game and how it offers something truly unique to the players. We look positively at the launch of the game and see potential to continuously build it up over the coming months and years on both the product and marketing side of things. We have had fantastic achievements by all teams at MAG that participated in the launch, including product, backend, analytics and marketing. It is hard to overstate the value of participating in a successful product launch and the strong momentum that comes with it, which is something the entire company feels and benefits from.

Hyper casual games

Paint Hit is a new category of game for MAG which can be defined as part of the "hyper-casual" genre. This is a genre defined by highly accessible game mechanics, often without any tutorial elements, and with focus on instant entertainment with a minimal amount of strain on the player. When done in the right way, this results in a lower cost per installation (CPI) and the potential for high organic growth. As for the revenue profile (LTV), you will typically see the majority of revenue during a relatively short time span after install. Hyper-casual games will typically see a relatively limited number of play days in the lifetime of a player, whereas a typical MAG game expects tens of play days within the first year after install. Regarding revenue, a typical MAG game will have a build-up phase of 12-36 months until peak revenue is hit, but in the case of hyper-casual, we expect to see a revenue peak in just a few months after launch. We also expect to see significantly quicker returns on marketing efforts.





MAG INTERACTIVE

FROM THE CEO GOOD TIMES FACTORY DELIVERS

2017/18

The Good Times Factory delivers

When I speak about MAG I often talk about something we refer to as “The Good Times Factory”, which is a process for product development that helps us figure out early which ideas are really fun and should be given more time, and which ideas don’t fit the profile. The focus on this process is key to helping a fairly small organization like MAG achieve successful launches of multiple games per year in a hyper-competitive market.

It is with pride and joy I see this “factory” deliver on our bold ambition.

Both Word Domination and Paint Hit are results of a creative organization where teams are allowed to build products they believe in, followed by verifying those beliefs with tests of measurements of engagement, market compatibility, and in the end, business performance.

In seeing all the exciting projects we have in earlier phases of this process, it is with great confidence we can look to the future, and the possibility to continue to deliver global hits to a broad audience.

A handwritten signature in black ink, appearing to read 'D. Hasselberg'.

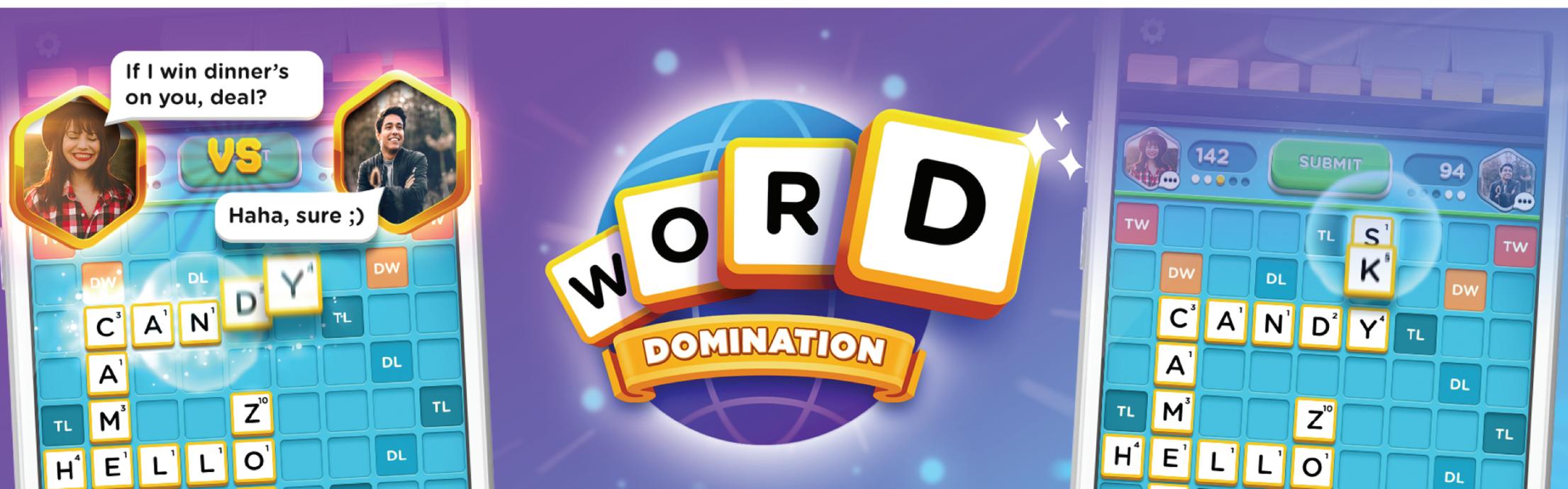
DANIEL HASSELBERG, CEO



May 31st, we launched Word Domination globally on App Store and Google Play.

The game has received strong support from both Apple and Google with solid exposure on the front page of the stores in all major western markets. On the App Store the game was presented on the front page for a full three weeks, instead of the expected one week, which indicates that we have something unique that players engage with and the platforms want to get across to their audience. The global launch has been very positive and already a few days into the launch we could announce that we exceeded 100,000 hours of daily game play which is a strong indicator of the engagement from the players and we can today announce that we have reached the milestone of one million downloads. Our belief is that Word Domination will be an important game for MAG for many years to come and we will continuously invest in both marketing and product development going forward.

Word Domination is a modern game with a tactical twist where players challenge each other in a fresh and exciting real-time battle of words. Opponents face off forming words on a shared board to score points in five-round matches. In addition to points granted for each word and bonus tiles that increase the score of any letter or word played on them, players can also collect and play over 40 unique booster cards to supercharge their turn. This tactical element coupled with real time gameplay sets Word Domination apart from other games in the genre and has shown highly popular with players in test markets.



CONSOLIDATED PROFIT/LOSS AND CASHFLOW FOR THE PERIOD 2017/18

MARCH UNTIL MAY 2018

OPERATING INCOME

The Group's operating income for the period was 57,655 KSEK (81,176 KSEK), a decrease of 29% compared to the same period the previous year. The Group's Net sales for the period totalled 51,202 KSEK (75,139 KSEK), a decrease of 32%.

Own work capitalised totalled 5,544 KSEK (5,218 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 Quiz Duel, WordBrain, Ruzzle, Wordalot, Backpacker and WordBrain2. Quiz Duel and Backpacker contributed significantly to higher sales, while other titles in the portfolio had decreasing sales.

OPERATING EXPENSES, EBITDA AND OPERATING PROFIT/LOSS

Operating expenses totalled 52,238 KSEK (76,257 KSEK). Of these, 16,108 KSEK (22,826 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 11,149 KSEK (35,199 KSEK) were costs of Direct marketing and 7,145 KSEK (6,095 KSEK) were Other external operating expenses.

Costs for Direct marketing decrease as a consequence of the focus on ROI. The lower costs are attributable to lower available volumes for the older games in the portfolio, and in particular Wordbrain that had significantly higher volumes in the comparison period.

Personnel expenses totalled 17,835 KSEK (12,136 KSEK) an increase of 47%. The average number of employees during the period was 74 (51) an increase of 45%. The higher costs in the quarter comes from a restructuring cost of 3.7 MSEK (see note 6).

EBITDA for the period was 5,417 KSEK (4,919 KSEK).

Depreciation and impairments of tangible and intangible assets totalled 5,927 KSEK (7,822 KSEK), of which 4,565 KSEK (3,454 KSEK) was depreciation of capitalised development expenses and 1,124 KSEK (1,686 KSEK) was depreciation of intangible assets.

The Group's operating profit was -510 KSEK (-2,903 KSEK) and profit before tax 1,415 KSEK (-2,960 KSEK).

ADJUSTED RESULT [NOTE 3]

Adjusted EBITDA for the period was 5,417 KSEK (5,091 KSEK)

Adjusted operating result for the period was 1,415 KSEK (-2,788 KSEK)

PROFIT/LOSS AFTER TAX

Profit after tax totalled 622 KSEK (-3,191 KSEK)

The profit after tax per share was 0.02SEK/share (-0.17SEK/share) och the profit after tax per share fully diluted was 0.02 SEK/share (-0.17 SEK/share)

The average number of share during the period was 26,321,393 (19,250,000) and the average number of shares fully diluted was 26,790,639 (19,250,000)

CASH FLOW FOR THE PERIOD – PERIODEN MAR 2017 TILL MAJ 2018

The Group's cash flow from operating activities during the quarter was -2,089 KSEK (177 KSEK). Cash flow from investing activities was 13,934 KSEK (-6,150 KSEK), of which 13331 KSEK (-6,000 KSEK) was change in securities. Cashflow from finansiring activities was 0 TSEK (0 TSEK)



CONSOLIDATED PROFIT/LOSS FOR THE PERIOD SEP 2017 UNTIL MAY 2018

2017/18

OPERATING INCOME

The Group's operating income for the period was 180,637 KSEK (220,752 KSEK), a decrease of 18% compared to the same period the previous year. The Group's Net sales for the period totalled 163,130 KSEK (202,490 KSEK), a decrease of 19%.

Own work capitalised totalled 15,793 KSEK (16,561 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 WordBrain, Quiz Duel, Wordalot, Ruzzle, WordBrain2 and Backpacker.

OPERATING EXPENSES, EBITDA AND OPERATING PROFIT/LOSS

Operating expenses totalled 220,184 KSEK (198,074 KSEK). Of these, 47,637 KSEK (60,444 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 48,618 KSEK (86,731 KSEK) were costs of Direct marketing and 68,448 KSEK (18,023 KSEK) were Other external operating expenses.

Costs for Direct marketing decrease as a consequence of the focus on ROI. The lower costs are attributable to lower available volumes for the older games in the portfolio, and in particular Wordbrain that had significantly higher volumes in the comparison period.

Personnel expenses totalled 55,481 KSEK (32,877 KSEK) an increase of 69%. The average number of employees during the period was 89 (51) an increase of 75%. The personnel costs for the period includes a restructuring cost of 3.7 MSEK.

EBITDA for the period was -39,547 KSEK (22,678 KSEK).

Depreciation and impairments of tangible and intangible assets totalled 18,353 KSEK (17,772 KSEK), of which 13,228 KSEK (9,817 KSEK) was depreciation of capitalised development expenses and 4,496 KSEK (5,058 KSEK) was depreciation of intangible assets.

The Group's operating profit was -57,900 KSEK (4,905 KSEK) and profit before tax -56,493 KSEK (4,951 KSEK).

ADJUSTED RESULT (NOTE 3)

Adjusted EBITDA for the period was 9,479 KSEK (22,882 KSEK)

Adjusted operating result for the period was -7,467 KSEK (5,155 KSEK)

PROFIT/LOSS AFTER TAX

Profit after tax totalled -60,344 KSEK (2,222 KSEK)

The profit after tax per share was -2.51 SEK/share (0.12 SEK/share) och the profit after tax per share fully diluted was -2.47 SEK/share (0.12 SEK/share)

The average number of share during the period was 24,018,095 (19,250,000) and the average number of shares fully diluted was 24,447,678 (19,250,000)



PARENT COMPANY PROFIT/LOSS FOR THE PERIOD MARCH UNTIL MAY 2018

2017/18**OPERATING INCOME**

The parent company's Net sales for the period were 35,108 KSEK (75,139 KSEK), a decrease of 53% compared with the same period the previous year.

OPERATING EXPENSES AND OPERATING PROFIT/LOSS

Operating expenses totalled 43,812 KSEK (76,399 KSEK).

Of these 11,758 KSEK (22,837 KSEK) were Sales-related costs originating primarily from fees to Apple App Store and Google Play, costs of Performance based marketing were 10,971 KSEK (35,199 KSEK) and 6,353 KSEK (6,128 KSEK) was other external operating expenses.

Depreciation and impairments of tangible and intangible assets totalled 1,347 KSEK (1,970 KSEK), of which 1,124 KSEK (1,686 KSEK) was depreciation of intangible assets.

The parent company's operating profit for the period was -9,626 KSEK (-2,411 KSEK).

PROFIT AFTER TAX

Profit after tax totalled to -9,184 KSEK (-2,435 KSEK).



PARENT COMPANY PROFIT/LOSS FOR THE PERIOD SEP 2017 UNTIL MAY 2018

2017/18

OPERATING INCOME

The parent company's Net sales for the period were 123,614 KSEK (202,490 KSEK), a decrease of 39% compared with the same period the previous year.

OPERATING EXPENSES AND OPERATING PROFIT/LOSS

Operating expenses totalled 156,457 KSEK (198,764 KSEK).

Of these 39,876 KSEK (60,518 KSEK) were Sales-related costs originating primarily from fees to Apple App Store and Google Play, costs of Performance based marketing were 47,996 KSEK (86,731 KSEK) and 27,739 KSEK (18,160 KSEK) was other external operating expenses.

Depreciation and impairments of tangible and intangible assets totalled 5,073 KSEK (5,565 KSEK), of which 4,496 KSEK (5,058 KSEK) was depreciation of intangible assets.

The parent company's operating profit for the period was -36,825 KSEK (-138 KSEK).

PROFIT AFTER TAX

Profit after tax totalled to -36,269 KSEK (-1,054 KSEK).



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

2017/18

Total intangible non-current assets at the end of the period totalled 136,212 KSEK (41,056 KSEK), of which 69,567 KSEK (8,662 KSEK) relates to intellectual property and 66,645 KSEK (32,394 KSEK) to other intangible assets. The latter consists primarily of capitalised development expenses on own account.

Cash and cash equivalents at the end of the period totalled 242,054 KSEK (36,065 KSEK)

Equity at the end of the period totalled 343,472 KSEK (100,380 KSEK), corresponding to 13.0 SEK/share (5.2 SEK/share)

The equity/assets ratio at the same time was 80.9% (67.1%)

The group has interest bearing debt of 35,000 KSEK (0 KSEK)

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

The parent company's intangible non-current assets at the end of the period totalled 0 KSEK (6,182 KSEK)

Cash and cash equivalents at the end of the period totalled 203,623 KSEK (33,051 KSEK)

Equity at the end of the period totalled 285,366 KSEK (51,397 KSEK)



KEY INDICATORS FOR THE BUSINESS PERIOD MARCH UNTIL MAY 2018

2017/18

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 29,852 KSEK (62,374 KSEK), a decrease of 52% compared to the same period the previous year.

The Group's Net sales from In app advertising were 21,103 KSEK (12,765 KSEK), an increase of 65% compared with the same period the previous year.

CONTRIBUTION FROM SALES ACTIVITIES

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 income 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 31,103 KSEK (21,231 KSEK), an increase of 46% compared to the same period the previous year.

COMMENTS ON THE DISTRIBUTION OF INCOME AND CONTRIBUTIONS FROM SALES ACTIVITIES

The split in Net sales between In app purchases and In app advertising is changing due to lower sales in the games mostly monetized by In app purchases and the high share of advertising sales in Quiz Duel. The increased contribution is due to the high contribution in Quiz Duel.



KEY INDICATORS FOR THE BUSINESS CONTO.

2017/18

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 2.9 million (1.8 million), an increase of 60% compared with the same period the previous year.

MAU for the period 9.7 million (8.0 million), an increase of 22% compared with the same period the previous year.

MUP for the period 129 thousand (201 thousand), a decrease of 36% compared with the same period the previous year.

ARPDau for the period 2.8 cent (5.2 cent), a decrease of 46% compared with the same period the previous year.

COMMENTS TO THE KPIs

During the quarter the total DAU was 2.9 million and corresponding for MAU was 9.7 million. This is equivalent to an increase of 60% and 22% respectively compared to MAG Interactive same period previous year. A measure of how much the user base for MAG Interactive increased through the acquisition of FEO Media.

MUP was 129 thousand. MAG Interactive games had a lower conversion compared to previous year due to a the higher share of organic users. The conversion of the games from FEO Media is lower due to the main monetization being advertising.

The average sales per user (ARPDau) decreases compared to the same period last year due to the lower average sales per user in games from FEO Media.

SUMMARY OF THE BUSINESS' KEY PERFORMANCE INDICATORS

2017/18

Period	Unit	Mar-May 17/18	Mar-May 16/17
In-app purchases	KSEK	29,852	62,374
Advertising	KSEK	21,103	12,765
Other	KSEK	275	0
Net sales	KSEK	51,230	75,139
Average SEK/USD		8.1724	8.9970
<i>Share of Net sales</i>			
<i>In-app purchases</i>		58%	83%
<i>Advertising</i>		41%	17%
Platform fee	KSEK	8,950	18,709
Direct marketing	KSEK	11,149	35,199
Game contribution	KSEK	31,131	21,231
<i>Share of Net sales</i>			
<i>Platform fee</i>		17%	25%
<i>Direct marketing</i>		22%	47%
Game contribution		61%	28%
EBITDA	KSEK	5,417	4,919
Adjusted EBITDA (note 3)	KSEK	5,417	4,919
DAU	Millions	2.9	1.8
MAU	Millions	9.7	8.0
MUP	Thousands	129	201
ARPPDAU	US \$ cent	2.8	5.2



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 two fully owned subsidiaries in the group. MAG Games Ltd, only has internal Group invoicing and carries out development and other functions in the company's operations. FEO Media AB with its base in Stockholm and 15 employees operates the game Quiz Duel.

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 2015/2016.

IMPACT ON FORTHCOMING STANDARDS

IFRS 15 "Revenue from contracts with customers" enters into force on 1 January 2018. For the Group this means application in the financial year that begins on 1 September 2018. Early application is permitted. MAG has quantified the affects of IFRS 15 during the third quarter. The initial analysis shows that the affect from IFRS 15 will be limited. Future changes in type of games and type of items sold may change this. 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 not have any material impact on the Groups financial statements.

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 minimise these effects. See Note 3 of the consolidated accounts for the financial year 2015/16 for a more detailed analysis of risks, and in the prospectus that the company published in conjunction with the listing on NASDAQ First North in December 2017. The prospectus is available on the company website.

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 realised 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

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



PERSONNEL

The average number of employees during the period was 74, compared to 51 the same period previous year.

AUDITOR'S REVIEW

This report has not been the subject of a summary audit by the auditor.

CONTACT

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

Or contact

Daniel Hasselberg, VD, at daniel@maginteractive.se eller,
Magnus Wiklander, CFO, at magnus.wiklander@maginteractive.se

MAG INTERACTIVE AB (PUBL)

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Sweden

FURTHER REPORTING DATES

Interim report September-August 2017/2018 and year-end report 17 October 2018

Interim report September-January 2018/2019 23 January 2019

TWITCH VIDEO CAST

The 4 July at 10:00 CET, CEO Daniel Hasselberg and CFO Magnus Wiklander will hold a Twitch video cast call to present the interim report. Link to the Twitch feed www.twitch.com/maginteractive
More information is available at maginteractive.se/investor-relations

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 4 July 2018



WALTER MASALIN
Chairman of the Board

DANIEL HASSELBERG
CEO, Board member

JOHAN PERSSON
Board member

KAJ NYGREN
Board member

TEEMU HUUHTANEN
Board member

MICHAEL HJORTH
Board member

CONSOLIDATED INCOME STATEMENT**2017/18**

Amounts in KSEK	Note	Mar-May 17/18	Mar-May 16/17	Sep-May 17/18	Sep-May 16/17	FY 16/17
Operating income						
Net sales	1	51,202	75,139	163,130	202,490	260,405
Own work capitalised		5,544	5,218	15,793	16,561	20,205
Other operating income		909	819	1,715	1,702	2,759
Total operating income		57,655	81,176	180,637	220,752	283,370
Operating expenses						
Sales related costs	2	-16,108	-22,826	-47,637	-60,444	-78,950
Performance based marketing		-11,149	-35,199	-48,618	-86,731	-111,146
Other external expenses	5, 6	-7,145	-6,095	-68,448	-18,023	-23,740
Personnel costs	5	-17,835	-12,136	-55,481	-32,877	-42,437
Total operating expenses		-52,238	-76,257	-220,184	-198,074	-256,272
EBITDA		5,417	4,919	-39,547	22,678	27,097
Depreciation and impairments		-5,927	-7,822	-18,353	-17,772	-23,016
Operating profit/loss (EBIT)		-510	-2,903	-57,900	4,905	4,082
Financial income and expenses						
Income from securities		84	135	407	249	81
Interest income and similar		1,887	-197	1,977	-201	45
Interest expense and similar		-46	5	-977	-2	-657
Total financial income and expenses		1,926	-57	1,407	46	-530
Profit/loss after financial items		1,415	-2,960	-56,493	4,951	3,552
Earnings per share		0.05		-2.35	0.26	
Taxes		-794	-231	-3,852	-2,730	-2,979
Profit/loss for the period		622	-3,191	-60,344	2,222	573
Earnings per share (based on average number of shares)		0.02	-0.17	-2.51	0.12	0.03
Earnings per share fully diluted (based on average number of shares)		0.02	-0.17	-2.47	0.12	0.03
Currency effects		248	-95	1,770	-332	-1,380
Total comprehensive income for the period		870	-3,287	-58,575	1,890	-807
Average number of shares during the period		26,321,393	19,250,000	24,018,095	19,250,000	19,250,000
Average number of shares during the period fully diluted		26,790,639	19,250,000	24,447,678	19,250,000	19,318,534
Number of shares at the end of the period		26,321,393	19,250,000	24,806,242	19,250,000	19,250,000
Number of shares at the end of the period fully diluted		26,790,639	19,250,000	25,275,488	19,250,000	19,574,871

CONSOLIDATED BALANCE SHEET
ASSETS**2017/18**

Amounts in KSEK	Note	31/5 2018	31/5 2017	31/8 2017
ASSETS				
Goodwill		69,567	8,662	7,976
Other intangible assets		66,645	32,394	30,976
Total intangible assets		136,212	41,056	38,952
Equipment, tools, fixtures and fittings		3,041	2,347	2,699
Total tangible assets		3,041	2,347	2,699
Other long-term receivables		4,294	1,841	1,836
Deffered tax assets		1,379	1,609	1,263
Total financial non-current assets		5,673	3,450	3,099
Total non-current assets		144,926	46,853	44,750
Current receivables				
Trade and other receivables		13,448	17,538	13,604
Current tax assets		725	3,692	1,295
Other current receivables		5,368	1,911	1,177
Prepaid expenses and accrued income		18,204	25,440	19,706
Other short-term securities	7	0	18,186	19,018
Cash and cash equivalent		242,054	36,065	40,561
Total current receivables		279,798	102,831	95,361
TOTAL ASSETS		424,724	149,684	140,111

**CONSOLIDATED BALANCE SHEET
LIABILITIES AND EQUITY****2017/18**

Amounts in KSEK

	Not	31/5 2018	31/5 2017	31/8 2017
EQUITY AND LIABILITIES				
Equity				
Share capital		684	50	50
Reserves		-2,064	-2,797	-3,840
Profit/loss for the period		-64,559	2,222	0
Retained earnings incl, comprehensive income for the year		409,411	100,906	102,697
Total equity		343,472	100,380	98,907
Deferred tax liabilities		19,414	14,724	14,652
Other long-term liabilities		35,000	0	0
Total long-term liabilities		54,414	14,724	14,652
Current liabilities				
Trade and other payables		10,836	14,744	13,265
Current tax liability		-3,990	0	0
Other current liabilities		3,982	3,056	2,332
Accrued expenses and prepaid income	5	16,009	16,781	10,955
Total current liabilities		26,838	34,580	26,552
TOTAL EQUITY AND LIABILITIES		424,724	149,684	140,111

CONSOLIDATED CASH FLOW**2017/18**

Amounts in KSEK	Mar-May 17/18	Mar-May 16/17	Sep-May 17/18	Sep-May 16/17	FY 16/17
Cash flow from operating activities					
Profit/loss before financial items	-510	-2,903	-26,494	4,905	4,082
Adjustment for items not included in cash flow	-592	2468	1,442	1,219	3,504
Interest received	1972	139	2384	765	127
Interest paid	432	-197	353	-713	-7
Income tax paid	-578	1,850	-3,813	-1,948	-1,682
Cash flow from operating activities before change in working capital	724	1357	-26,128	4,228	6,024
Change in current operating receivables	8,249	-3,147	13,340	-15,638	-3,392
Change in current operating liabilities	-11,062	1,967	285	14,556	6,487
Total change in working capital	-2,813	-1,180	13,625	-1,082	3,096
Cash flow from operating activities	-2,089	177	-12,503	3,146	9,119
Cash flow from investing activities					
Investments in tangible non-current assets	603	-150	382	-2,557	-3,104
Investment intangible assets	0	0	0	0	0
Aquisition of subsidiary, after deduction of cash and cash equivalents acquired	0	0	-110,821	0	0
Change in securities	13331	-6,000	18,783	-1,498	-3,004
Change in long-term receivables	0	0	0	0	0
Cash flow from investing activities	13,934	-6,150	-91,656	-4,055	-6,107
Cash flow from financing activities					
Redemption of shares	0	0	0	0	0
Dividend	0	0	0	-14,919	-14,919
Warrants	0	0	0	0	1,218
Emission	0	0	271,735	0	0
Long term loans	0	0	35,000	0	0
Cash flow from financing activities	0	0	306,735	-14,919	-13,701
Reduction/increase in cash and cash equivalent					
Cash flow for the period	11,845	-5,972	202,576	-15,828	-10,689
Exchange rate differences in cash and cash equivalents	-230	0	-1083	-5	-648
Opening cash and cash equivalents	230,430	42,037	40,561	51,898	51,898
Closing cash and cash equivalents	242,053	36,065	242,054	36,065	40,561

**CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY****2017/18**

	Share capital	Reservs	Retained earnings	Total equity
Starting balance 1/3 2018	50	-3,840	102,697	98,907
Profit/loss for the period			-28,939	-28,939
Profit/loss attributable to emission Delinquent			-31,405	-31,405
Exchange rate differences		1,770		1,770
Total comprehensive income		1,770	-60,344	-58,575
Increase share capital	450		-450	0
Issue expenses			-8,284	-8,284
Issue of shares	184		279,835	280,018
Issue of shares Delinquent acquisition			31,405	31,405
Ending balance 31/5 2018	684	-2,071	344,859	343,472

The total cost of the IPO on NASDAQ Stockholm First North Premier was 15 759 TSEK of which 8 284 MSEK is issue expense in owners equity and costs of 7 475 TSEK are accounted for in the PnL. See note 3 for effect on fiscal year 2017/18

PARENT COMPANY'S INCOME STATEMENT

2017/18

Amounts in KSEK	Mar-May 17/18	Mar-May 16/17	Sep-May 17/18	Sep-May 16/17	FY 16/17
Operating income					
Net sales	35,108	75,139	123,614	202,490	260,405
Own work capitalised	0	0	0	0	0
Other operating income	426	819	1,091	1,702	2,759
Total operating income	35,533	75,958	124,704	204,191	263,164
Operating expenses					
Raw materials and consumables	-11,758	-22,837	-39,876	-60,518	-79,036
Performance based marketing	-10,971	-35,199	-47,996	-86,731	-111,146
Other external expenses	-6,353	-6,128	-27,739	-18,160	-23,913
Personnel costs	-14,731	-12,235	-40,846	-33,355	-42,962
Total operating expenses	-43,812	-76,399	-156,457	-198,764	-257,057
EBITDA	-8,279	-441	-31,752	5,427	6,107
Depreciation and impairments	-1,347	-1,970	-5,073	-5,565	-698
Operating profit/loss	-9,626	-2,411	-36,825	-138	-1,335
Financial income and expenses					
Profit/loss from securities	334	0	421	517	521
Other interest income and similar	115	-197	191	-201	45
Other interest expenses and similar	-7	5	-56	3	-652
Total financial income and expenses	442	-192	556	319	-86
Profit/loss after financial items	-9,184	-2,603	-36,269	181	-1,421
Taxes	0	168	0	-1,236	-949
Profit/loss for the period	-9,184	-2,435	-36,269	-1,054	-3,770

PARENT COMPANY'S BALANCE SHEET

ASSETS

2017/18

Amounts in KSEK	31/5 2018	31/5 2017	31/8 2017
Intellectual property rights	0	6,182	4,496
Total intangible assets	0	6,182	4,496
Equipment, tools, fixtures and fittings	2,536	2,168	2,551
Total tangible non-current assets	2,536	2,168	2,551
Participation in Group companies	150,528	15,797	15,797
Other long-term receivables	1,782	1,782	1,782
Total financial non-current assets	152,310	17,580	17,580
Total non-current assets	154,846	25,929	24,626
Current receivables			
Trade and other receivables	8,653	17,538	13,604
Other receivables	879	4,579	1,847
Prepaid expenses and accrued income	13,283	25,425	19,701
Other long-term securities	0	18,000	19,004
Total current receivables	22,815	65,542	54,156
TOTAL ASSETS	381,284	124,521	116,306

PARENT COMPANY'S BALANCE SHEET

LIABILITIES AND EQUITY

2017/18

Amounts in KSEK	31/5 2018	31/5 2017	31/8 2017
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	684	50	50
Non-restricted equity			
Profit/loss for the year	0	11,843	-3,770
Profit/loss for the period	-36,269	-1,054	0
Retained earnings	320,951	40,559	53,620
Total equity	285,366	51,397	49,900
Deferred tax liabilities	40,120	38,720	40,120
Untaxed reserves	40,120	38,720	40,120
Other long-term liabilities	35,000	0	0
Total long-term liabilities	35,000	0	0
Current liabilities			
Trade and other payables	9,807	14,603	12,992
Liabilities to Group companies	1,410	1,144	1,210
Other liabilities	1,136	2,805	2,073
Accrued expenses and prepaid income	8,446	15,851	10,011
Total current liabilities	20,799	34,404	26,286
TOTAL EQUITY AND LIABILITIES	381,284	124,521	116,306

Term	Description
Net sales	Total game revenue, drawn from In-app purchases and advertising. MAG records the full revenue from In-app purchases and reports the share to the platform as a cost item (platform fee).
In-app purchases	The value of purchases made in an app through Google Play or Apple App Store or other such store.
Advertising	Net sales from ads in the games.
Platform fee	30% of the In-app purchases are costs to the platform, primarily Google Play and Apple App Store.
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

2017/18

NOTE 1: DISTRIBUTION OF NET SALES

Amounts in KSEK	Mar-May 17/18	Mar-May 16/17	Sep-May 17/18	Sep-May 16/17	FY 16/17
In-app purchases	29,852	62,374	105,725	162,758	210,941
Advertising income	21,103	12,765	56,840	39,731	49,460
Other	247	0	565	0	4
Total	51,202	75,139	163,130	202,489	260,405

NOTE 2: SALES RELATED COSTS

Platform fee	-8,950	-18,709	-31,713	-48,783	-63,283
Server costs	-5,867	-2,466	-11,849	-7,189	-9,564
Other sales related costs	-1,292	-1,651	-4,074	-4,472	-6,104
Total sales related costs	-16,108	-22,826	-47,637	-60,444	-78,950

NOTE 3: ADJUSTED EBITDA AND PROFIT BEFORE TAX

EBITDA	5,417	4,919	-39,547	22,678	27,097
IPO costs	0	0	31,405	0	0
Acquisition costs	0	172	7,239	204	236
Restructuring cost	0	0	976	0	0
Cost related to the acquisition of MAG Games Ltd	0	0	9,406	0	0
Adjusted EBITDA	5,417	5,091	9,479	22,882	27,333
Profit/loss before tax	1,415	-2,960	-56,493	4,951	3,552
IPO costs	0	0	31,405	0	0
Acquisition costs FEO Media	0	0	7239	204	0
Restructuring cost					
Acquisition cost Delinquent (note 6)	0	0	9,406	0	0
Adjusted profit/loss before tax	1,415	-2,960	-8,443	5,155	3,552

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 Quiz Duel which is published on Google Play and Apple App Store and has its main audience in Germany.

The acquisition was made with cash of 85,000 KSEK 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 is preliminary and will be determined in a closing balance sheet. The final payment of 15,000 KSEK is to be made during 2018 and the amount is in escrow until then and are not included in the consolidated balance sheet.

A preliminary acquisition analysis is presented below. The cash consideration as well as fair values are indicative and may be adjusted in conjunction with the continued analysis of the acquired assets.

Amounts in KSEK	Preliminary acquisition analysis
Paid as of 7 November 2017	
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
Total	73,264
Goodwill	60,491

FEO Media has contributed 40,610 KSEK to the Net sales and 8,402 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 49,955 KSEK and the contribution to EBITDA would have been 10,763 KSEK. Transaction cost have contributed to the consolidated profit and loss during the period with 976 KSEK. Goodwill corresponding to 60,491 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	Mar-May 17/18	Mar-May 16/17	Sep-May 17/18	Sep-May 16/17	FY 16/17
Rent	0	0	-5,659	0	0
Personnel costs	0	0	-3,747	0	0
Total Restructuring cost	0	0	-9,406	0	0

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	Mar-May 17/18	Mar-May 16/17	Sep-May 17/18	Sep-May 16/17	FY 16/17
Cost related to the acquisition of MAG Games Ltd	0	0	-31,405	0	0
IPO costs	0	-172	-7,239	-204	-236
Cost related to the acquisition of FEO Media AB	0	0	-976	0	0
Restructuring costs FEO Media AB	0	0	-5,659	0	0
Other external expenses	-7,145	-5,923	-23,169	-17,819	-23,504
Total other external expenses	-7,145	-6,095	-68,448	-18,023	-23,740

NOTE 7: CALCULATION OF FAIR VALUE

The table below shows financial instruments valued at fair value, based on how the classification in the fair value hierarchy has been carried out. The different levels are defined as follows:

- Listed prices (unadjusted) on active markets for identical assets or liabilities (level 1)
- Other observable data for the asset or liability than listed prices included in level 1, either direct (i.e. as price recordings) or indirectly (i.e. derived from price recordings) (level 2).
- Data for the asset or liability that is not based on observable market data (i.e. non-observable data) (level 3).

The table below shows the Group's financial assets and liabilities at fair value on each balance sheet date:

Financial assets valued at fair value through the income statement	31/5 2018	31/5 2017	31/8 2017
Other securities (level 1) KSEK	0	18,186	19,018
Total assets	0	18,186	19,018

NOT 8: 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. 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	<i>18,550</i>
Market value	44	<i>31,423,700</i>
Share premium	18.55	
Not yet registered share capital	18,550	
Effect on profit and loss	31,405,131.45	SEK

GOOD TIMES