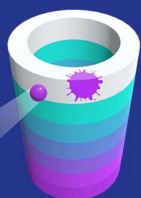


ANNUAL REPORT 2017/18

MAG INTERACTIVE AB (PUBL)



**50 MILLION UNIQUE PLAYERS
DURING THE YEAR**



PAINT HIT
#1 CASUAL GAME US
WORD DOMINATION
FIRST REAL-TIME PVP



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A YEAR IN BRIEF



AN EVENTFUL YEAR FOR MAG

This financial year started off with the October 2017 announcement of the acquisition of FEO Media, which was finalized in November 2017. The FEO acquisition meant adding Quiz Duel to our game portfolio and taking a leading position in the world of mobile trivia games. Following the acquisition we have focused on investing in the technology side of Quiz Duel, moving it to our common server infrastructure as well as consolidating the huge number of localized Quiz Duel versions across the globe into one common Quiz Duel app. This will enable decreased server costs going forward and significantly reduce the development time of new features.

In December the company started trading on the Nasdaq First North stock exchange and in the initial public offering 200 MSEK was raised to help further expansion of the business.

Fast forward to summer 2018 and our first ever real time multiplayer game, Word Domination, was launched in May. The game got strong support from Apple and Google and we have been able to grow the game's audience every month since launch and announced in our fourth quarterly report that the active player base on a monthly basis has surpassed 500.000 players. Word Domination has the highest daily player engagement of any game MAG has ever released.

**WORD DOMINATION HAS THE HIGHEST
DAILY PLAYER ENGAGEMENT OF ANY
GAME MAG HAS EVER RELEASED**

In June we launched the game Paint Hit targeting the fast growing hyper casual segment. It has a truly global audience with players from all over the world, which is slightly different from the core portfolio of MAG games that are aimed at North America and Western Europe. Hyper casual games typically gain returns through in-app advertisements and high volumes of downloads. We have learned, through the successful launch of Paint Hit, how to tailor our marketing and ad optimization strategy with this in mind. We do see promise in this category thanks to its effective cross-promotion potential and have a number of hyper casual games in our development pipeline.

On June 9th Paint Hit reached the number one position in the casual games download chart in the US on Google Play. It maintained the number one spot for almost a month and stayed in the top three for two months. In November we announced that Paint Hit had been downloaded more than 20 million downloads since the launch in June.

On a special note, Word Domination was chosen to be featured in the US App Store as "Game of the day" August 2018. This is an accomplishment that very few games and studios can pride themselves with achieving. Combined with the success of Paint Hit on the top charts, we see this accolade as a testament to the world class game development talent we have in the company.

A WORD FROM THE CEO

GOOD TIMES → GOOD TIMES TOGETHER

Games are just more fun with friends. Of course we realize this from our own personal experiences, but more importantly we know this, because data from our more than 250 million players shows us evidence of this. In the future MAG will double down on social games where we've seen amazing traction historically and continuously see strong support. This is exemplified by our socially based evergreen games Ruzzle and Quiz Duel. Our recent launch of Word Domination shows the same great long term retention patterns as those evergreen games and enforces our belief that this is an area where we should focus our efforts going forward.



Our long term vision for MAG is to be a global leader in casual multiplayer games, and our product development strategy for new games is focused around that area. We will also double down on improvements of our live multiplayer games, particularly Quiz Duel and Word Domination, which both show a lot of potential for future growth. Our classic tag line about delivering Good Times has now evolved to Good Times Together to really emphasize the social aspect of our mission.

WORLD CLASS TALENT BUILD WORLD CLASS GAMES

We continue to recruit the best of the best from across the globe. Having shipped games in 2018 that rose to #1 in US casual games or have been selected as the Game of the Day by Apple shows that we have some of the best game teams, analysts and marketers in the world and that we are really well positioned from that perspective. The fact that we have reached more than 50 million unique players during this fiscal year with our games shows our world class marketing capabilities and this is one of the keys to our future success.



**“...WE HAVE REACHED MORE THAN 50
MILLION UNIQUE PLAYERS DURING THIS
FISCAL YEAR WITH OUR GAMES...”**



MAG can offer these global talents an environment where they can thrive and make the most out of their creativity with the support of a highly professional business which makes sure their games make it to market and generate sufficient profits to enable continued investments in new games. We also welcome everyone to be part of our bonus and stock option programs so that all employees feel invested in delivering on the business goals of the company.

OUR GAME DEVELOPMENT PROCESS IS THE KEY TO THE FUTURE

At MAG we have regular game jams where we meet and come up with new fresh game ideas about ten times per year. This results in the creation of a plethora of creative prototypes and game concepts. In a typical year we end up with tens of playable games and a larger number of simpler prototypes and game concepts. Through the refinement and selection process a few of those games make it all the way out to a test launch where thousands of people get to enjoy our creations. At the very end of our process we launch games globally and we have an amazing track record of 10 straight games breaking the million player milestone within the first year of launch. In fact MAG has yet to fail to launch a million player game, and we don't intend to stop our winning streak anytime soon.

WE ARE IN THE BUSINESS OF SUSTAINABLE LONG TERM GROWTH

With all the fun and games you could easily be fooled to think that at MAG that's is all there is. Actually we are at the same time an extremely business focused and data driven company with profitable growth in mind. Despite the pain that comes with seeing our revenues decline we cut back on marketing investments for WordBrain during the year as soon as our ROI models indicated that this needed to be done. On the other hand when our models predict strong results, we double down and increase investments like we did end of this year, even though it might cause short term drops in the reported profits of the company.

A shareholder in MAG should always feel confident that the company is investing its marketing budget in a data supported and sustainable way with the sole purpose of creating long term profits. Building and running games with long term profitability in mind is the only way to stay in this business for as many years as we have and this is something that is an integral part of the the DNA of the company.

We will keep investing in product development and strive for our goal of leadership in the casual multiplayer space with the conviction that games are just more fun with friends!

ABOUT MAG

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 250 million downloads, including the titles Ruzzle, Word Domination and WordBrain, all of which have reached #1 spots on the App Store and Google Play Store. The main sales and distribution channels are Apple App Store and Google Play and the majority of revenues are generated in North America, Western Europe and Oceania.

With offices located in Stockholm and Brighton, MAG Interactive's games are distributed through virtual app stores allowing for global reach with minimum effort. The current focus is the broader casual mobile gaming category. Over the years, MAG Interactive has developed an analytics driven and repeatable game development process, based on a scientific approach to ensure quality and frequency of all productions.

MAG Interactive is listed on Nasdaq First North Premier with ticker MAGI. Avanza Bank AB is acting as MAG Interactive's Certified Adviser. For more information visit www.maginteractive.com.



GAMES

FREE-TO-PLAY

MAG Interactive's game portfolio, all within the casual gaming space is monetized through in-app purchases and in-game advertising. The games are created for mobile devices, and are distributed through virtual app stores, such as Apple App Store, Google Play Store and Amazon App Store. The proliferation of mobile devices and the free to play business model enables MAG Interactive to reach a broad audience. Users are able to explore entertainment without being forced to make upfront payments to download the game. Instead, users can purchase virtual goods during the game experience at their sole discretion.

BROAD PORTFOLIO

The Company has succeeded in creating a strong game portfolio, providing a stable base for operations. In order to maintain and develop its base, the Company is investing in marketing activities and strives to actively improve the current portfolio with new content and new features added by updating the games on a regular basis. In addition, new game launches diversify the game portfolio, making the business less and less dependent on a single game.

FUTURE

MAG Interactive's ambition is to develop games within the casual gaming space with a focus on multiplayer and strong social elements. Instead of focusing on a specific sub-genre of games, e.g. word or trivia games, MAG Interactive has adopted the approach to focus on its audience and develop games that the current MAG Interactive players would appreciate. This means that future game launches could be within different sub-genres, but targeting the same type of audience as the Company's current games. MAG Interactive's portfolio is characterised by gaming entertainment where user engagement is driven by challenging tasks and progressivity. The games should be highly accessible and played anywhere and at any time whilst being easy to learn but difficult to master.

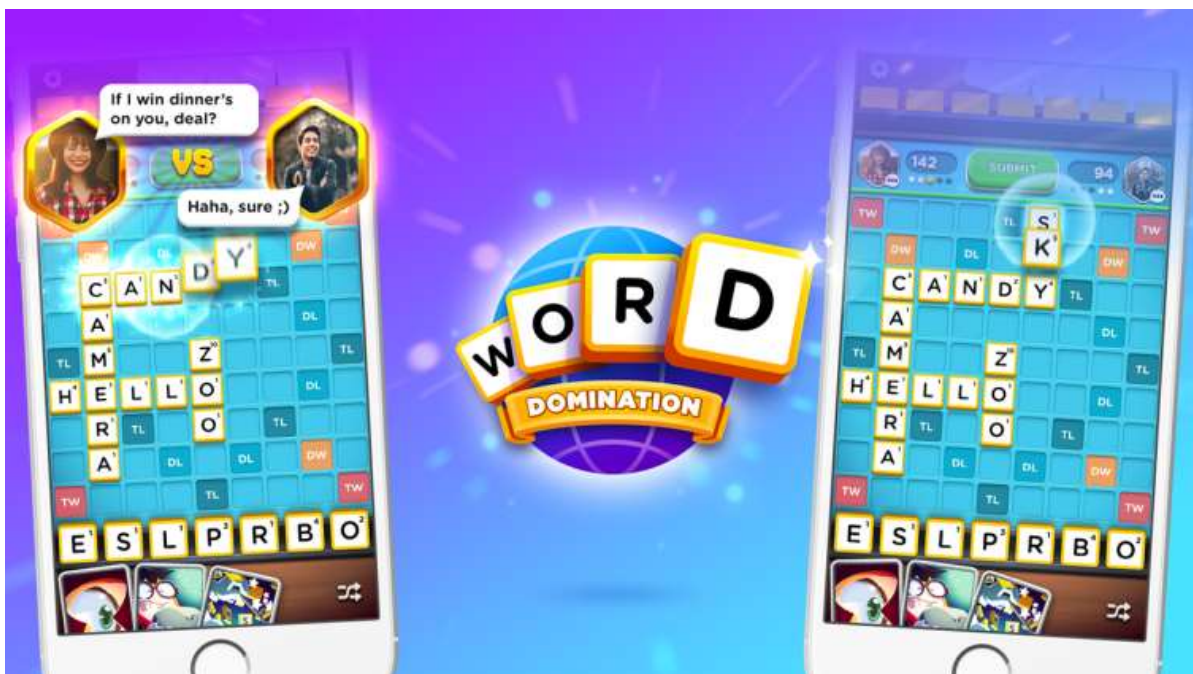
- 
- The Ruzzle app icon features the word "RUZZLE" in a large, orange, bubbly font with a white outline. Below the text are two game tiles: a yellow tile with the letter "A" and a white tile with the letter "Z". A small "nps" logo is visible in the bottom right corner of the icon.

WORD DOMINATION

Word Domination is MAG Interactive's first real time PVP-game.

Word Domination is a fast paced and addictive real-time word game. No more waiting for your opponent to make a move, see tiles being played on the board while you plan your next move. Word Domination has 45 collectable boosters that you can use to get an edge on your opponent.

Players can play Word Domination with friends or challenge other players online.

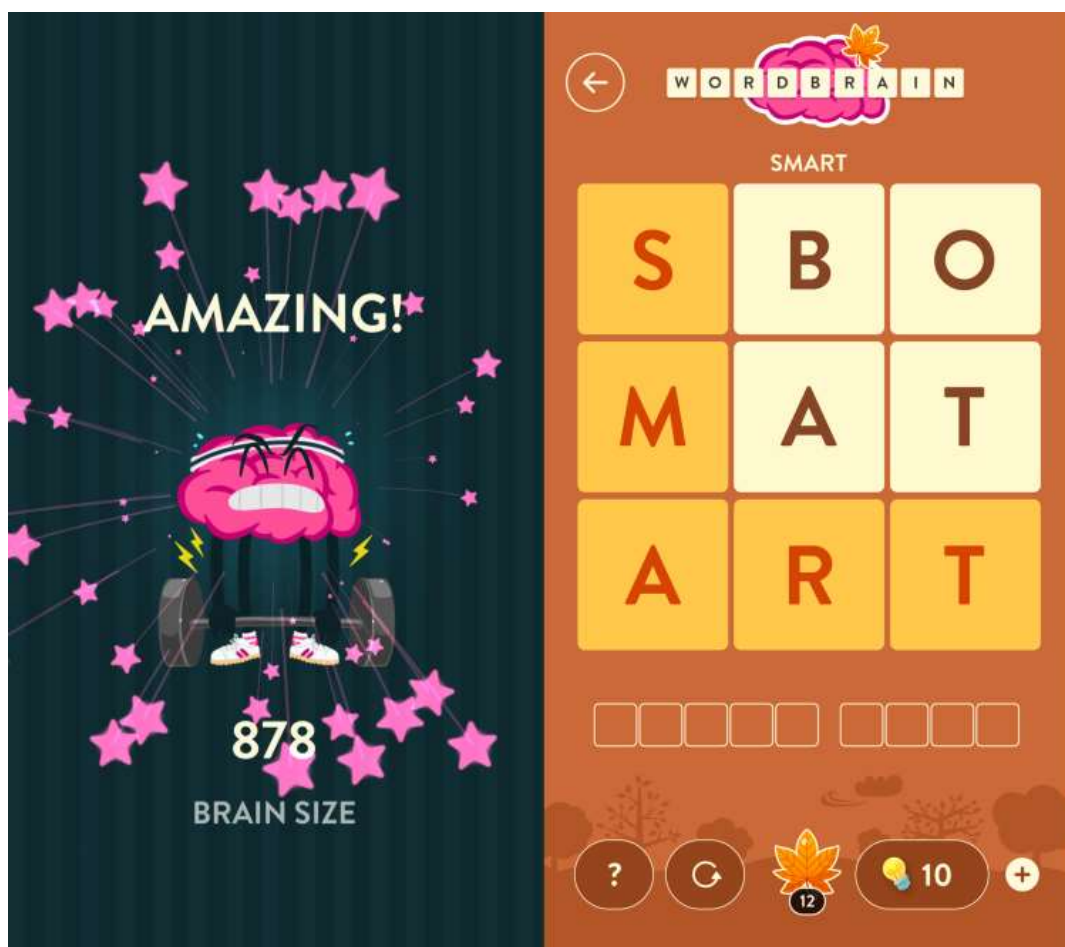


WORDBRAIN

This is a word puzzle for true word geniuses! It starts out very easy but gets challenging quickly. Exercise your brain and find hidden words, slide your finger over them, and see the letters collapse. Do it all in the correct order and you will be able to clear the grid.

As you get stuck on a level, which you probably will, remember that there are no unsolvable levels. So think carefully before each swipe and conquer the ultimate word challenge while keeping your brain in shape!

WordBrain is available in 15 languages with 1140 levels per language, so even the smartest word game enthusiasts will have a real challenge to complete this game.



WORDBRAIN2

WordBrain 2 is a spin-off of the popular WordBrain. Find hidden words, swipe your finger over them, and see the puzzle collapse. Complete the levels with themed puzzles and advance from being a simple Word Newbie to a Super Word Mastermind. The increasing level of difficulty, with themes ranging from Food to Space, will challenge even the toughest Brainiacs out there.

- Free to play
- 100+ unique Themes
- 1130 brain twisting Levels



PAINT HIT

#1 CASUAL GAMES IN THE US

In Paint Hit players shoot paint balls to color spinning towers over hundreds of increasingly challenging levels. With each paintball throw, players colour a part of the tower, making it increasingly difficult to hit uncoloured portions with the next attempt. If a shot lands on an area of the tower that they've already painted, they lose the round. Additionally, players must face a boss tower every few levels that pushes their accuracy skills to the limit and makes victory taste that much better. Fast-paced, frantic painting fun is balanced out with calming ambient music - perfect for concentrating on that critical clean shot in this super casual game.



QUIZ DUEL

Quiz Duel is an intelligent, colourful and entertaining social quiz game where you can challenge your friends and other random quizzers to exciting head-to-head games of trivia, and learn amazing new facts.

- 30,000+ high-quality text and picture questions written by the Quiz Duel team & our dedicated community of quizzers.
- Choose from loads of different categories.
- Climb the top lists - compare your knowledge against other top quizzers in your country.
- Players can write & submit their own original quiz questions for the game and get rewarded.
- Players can design their own unique Quiz Duel avatar (Premium).
- Players can connect their social media accounts and invite their friends to play.
- Quiz Duel never gets old - NEW text & picture questions added daily.



RUZZLE ADVENTURE

APP STORE ESSENTIAL & BEST GAMES OF 2014

Based on Ruzzle, one of the most popular word games ever created, Ruzzle Adventure is a different interpretation of the original idea, challenging players in a single player journey through hundreds of levels.

Can you escape the rising water, unlock the locked letters? Ruzzle Adventure offers the same signature finger-swiping mechanic as Ruzzle, but presents it in a whole new way. Every puzzle you encounter is unique. Explore the magical worlds and amazing landscapes as you advance further into the deep forests of Ruzzle Adventure, while at the same time practicing your vocabulary and spelling abilities.

Ruzzle Adventure features:

- Easy and fun to play, but a challenge to fully master
- Hundreds of mind boggling levels
- Boosters to help with those challenging levels



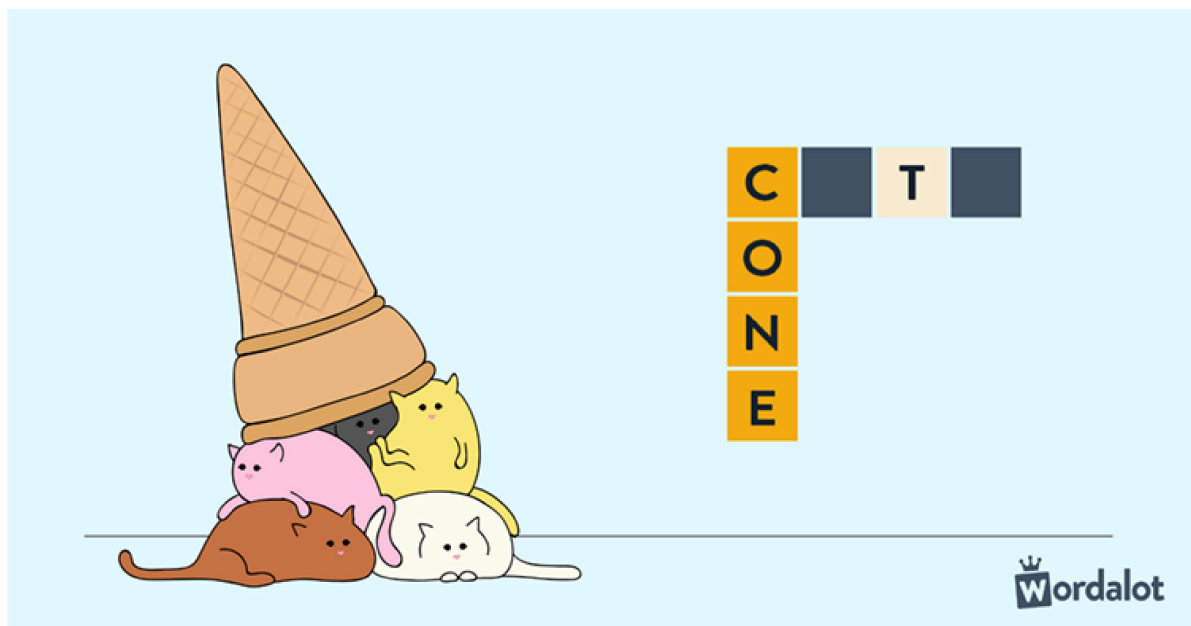
WORDALOT

Puzzle your way through more than 1,000 levels; the clues are in the pictures. This word game is both elegant and simple, yet will challenge even the greatest word enthusiast.

Wordalot features:

- Simple gameplay
- Learn new words
- Beautiful hand-picked images

Exercising our brains with Wordalot is the perfect way to take the edge off people's commute or enhance their coffee break.



PEOPLE AT MAG

At MAG we have a firm belief that the key to producing great games is teamwork created through trust. We trust everyone in the company with the freedom to decide what team they want to work with and how they can most effectively contribute.

In turn, each team owns its respective game and decides on how best to proceed in development. This way, everyone at MAG feels responsibility and has the opportunity to work on the projects that they love within a positive environment.

In order to drive innovation within the company, we have monthly hackathons during which everyone in the company comes together to learn new things, work on side projects, develop game concepts, and/or build prototypes for new games.

We believe that happy people with the freedom to flex their creativity make great entertainment, and this is how we nicknamed ourselves The Good Times Factory. Making great games should be fun, and we encourage that!



OWNERSHIP STRUCTURE

MAG Interactive AB (publ) is the parent company of the Group, which consists of MAG Interactive AB (publ) and one wholly owned subsidiary in the United Kingdom, with the company name MAG Games Limited, and one wholly owned subsidiary in Sweden, with the company name FEO Media AB.

In the beginning of December 2017 MAG Interactive was listed on NASDAQ First North Premier with first day of trading on 8 December 2017

In conjunction with the listing the company all previous preference shares were converted to common shares. The total number of shares, and common shares, is 26,321,393.

As listed on the company web site as of 30 September 2018 the major owners are:

Owners	Number of shares	%
Daniel Hasselberg	3 034 966	11,5
Kaj Nygren	3 020 439	11,5
Swedbank Robur	2 466 309	9,4
Didner & Gerge	2 135 000	8,1
Handelsbanken	1 709 670	6,5
Johan Persson	1 389 560	5,3
Anders Larsson	1 369 560	5,2
Roger Skagerwall	1 296 197	4,9
Fredrik Stenh	1 278 256	4,9
Chalex	1 052 841	4,0
RAM One	961 792	3,7
NGP	624 923	2,4

Total numbers of Shares: 26 321 393

BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT AND AUDITORS

BOARD OF DIRECTORS

According to MAG Interactive's articles of association, the board of directors shall consist of five to ten members appointed by the general meeting, without deputy members. MAG Interactive's board of directors currently consists of six members appointed by the general meeting for the period until the end of the annual general meeting to be held in 2018 for the financial year 2017/2018).

The Company's financial year is between 1 September and 31 August.

Walter Masalin
Daniel Hasselberg
Kaj Nygren
Johan Persson
Teemu Huuhtanen
Michael Hjorth

WALTER MASALIN

Walter Masalin is the chairman of the board of directors of MAG Interactive since 2014.

Walter Masalin is also the chairman of the board of directors of Evarasto Solutions Oy, a member of the board of directors of Biowink GmbH and Lifesum AB, as well as a partner at Nokia Growth Partners.

In the past five years, Walter Masalin has been, but is no longer, a member of the board of directors of Cronvall Oy and Cron-Tek Oy.

Walter Masalin holds a M.Sc. in Engineering Physics from Helsinki University of Technology and a M.Sc. in Economics from University of Helsinki, and he has also studied Economics and Psychology at Harvard University.

Walter Masalin does not hold any shares in the Company.
Walter is independent to large shareholders and to the company and the executive management.

DANIEL HASSELBERG

Daniel Hasselberg is a member of the board of directors of MAG Interactive since 2014 and the CEO of MAG Interactive since 2013. Daniel Hasselberg was also the chairman of the board of directors of MAG Interactive between the years 2010 and 2013.

Daniel holds 3 034 966 shares in the company, corresponding to 11.5 percent of the total number of shares.

Daniel is neither independent to the large shareholders or to the company and the executive management team.

KAJ NYGREN

Kaj Nygren is a member of the board of directors of MAG Interactive since 2010 and the Chief Technology Officer of MAG Interactive since 2010.

Kaj holds 3 020 439 shares in the company, corresponding to 11.5 percent of the total number of shares.

Kaj is neither independent to the large shareholders or to the company and the executive management team.

JOHAN PERSSON

Johan Persson is a member of the board of directors of MAG Interactive since 2010 and the Chief Product Officer of MAG Interactive since 2010.

Johan holds 1 389 560 shares in the company, corresponding to 5.3 percent of the total number of shares.

Johan is independent to large shareholders but not to the company and the executive management.

TEEMU HUUHTANEN

Teemu Huuhtanen is a member of the board of directors of MAG Interactive since 2013.

Teemu Huuhtanen is also the CEO of Next Games Oyj, a member of the board of directors of Armada Interactive Oy, Pilke Helsinki Oy, Rabbit Films Oy, and Vaah Holdings Oy, as well as a deputy member of the board of directors of Dark May Oy and Helsinki GameWorks Oy.

In the past five years, Teemu Huuhtanen has been, but is no longer, Vice President Mergers & Acquisitions for Rovio Entertainment Oyj, as well as Executive Vice President Marketing and Business Development for Sulake Corporation Oy.

Teemu Huuhtanen holds a BBA from Preston University.

Teemu does not hold any shares in the company.

Teemu is independent to large shareholders and to the company and the executive management.

MICHAEL HJORTH

Michael Hjorth is a member of the board of directors of MAG Interactive since 2017.

Michael Hjorth is also chairman of the board of directors of Mäklarappen Sverige AB and Starbreeze AB, as well as a member of the board of directors of Ftrack AB, Indian Nation Aktiebolag, Starbreeze Production AB, Starbreeze Publishing AB, Starbreeze Studios AB, Starbreeze Ventures AB, and Starbreeze VR AB.

In the past five years, Michael Hjorth has been, but is no longer, the chairman of the board of directors of Starbreeze Production AB, Starbreeze Publishing AB, and Starbreeze Studios AB, the chairman and a member of the board of directors of Tre Vänner Film AB, a member of the board of directors of Sensori AB (publ), SF Studios Production AB, Starbreeze AB, and Tre Vänner Aktiebolag, as well as a deputy member of the board of directors of DigiStrat AB and Fifi Holding AB.

Michael Hjorth holds a Bachelor of Liberal Arts from Bard College, New York, USA.

Michael Hjorth holds 75,000 shares in the Company through Indian Nation Aktiebolag, a company fully owned by Michael Hjorth. Michael is independent to large shareholders and to the company and the executive management.

EXECUTIVE MANAGEMENT

Daniel Hasselberg Chief Executive Officer

Magnus Wiklander Chief Financial Officer

Kaj Nygren Chief Technology Officer

Johan Persson Chief Product Officer

David Amor Product Chief Business Development Officer

Patric Blixt Chief Marketing Officer

DANIEL HASSELBERG

Daniel Hasselberg is the Chief Executive Officer of MAG Interactive since 2013.

Daniel Hasselberg is also a member of the board of directors of MAG Games Limited, MAG Interactive, Mobile Access Group Sweden AB, FEO Media AB and NMO Invest AB.

In the past five years, Daniel Hasselberg has been, but is no longer, a deputy member of the board of directors of Gaming on the Tail AB.

Daniel Hasselberg holds a M.Sc. in Engineering Physics from Uppsala University.

Daniel Hasselberg holds 3 034 966 shares in the Company through the fully owned company NMO Invest AB.

MAGNUS WIKLANDER

Magnus Wiklander is the Chief Financial Officer of MAG Interactive since 2017.

Magnus Wiklander is also a deputy member of the board of directors of Widespace Holding AB. In the past five years, Magnus Wiklander has been, but is no longer, a member of the board of directors of M Wiklander AB, as well as Chief Financial Officer of Widespace AB.

Magnus Wiklander holds a M.Sc. in Engineering Physics from Chalmers Institute of Technology, as well as a M.Sc. in Advanced Communication and Signal Processing from Imperial College.

Magnus Wiklander holds 163,175 warrants in the Company.

KAJ NYGREN

Kaj Nygren is the Chief Technology Officer of MAG Interactive since 2010.

Kaj Nygren is also a member of the board of directors of MAG Games Limited, MAG Interactive, Mobile Access Group Sweden AB, and Playful Days AB.

Kaj Nygren holds a M.Sc. in Computer Science from the Royal Institute of Technology (KTH).

Kaj Nygren holds 3 020 439 shares in the Company through the fully owned subsidiary Playful Days AB.

JOHAN PERSSON

Johan Persson is Chief Product Officer of MAG Interactive since 2010.

Johan Persson is also the chairman of the board of directors of Gumbler AB, as well as a member of the board of directors of MAG Interactive and Johan Persson Holding AB.

Johan Persson has studied the master program of Computer Science at Uppsala University.

Johan Persson holds 1 369 560 shares in the Company.

DAVID AMOR

David Amor is Chief Business Development Officer of MAG Interactive and based in the UK since 2015.

David Amor is also a member of the board of directors of 126 Marine Parade (Brighton) Limited, Picnic Games Limited, Sabre Studios Limited, and Sentinel Studios Limited.

In the past five years, David Amor has been, but is no longer, a member of the board of directors of Delinquent Interactive Limited (now MAG Games Limited), Futurlab Meta Limited, Hall Get Involved Limited, Innocent Interactive Limited, Relentless Software Limited and Relentless Studios Limited.

David Amor has studied mathematics, business and computer studies at Haywards Heath Sixth Form College.

PATRIC BLIXT

Chief Marketing Officer of MAG Interactive since 2018.

Other assignments: Patric Blixt is also a member of the board of directors of Kitab Sawti AB, Påmind AB, In-Grid AB, Swedish Hasbeens AB and A Spawn Point AB.

Education: Patric Blixt holds a Degree of Master of Science in Business and Economics from University of Uppsala.

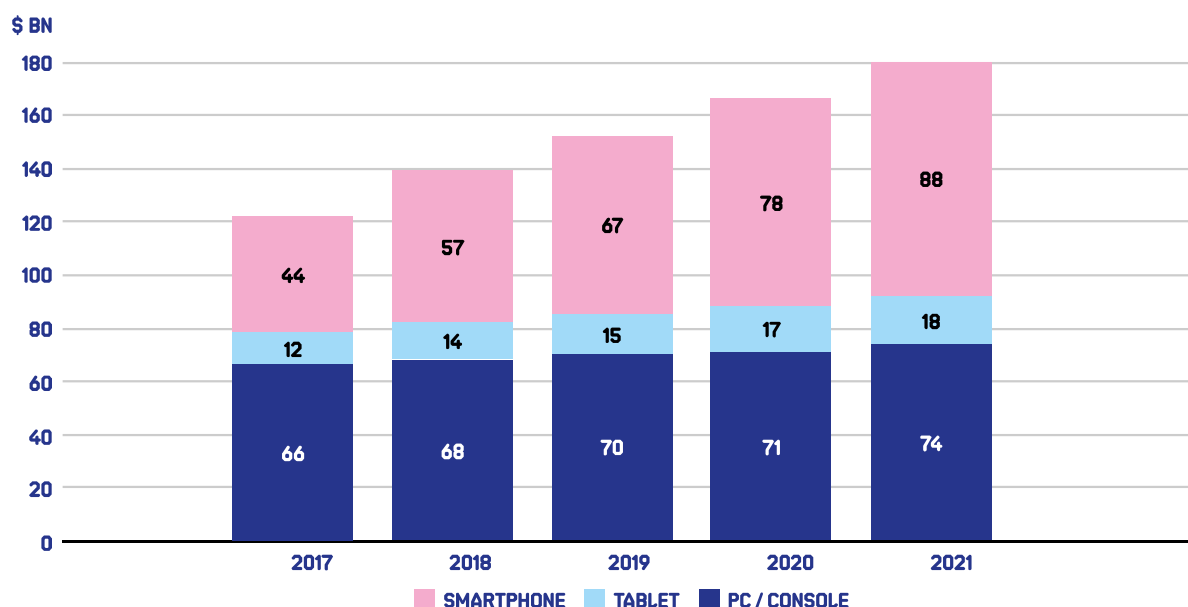
AUDITORS

Öhrlings PricewaterhouseCoopers AB, with the address Torsgatan 21, 113 97 Stockholm, is the auditor of the Company since the annual general meeting held on 11 December 2013. The authorised public accountant Niklas Renström, who is a member of FAR (professional institute for authorised public accountants) is the auditor-in-charge.



Mobile applications are becoming the primary interface to consume digital media while at the same time driving user engagement and brand loyalty. Further, apps are expected to become even more important as the smartphone adoption is expected to increase, presenting significant opportunities for game developers to target and attract potential new audiences.

SEGMENT BREAKDOWN OF GLOBAL GAMES REVENUES



Source: Newzoo 2018 GLOBAL GAMES MARKET REPORT

MOBILE GAMES MARKET

Gaming has become the world's leading entertainment. If you add up all playing and viewing hours, gaming is now the world's favorite pastime. With more than 2.3 billion active gamers and 46%, or 1.1 billion people spending money on games, the trend is just becoming stronger. Market intelligence provider Newzoo estimates that in 2021 there will be over 2.6 billion gamers worldwide. Since 2008, gaming has claimed an increasingly large share of the total spend on entertainment. In 2008, 35% of the total consumer spending on entertainment was attributable to gaming, whereas movies and music corresponded to 44% and 21%, respectively. In 2015, 53% of the total consumer spending on entertainment was attributable to gaming, a 54% increase from the level in 2008. The trend is expected to continue, with the share of spending on gaming predicted to increase to 55% of all spending on entertainment in 2019. The mobile gaming industry has traditionally been considered to be characterised by low barriers to entry. However, developing and publishing successful mobile games that generate what can be thought of as significant revenue demands more and more from developers. As a larger game developer with advanced infrastructure and established development processes, MAG has the capacity to continue creating those successful games within an increasingly competitive market.

THE CASUAL GAMER

Consoles and PCs used to dominate the market in the past, but the growth in casual gamers and mobile technology has caused mobile platforms to become the largest. Casual gamers entertain themselves with games when time presents itself while hardcore gamers arrange their schedules around their gaming. Casual gamers mirror the population more than hardcore gamers in terms of age and gender. Out of a total of 2.1 billion gamers, some 63% are female and 23% are over 65, according to research from marketing agency Mediakix.

MOBILE GAMES REVENUE

Mobile gaming will for the first time contribute more than half of all gaming revenues, with mobile gaming growing 25.5% year-over-year to \$70.3 billion, according to the 2018 Global Games Market Report by Newzoo. Publishers have established that mechanics from PC and console games can be successfully adapted to mobile screens and controls. China leads the top 100 countries by game revenues, with \$37.9 billion in revenues in 2018. The U.S. and Japan remain the second and third largest, with \$30.4 billion and \$19.2 billion, respectively. The German games market will total \$4.7 billion this year, placing it at #5 and the largest market by game revenues in Europe. The mobile gaming market is expected to grow 17% CAGR from 2017 until 2021.

MOBILE ADVERTISING MARKET

A lot of big or mid-size mobile publishers combine in-app purchases and in-app ads in their apps so advertising is becoming a natural part in the majority of mobile games. This year, driven by display ads, mobile will account for 69.9% of all digital advertising according to eMarketer. With a 33.9% share of total US ad spend, mobile will pass TV as the leading advertising medium in the world's largest ad market—and eMarketer expects that share will grow to a whopping 47.9% by 2022. Overall, mobile advertising will grow more than three times faster than total media this year, 23.5% vs. 6.6%. Transitioning competition from traditional to mobile formats is leading to escalating ad prices as brands vie for mobile placements.

Sources:

1. THE MOBILE GAMING INDUSTRY By Mediakix published March, 2018
2. The 2018 Global Games Market Report by Newzoo.com published June 20, 2018
3. Mobile Ad Spending to Surpass TV in 2018 by eMarketer.com published Apr 19, 2018

CORPORATE GOVERNANCE

MAG Interactive is a Swedish public limited liability company. As a Company listed on Nasdaq First North Premier, the Company applies Swedish laws (e.g. the Swedish Companies Act (Sw. Aktiebolagslagen (2005:551)) and the Swedish Annual Accounts Act (Sw. Årsredovisningslagen (1995:1554))) and regulations, the Company's articles of association, internal rules and instructions, and the Nasdaq First North - Rulebook, as well as other Swedish and foreign laws and regulations, as applicable. The Company also applies the Swedish Corporate Governance Code (the "Code").

The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden, and companies listed on Nasdaq First North Premier are not bound to apply the Code, but are recommended to do so. The Code defines a norm for good corporate governance on a higher level of ambition than the Swedish Companies Act and other regulations' minimum requirements. The Code is based on the principle "comply or explain". This means that the Company is not required to apply every rule of the Code at all occasions, but may choose alternative solutions deemed to better respond to particular circumstances, provided that the Company openly discloses all such deviations, describes the alternative solution and states the reason for the deviation.

The Company does, after listing of the Company's shares on Nasdaq First North Premier, comply with the Code, with the exception of two points. The first relates to the board not meeting the Code's requirements on board independence, see further in the section "Board of directors, executive management and auditors". The second relates to the Nomination committee where Kaj Nygren is acting chairman. According to the proposal for new members of the board of directors, as presented by the nomination committee the deviation regarding board independence will be resolved as of the annual general meeting planned for 18 December 2018.

REASONS FOR DEVIATING FROM THE CODE

The reason for deviating from the board independence has its root in the strive to keep continuity in a young company during its first year as a public company. The intent was, and is, to use the first year to nominate a new board fully compliant with the Code. For the annual general meeting in December 2018 the nomination committee has nominated such a board.

The reason for deviating from the rule about the constitution of the nomination committee is connected to the deviation in the board. As a substantial part of the shares in the company are owned by the founders of the company, also members of both the board and the executive management team, the decision was made that one of the two biggest shareholders, also members of the board and management team, would be a member of the nomination committee. Kaj Nygren was appointed to represent both NMO Invest and Playful days in the nomination committee.

THE GENERAL MEETING

According to the Swedish Companies Act, the general meeting is a company's highest decision-making body.

The general meeting may resolve upon every issue for the company, which is not specifically reserved for another company body's exclusive competence. At the annual general meeting, which shall be held within six months from the end of the financial year, shareholders exercise their voting rights on issues, such as adoption of income statements and balance sheets, appropriation of the company's profits or losses, discharge of liability for the board of directors and the CEO for the financial year, the appointment of members of the board of directors and auditor, and remuneration for the board of directors and the auditor.

Besides the annual general meeting, extraordinary general meetings may be convened. In accordance with the Company's articles of association, all general meetings shall be convened through announcements in the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar) and by posting the notice to the meeting on the Company's website. An announcement shall simultaneously be placed in Svenska Dagbladet with information that the meeting has been convened.

The Annual General Meeting 2018 will take place at 7A Odenplan (Norrtullsgatan 6) 10am on the 18th of December in Stockholm.

RIGHT TO ATTEND GENERAL MEETINGS

All shareholders who are directly registered in the share register kept by Euroclear Sweden AB ("Euroclear"), five weekdays prior to the general meeting, and who has notified the Company of their intention to attend the general meeting at the latest by the date specified in the notice convening the meeting, shall be entitled to attend the general meeting and vote according to the number of shares they hold. Shareholders may attend general meetings in person or through a proxy, and may also be accompanied by not more than two assistants.

One share on company gives right to one vote at the general meeting given that notice was given according the process described above.

SHAREHOLDER INITIATIVES

Shareholders who wish to have a matter discussed at the general meeting must submit a written request in that regard to the board of directors. Requests must normally be received by the board of directors at least seven weeks prior to the general meeting.

NOMINATION COMMITTEE

The annual general meeting held on 15 November 2017 resolved to adopt an instruction for the nomination committee. According to the instruction for the nomination committee, the main rule is that the nomination committee shall consist of five members, whereof four members are appointed by the four largest shareholders in the Company as of the last banking day in April the financial year before the annual general meeting, and one is the chairman of the board of directors. The instruction for the nomination committee complies with the Code with respect to the appointment of committee members. The members of the nomination committee shall be announced not later than six months prior to the annual general meeting.

Nomination committee for the MAG Interactive AB (publ) annual general meeting 2018:

- Walter Masalin as the current Chairman of the Board of Directors
- Kaj Nygren, representing NMO Invest AB and Playful days AB
- Helen Fasth Gillstedt nominated by Handelsbanken
- Joachim Spetz nominated by Swedbank Robur
- Henrik Sandell from Didner & Gerge Fonder

THE BOARD OF DIRECTORS

The board of directors is the highest decision-making body after the general meeting, and is also the highest executive body. The board of directors' responsibility is regulated on various levels. The board of directors' responsibility is mainly regulated in the Swedish Companies Act. Pursuant to the Swedish Companies Act, the board of directors is responsible for the company's organisation and the administration of the company's affairs. Furthermore, the board of directors shall continuously assess the company's financial position, as well as ensure that the company's organisation is formed in a way that the accounting, asset management and the company's financial conditions are otherwise controlled in a secure manner.

The board of directors' responsibility is further regulated in the Company's articles of association, directions given by the general meeting and rules of procedure for the board of directors of the Company adopted by the board of directors.

The assignments of the board of directors include, inter alia, to set objectives and strategies, ensure that there are effective systems for follow-up and control of the Company's operations, and ensure that there is satisfactory control of the Company's compliance with legislation and other regulations applicable to the Company's operations. The board of directors decides on the Company's business direction, strategy, business plan, resources and capital structure, organisation, acquisitions, major investments, divestments, annual and interim reports and other general issues of a strategic nature. In addition, the board of directors addresses issues and makes decisions regarding other matters considered to be outside the scope of the CEO's authority.

The board of directors shall also define appropriate guidelines to govern the Company's conduct in society, with the aim of ensuring the Company's long-term value creation capability, as well as ensure that the Company's disclosure of information is characterised by transparency and is accurate, reliable and relevant. In addition, the assignments of the board of directors include appointing, evaluating and if necessary removing the CEO.

Members of the board of directors are appointed annually by the annual general meeting for the period until the end of the next annual general meeting. According to the Company's articles of association, the members of the board of directors to be elected by the general meeting shall consist of a minimum of five members and a maximum of ten members, with no deputy board members. At the date of the Prospectus, the Company's board of directors consists of six members elected by the general meeting. The board members are presented in detail in the section "Board of directors, executive management and auditors". MAG Interactive's board of directors follows a written procedure, which has been adopted by the board of directors and is reviewed annually. Among other things, the procedure for the board of directors regulates the board of directors' role and responsibility, the board of directors' way of working and how the work is divided within the board of directors. The board of directors also adopts instructions for the CEO of the Company, including instructions for financial reporting.

BOARD MEETINGS DURING THE YEAR

The board of directors held a total of twenty seven (27) meetings during the financial year, where all members of the board were present in all regular meetings and seventeen (17) of the meetings were by correspondence. The unusually high number of meetings and the high number of meetings by correspondence are due to the process of listing the company on NASDAQ First North Premier during the fall of 2017. During the period from the first day of trading 8 December 2017 to the end of the financial year seven (7) meetings were conducted of which one was by correspondence.

REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS

Fees and other remuneration for members of the board of directors, including the chairman of the board, are resolved upon by the general meeting. The annual general meeting held on 15 November 2017 resolved that the total amount of fees to the board members, until the next annual general meeting, will be SEK 400,000. SEK 200,000 will be distributed to Teemu Huuhtanen, and SEK 200,000 will be distributed to Michael Hjorth.

EVALUATION OF THE BOARD

As part of the board year calendar an evaluation of the board work is conducted. It is scheduled to be presented at the ordinary meeting in May each year. The evaluation is led by the chairman and consists of a survey completed by each one of the members of the board. The survey that covers areas such as effectiveness of the preparatory work, communication with the CEO, communication with and by the management team, the effectiveness of the financial reporting.

COMMITTEES

REMUNERATION COMMITTEE

The board of directors has internally established a remuneration committee. The remuneration committee consists of three members of the board of directors: Walter Masalin (chairman of the remuneration committee), Teemu Huuhtanen, and Michael Hjorth, all of which are independent of the Company and its management.

The remuneration committee's main tasks are to prepare the board of directors' decisions on issues concerning, among other things, terms of employment and remuneration to the executive management. Furthermore, the remuneration committee shall monitor and evaluate, both ongoing and finalised, programs for variable remuneration to the executive management and also follow and evaluate the application of the current principles for remuneration to MAG Interactive's executive management. The remuneration committee shall also support and advise the board on matters related to the appointment of the CEO and other members of the executive management, as well as matters related to performance evaluation and succession planning for members of the executive management.

AUDIT COMMITTEE

Since First North Premier is not a regulated market there are no legal obligations to establish an audit committee. However, the board of directors of the Company has established an audit committee consisting of the board members which are independent of the Company. The audit committee and its instruction were established at the regular board meeting in May 2018.

The audit committee's remit is to prepare the board of directors' work to assure the quality of the company's financial reporting. The committee is also tasked with delivering its evaluation of the audit process to the nominating committee in connection with drafting the nominating committee's proposals to the AGM regarding the appointment of auditors and the amount of audit fees. Since its installment, the members of the audit committee are: Michael Hjorth (chair), Teemu Huuhtanen and Walter Masalin. The audit committee met once during the period May to August 2018. All of the members were present at the one meeting.

CEO AND EXECUTIVE MANAGEMENT

The CEO's responsibilities are regulated at various levels. By legislation the CEO's responsibilities are mainly regulated in the Swedish Companies Act. According to the Swedish Companies Act, the CEO shall attend to the day-to-day management according to the guidelines and instructions set out by the board. In addition, the CEO shall take all measures necessary in order to maintain the Company's accounting according to applicable laws and regulations and to have an adequate asset management. The CEO shall comply with the Code and Nasdaq First North - Rulebook, as well as other Swedish and foreign laws and regulations, as applicable.

The CEO must also adhere to the Company's articles of association, directions given by the general meeting, the instructions for the CEO, including instructions for financial reporting, and other internal directions and guidelines established by the board of directors. The division of work between the board of directors and the CEO is described in the instructions for the CEO, including instructions for financial reporting. The CEO reports to the board of directors and is responsible for the operational management of the Company and to execute the resolutions passed by the board of directors. The CEO shall control and monitor that the matters to be dealt with by the board of directors according to applicable legislation, the articles of association or internal instructions are presented to the board of directors, and shall continuously keep the chairman of the board of directors informed about the performance of the Company's operations, its earnings and financial position, as well as any other events, circumstances or conditions that cannot be assumed to be irrelevant to the board of directors or to the shareholders.

The CEO shall ensure that the Company has issued policies and/or instructions in all main areas of the Company's operations and that the policies and instructions are communicated and applied within the organisation.

The CEO shall also ensure that the Company has a current authorisation manual that is properly observed and that the Company's accounting is performed in a way that is compliant with applicable legislation.

The CEO and the other members of the executive management are presented in greater detail in the section "Board of directors, executive management and auditors".

REMUNERATION FOR THE CEO AND EXECUTIVE MANAGEMENT

Salaries and other employment conditions are to be sufficient for MAG Interactive's ability to recruit and maintain highly competent members of the executive management. Remunerations within the Company shall be based on the employee's position, responsibilities and performance. Remuneration for the executive management constitutes a fixed salary, long term incentives and other benefits such as pensions and insurances. Such other benefits can be offered in accordance with the levels and practice which is applied in the country where the member of the executive management is employed and shall not constitute a material part of the total remuneration.

Furthermore, the annual general meeting may decide to offer long term incentive programmes such as share and share price related incentive programmes. These incentive programmes shall be intended to contribute to long term valuable growth and provide a common interest for value creation for shareholders and employees.

Neither the CEO, nor any of the members of the executive management team, are entitled to any severance pays in the event of termination of the employment.

INCENTIVE PROGRAMS

Warrants to the CFO and other employees

The extraordinary general meeting held on 28 February 2017 resolved to authorise the board of directors to issue up to 59,676 warrants (adjusted for the subsequent share split the authorisation amounts to 1,193,520 warrants). 324,871 warrants were issued on 1 June 2017 and subscribed for by 43 employees, including the Company's CFO. The warrants were issued for a price amounting to SEK 3.75 per warrant.

A warrant entitles the warrant holder to one share, and the exercise price is SEK 15 per warrant. The number of shares that each warrant entitles to may, under certain conditions, be recalculated. The exercise period for the warrants is 1 April 2020 to 30 June 2020.

If the maximum number of warrants to subscribe for new shares is exercised, this will result in a total dilution effect corresponding to 1.2 per cent of the total number of shares in the Company. The warrant holder must offer the Company, or a person designated by the Company, to purchase all warrants in the warrant holder's possession that is not yet vested should the warrant holder, inter alia, commit a material breach of the warrant agreement or employment agreement or if the warrant holder's employment is terminated by the warrant holder or the employer on or prior to the date falling 36 months after the date of the warrant agreement.

Warrants to the sellers of the shares in Delinquent

The board of directors of MAG Interactive resolved, on a board meeting held on 27 September 2017, in accordance with the authorisation given by the extraordinary general meeting held on 28 February 2017, to issue 144,375 warrants to some of the sellers of the shares in Delinquent (David Bishop, David Amor and Chris Lee). David Amor and David Bishop are employed by Delinquent. The subscription period for the warrants is 1 July 2020 to 30 September 2020. Other terms and conditions are the same as for the warrants to employees as described above.

If the maximum number of warrants to subscribe for new shares are exercised, this will result in a total dilution effect of up to 0.5 per cent of the total number of shares in the Company.

INTERNAL CONTROL

The board of directors' and the CEO's responsibilities for internal control is governed by the Swedish Companies Act and the Code.

According to the Swedish Companies Act, the board of directors is responsible for the company's organisation and management of the company's affairs and shall ensure that the company's organisation is structured in such a way that accounting, asset management and the company's financial conditions are controlled in a satisfactory manner.

The CEO shall, according to the Swedish Companies Act, manage the day-to-day business according to the guidelines and instructions issued by the board of directors. Furthermore, the CEO shall take necessary measures to ensure that the Company's bookkeeping is done in accordance with the law and that the asset management is handled in a satisfactory manner.

According to the Code, it is the responsibility of the board of directors to ensure that there are effective systems for follow-up and control of the company's operations.

Internal control is by practice defined as a process affected by the board of directors, the CEO, other members of the executive management and other employees and which is intended to provide a reasonable assurance that a company's goals are met, with respect to: appropriate and efficient operations, reliable reporting and compliance with applicable laws and regulations. The process for the Company's internal control is based on the control environment which provides the discipline and structure for the other four components of the process: risk assessment, control activities, information and communication, and monitoring.

Internal control over financial reporting is intended to provide reasonable assurances regarding the reliability of the external financial reporting in the form of quarterly and annual reports and financial statements as well as that the external financial reporting is prepared in accordance with applicable legislation and accounting standards and other requirements for listed companies. Ultimately, the responsibility for the internal control rests with the board of directors, which continuously evaluates the Company's risk management and internal control.

INTERNAL CONTROL FOR THE COMPANY

Risk assessment

As a part of the assignment and of the yearly calendar, the board and executive team work to evaluate risk including all areas, including but not limited to financial risks and key business risks. Risks have been regularly reported to the board. The board and the audit committee have regularly discussed a the audit committee is integrated in the risk evaluation work. As a part of the yearly routine the risk map is updated by the executive management team and the updated risk policy is adopted by the board as part of the Board calendar

Control activities

Control activities are implemented at all levels, both in group functions and in local companies as well in the relation between the two. The internal control starts with the division of work between the board tha the CEO and management team as described in the CEO work instruction. The responsibilities are further divided within the management team and documented to the board.

The group and local routines for control are impemented in policies and workinstruction for the financial and accounting team as well as other functions and relates to such areas as four eye verifications, approval policies and routines.

Information and communication

All policies and instruction are available to all relevant staff in the company and are introduced to employees both as part of the onboarding process and training periods as well as on a regular basis when evaluating work and routines on the teams.

Monitoring

The board and management team regularly evaluates the control policies that are adopted for the respective areas.

AUDITING

The Company's statutory auditor is appointed by the annual general meeting. The auditor shall audit the Company's annual report and accounts, the consolidated accounts and the significant subsidiaries, as well as the management by the board of directors and the CEO. Following each financial year, the auditor shall submit an audit report to the annual general meeting.

According to the Company's articles of association, the Company shall have one to two auditors, with or without any deputy auditor(s), or a registered auditing company. MAG Interactive's auditor is Öhrlings PricewaterhouseCoopers AB, with Niklas Renström as auditor-in-charge. The Company's auditor is presented in more detail in the section "Board of directors, executive management and auditors – Auditors".

The total fee for the Company's auditor in the financial year 2017/2018 amounted to SEK 440,000. In addition, the Company paid SEK 1 248,000 to Öhrlings PricewaterhouseCoopers AB and SEK 71,000 to other accounting firms for services rendered in the financial year 2017/2018.

EXPECTED FUTURE DEVELOPMENT, NOTABLE RISKS AND UNCERTAINTIES

THE COMPANY IS EXPOSED TO COMPETITION FROM COMPANIES ENGAGED IN THE PROVISION OF OTHER FORMS OF ENTERTAINMENT AND LEISURE THAN MOBILE GAMING.

The Company is exposed to competition both from other mobile gaming companies as well as from companies engaged in the provision of other forms of entertainment and leisure. Competition within the broader entertainment industry is intense and the Company's existing and potential customers may be attracted to competing forms of entertainment, such as other forms of online games, social media applications, music and video streaming services, as well as offline activities such as traditional board games, reading, watching television, and shopping. These other forms of entertainment compete for the discretionary time and income of the Company's customers. If the Company is unable to sustain sufficient interest in the Company's mobile games in comparison with other forms of entertainment, including new forms of entertainment, it could have a material adverse effect on the Company's business, financial position and results of operation.

THE COMPANY RELIES ON VIRTUAL APP STORES TO DISTRIBUTE THE COMPANY'S GAMES.

The Company relies on distributing the Company's games through virtual app stores, with the dominant app stores being Google's Google Play for Android and Apple's App Store for iOS. The Company is subject to the distributors' standard terms and conditions for application developers, which govern the promotion, distribution and operation of games on the relevant appstore. The Company's business could be harmed if a distributor discontinues or limits the access to its respective platform, modifies its terms of service or other policies, including the provisions on share of net sales. The distributors have broad discretion to unilaterally change its standard terms and conditions and any such changes may be unfavourable for the Company, and have a material adverse effect on the Company's business, financial position and results of operation. The Company's business could also be harmed should the virtual app stores be unavailable for players or should players experience issues with these platforms or their in-app purchasing functionality.

THE COMPANY IS LARGELY DEPENDENT ON ATTRACTING AND RETAINING KEY EMPLOYEES.

The Company's success largely depends on the Company's key employees, including the chief executive officer and other members of the executive management, and on the continued ability to identify, attract, hire, train and retain qualified executives, game designers, product managers, engineers and other key employees. The Company's ability to attract, hire and retain qualified employees depends on a number of factors, some of which are beyond the Company's control, including the competitive environment on the local employment markets in which the Company operates. The loss of a key employee due to, for example, such employee quitting in order to work for a competitor, may result in loss of important knowhow and may significantly delay or prevent the achievement of development objectives or the implementation of the Company's business strategy. If the Company is unable to attract, hire and retain key employees, it could have a material adverse effect on the Company's business, financial position and results of operation.

BUSINESS ACQUISITIONS AND INTEGRATING ACQUIRED OPERATIONS MAY INVOLVE UNCERTAINTIES AND HIDDEN OBLIGATIONS AND COULD DIVERT THE ATTENTION OF THE COMPANY'S MANAGEMENT AND OTHERWISE DISRUPT THE COMPANY'S OPERATIONS.

As a part of the Company's strategy, the Company may in the future explore, and have in the past carried out, acquisitions to target new intellectual property, strengthen the Company's market position in selected game genres, and grow the Company's game development talent. There is a risk that the Company fails to generate the expected benefits. There is also a risk connected to tax liabilities or other hidden obligations related to effected or any future business acquisitions, or that the Company will otherwise face disputes related to its acquisitions. In addition, the acquired companies may have engaged in unfavorable practices that were unknown to the Company before the business acquisition was effected, and which may make it more difficult to integrate the operations, create liabilities or cause other problems. Furthermore, the Company's estimates and assumptions of effected and planned business acquisitions and their benefits may not prove to be correct. The Company could fail to integrate the operations, systems, technologies, products and personnel of each acquired company. The inefficiencies, lack of control and potential delay that may result if such integration is not implemented, as well as unforeseen difficulties and expenditures that may arise in connection with integration, could have an adverse effect on the Company's business. Such acquisitions and integration processes could divert the Company's management's attention from other business concerns and also lead to the use of resources that are needed in other parts of the Company's business. Any of the above could have a material adverse effect on the Company's business, financial position and results of operation.

THE COMPANY IS DEPENDENT ON ITS INTELLECTUAL PROPERTY RIGHTS AND THE COMPANY COULD BE SUBJECT TO ALLEGATIONS OF INTELLECTUAL PROPERTY RIGHTS INFRINGEMENTS.

Intellectual property rights are an essential element in the Company's business. The Company relies on a combination of different intellectual property rights such as trademarks, copyright, design rights, protection for compilations, and trade secrets. Despite the Company's efforts to protect its intellectual property rights, unauthorised parties may attempt to copy or otherwise attempt to obtain and use the Company's technology, games or brands. There is a risk that the actions taken by the Company will not be sufficient to protect its intellectual property rights. Should the Company fail to protect and retain its intellectual property rights, it could have a material adverse effect on the Company's business, financial position and results of operation. There is a risk that the Company may be regarded as infringing intellectual property rights of other parties. Intellectual property litigation may be protracted and expensive and the results are difficult to predict. As a result of any court judgment or settlement the Company may be obligated to cancel the launch of a new game, stop offering certain features, pay royalties or settlement costs, purchase licenses or modify its games and features. Should the Company be regarded as infringing intellectual property rights of other parties, it could have a material adverse effect on the Company's business, financial position and results of operation.

ALL INVESTMENTS IN SECURITIES INVOLVE RISKS

Any such risks could cause the trading price of MAG Interactive's shares to decline significantly and investors could lose all or part of their investment. Investors are subject to risks relating to share price, liquidity and volatility. The trading price of the Company's shares has been, and is likely to continue to be, volatile and subject to wide price fluctuations in response to various factors, including, but not limited to:

- market conditions in the broader stock market in general, or in the industry in which the Company operates in particular;
- actual or anticipated fluctuations in the Company's quarterly financial and operating results;
- introduction of new products and services by the Company or the Company's competitors;
- issuance of new or changed research analysts' reports or recommendations;
- sales of large blocks of its shares;
- additions or departures of key personnel;
- regulatory developments;
- litigation and governmental investigations; and
- economic and political conditions or events.

These and other factors may cause the market price and demand for the Company's shares to fluctuate, which may limit or prevent investors from readily selling their shares and may otherwise adversely affect the liquidity of the Company's shares. The trading market for the Company's shares could also be influenced by the research and reports that industry or research analysts publish about the Company or the Company's business. If one or more of these analysts' coverage of the Company ceases or if the analysts fail to publish research reports regularly, investors could lose visibility in the Company's expected financial performance, which in turn could cause its share price or trading volume to decline. Moreover, if one or more of the analysts who cover the Company downgrade the Company's shares, or if the Company's results of operations do not meet their expectations, the Company's share price could decline. Moreover, if one or more of the analysts who cover the Company downgrade the Company's shares, or if the Company's results of operations do not meet their expectations, the Company's share price could decline.

INABILITY TO PAY DIVIDENDS

The Company's dividend policy is subject to e.g. the Company's performance and financial condition, possible future acquisitions, expected future results of operation, investments, cash flows, terms of the Company's indebtedness, other means of distribution, and other factors. In addition, Swedish law limits the Company's ability to propose and declare dividends to certain funds legally available for that purpose. As the amount of future dividend payments the Company may make, if any, will depend upon the Company's future earnings, financial condition, cash flows, working capital requirements, the terms of the Company's outstanding indebtedness and other factors, there can be no certainty whether a dividend will be proposed or declared for any given year, or whether a dividend made a certain year will be maintained the following year.

RESEARCH AND DEVELOPMENT

A number of games are in early phase of development, but with a high uncertainty of being released as they need to pass through a number of toll gates on the way to a green light for global launch.

FINANCIAL REPORTS

BOARD OF DIRECTORS REPORT

The Board of directors and the CEO of MAG Interactive AB (publ), 556804-3524, hereby present the annual report for the financial year 2017/18 (ending 31 August 2018).

OPERATIONS

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 250 million downloads, including successful titles Ruzzle, Word Domination 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.

THE GROUP

The MAG Interactive AB (publ) group consists of, in addition to the parent company, Feo Media AB (incorporated in Sweden with registration number 556888-6211 and with its site in Stockholm) and MAG Games Ltd (incorporated in United Kingdom and with its site in Brighton). The group has 70 employees as of the end of the financial year, of which Feo Media has eight (8) and MAG Games Ltd has 20. All games in the portfolio except Quiz Duel are published by MAG Interactive AB. Quiz Duel is published by Feo Media AB.

GROUP PERFORMANCE 2017/18

Operating income

The Group's operating income for the period was 240,213 KSEK (283,370 KSEK), a decrease of 15% compared to the previous year. The Group's Net sales for the period totalled 216,870 KSEK (260,405 KSEK), a decrease of 17%. Own work capitalised totalled 19,954 KSEK (20,205 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, Wordalot, Ruzzle, WordBrain2 and Backpacker. Towards the end of the year PaintHit and Word Domination were also contributing strongly.

Operating expenses, EBITDA and operating profit/loss

Operating expenses totalled 280,556 KSEK (256,272 KSEK). Of these 61,744 KSEK (78,950 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 72,390 KSEK (111,146 KSEK) were costs of Direct marketing and 77,046 KSEK (23,740 KSEK) were Other external operating expenses. Included in Other external operating expenses are extra ordinary costs of 49,026 KSEK. Specifically 31,405 KSEK relating to final settlement of the acquisition of Delinquent and that has no effect on cashflows, see Note 32 for the Group.

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 previous financial year. The fourth quarter held higher costs than the average for the year as a consequence of the launch of themes Word Domination and PaintHit.

Personnel expenses totalled 69,377 KSEK (42,437 KSEK) an increase of 63%. The average number of employees during the financial year was 84 (52) an increase of 62%. The personnel costs includes a restructuring cost of 3.7 MSEK. EBITDA for the financial year was -40,343 KSEK (27,097 KSEK). Adjusted EBITDA was 8,683 KSEK (27,333 KSEK), see Note 34 for the Group. Depreciation and impairments of tangible and intangible assets totalled 26,539 KSEK (23,016 KSEK), of which 18,342 KSEK (13,194 KSEK) was depreciation of capitalised development expenses and 4,496 KSEK (6,744 KSEK) was depreciation of intangible assets.

The Group's operating profit was -66,883 KSEK (4,082 KSEK) and profit before tax -65,231 KSEK (3,552 KSEK). Adjusted profit before tax was -16,205 KSEK (3,788 TSEK), see Note 34 for the Group. Profit after tax totalled -59,797 KSEK (573 KSEK). The profit after tax per share was -2.43 SEK/share (0.03 SEK/share) and the profit after tax per share fully diluted was -2.39 SEK/share (0.03 SEK/share). The average number of shares during the financial year was 24,598,653 (19,250,000) and the average number of shares fully diluted was 25,038,233 (19,318,534).

The group's financial position at the end of the period

Total intangible non-current assets at the end of the financial year totalled 140,287 KSEK (38,952 KSEK), of which 77,415 KSEK (7,976 KSEK) relates to intellectual property and 62,872 KSEK (30,976 KSEK) to other intangible assets. The latter consists primarily of capitalised development expenses on own account and acquired IP. Cash and cash equivalents at the end of the financial year totalled 228,083 KSEK (40,561 KSEK). Equity totalled 344,179 KSEK (98,907 KSEK), corresponding to 13.1 SEK/share (5.1 SEK/share). The equity/assets ratio at the same time was 82.4% (70.6%). The group has interest bearing debt of 31,112 KSEK (0 KSEK).

PARENT COMPANY PERFORMANCE 2017/18

Operating income

The parent company's Net sales for the financial year were 166,666 KSEK (260,405 KSEK), a decrease of 36% compared to the previous year.

Operating expenses and operating profit/loss

Operating expenses totalled 213,181 KSEK (257,057 KSEK). Of these 51,863 KSEK (79,036 KSEK) were Sales-related costs originating primarily from fees to Apple App Store and Google Play, costs of Performance based marketing were 71,617 KSEK (111,146 KSEK) and 35,832 KSEK (23,913 KSEK) was other external operating expenses. Depreciation and impairments of tangible and intangible assets totalled 5,309 KSEK (7,442 KSEK), of which 4,496 KSEK (6,744 KSEK) was depreciation of intangible assets. The parent company's operating profit for the financial year was -45,038 KSEK (-1,335 KSEK). Profit after tax totalled to -3,186 KSEK (-3,770 KSEK).

Financial position at the end of the period

The parent company's intangible non-current assets at the end of the financial year totalled 0 KSEK (4,496 KSEK). Cash and cash equivalents at the end of the financial year totalled 181,305 KSEK (37,523 KSEK). Equity at the end of the financial year totalled 349,826 KSEK (49,900 KSEK).

KEY INDICATORS FOR THE BUSINESS PERIOD SEPTEMBER UNTIL AUGUST 2018

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 financial year were 129,434 KSEK (210,941 KSEK), a decrease of 39% compared to the same period the previous year. The Group's Net sales from In app advertising were 86,824 KSEK (49,460 KSEK), an increase of 76% compared to 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 financial year was 105,648 MSEK (85,977 MSEK), an increase of 23% compared to the previous year. 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. During the last quarter of the financial year the share of ad revenue is above 50%. The increased contribution is due to the high contribution in Quiz Duel. Contribution from sales activities is up 20% compared to the previous financial year after relatively large investment in marketing for the games Word Domination and PaintHit.

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; 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.

DAU for the financial year was 2.7 million (1.7 million), an increase of 57% compared with the previous year. MAU for the financial year was 10.9 million (7.4 million), an increase of 48% compared to the previous year. MUP for was 130 thousand (183 thousand), a decrease of 29% compared with the previous year. ARPDau for the financial year was 2.7 cent (4.8 cent), a decrease of 45%. The significant changes in the player base (MAU and DAU) and the average income per player (ARPDau) are due in the first three quarters of the year to the acquisition of Feo Media with the game Quiz Duel, and in the last quarter of the year also to the global launch of the two new games Word Domination and PaintHit.

CORPORATE GOVERNANCE

For details about MAG Interactive AB (publ) corporate governance please refer to the section Corporate governance in this report.

NOTABLE EVENTS DURING THE YEAR

- On 27 September 2017 the board resolved, based on the mandate given by the annual general meeting 28 February 2017, to issue 144,375 warrants. The warrants were subscribed for and paid on 14 November 2017.
- On 12 October 2017 the game Backpacker was launched globally. Backpacker is published by MAG Interactive and is developed and owned by WeAreQiiwi Interactive AB
- During October a share purchase agreement was signed regarding the purchase of all shares in FEO Media AB. On 7 November 2017 the acquisition was closed and FEO Media is now a fully owned subsidiary in the group. The acquisition was financed through a new issue of 1,811,764 shares, 80 MSEK, and debt of 35 MSEK from Danske Bank
- On 27 November 2017 the extraordinary general meeting resolved to issue 714 175 common shares with deviation from preferential rights. The share issue was subscribed for by the the sellers of MAG Games Ltd (Delinquent) and constitutes final consideration for the acquisition of MAG Games UK
- In the beginning of December MAG Interactive was listed on NASDAQ First North Premier with first day of trading on 8 December 2017
- In conjunction with the listing the company issued a total of 4,545,454 shared and thereby raised 200 MSEK, before transaction costs all previous preference shares were converted to common shares. The total number of shares and common shares after the issue is 26,321,393
- On 17 January 2018 the subsidiary company FEO Media AB notified of a planned reduction of 25 out of 42 employees
- On 31 May 2018 the game Word Domination was released to a global audience
- On 11 June 2018 the company announced the release of the game Paint Hit
- On 11 June 2018 the company announced its nomination committee
- On 27 August 2018 the company announced that the agreement with WeAreQiiwi Interactive AB regarding publishing of the game Backpacker had been terminated. The publishing responsibility was transferred to Qiiwi per 1 September 2018

NOTABLE EVENTS AFTER THE END OF THE YEAR

- No notable events have occurred after the end of the year

PROPOSED DISTRIBUTION OF EARNINGS

Retained earnings	49,849,986
Loss for the year	-3,185,823
	46,664,163

The Board of Directors and the Chief Executive Officer propose that the profits be appropriated as follows:

Carried forward to the new accounts	46,664,163
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DIVIDEND

The board of directors propose to the annual general meeting on 18 December 2018 that no dividend will be paid out for the financial year 2017/18.

ANNUAL GENERAL MEETING

The annual general meeting for MAG Interactive AB (publ) is planned to be at 7A Odenplan, Norrtullsgatan 6, at 10am on 18 December 2018. For more details see the section Annual general meeting in Corporate governance.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK ,000

	Note	Financial year	
		2017/2018	2016/2017
Operating income			
Net sales	5	216,870	260,405
Own work capitalised	16	19,954	20,205
Other operating income	6, 13	3,389	2,759
Total		240,213	283,369
Operating expenses			
Sales-related costs	7	-61,744	-78,950
Performance-based marketing		-72,390	-111,145
Other external expenses	9, 13	-77,046	-23,740
Personnel costs	8	-69,377	-42,437
Total operating expenses (excluding depreciation and impairments of tangible and intangible non-current assets)		-280,557	-256,272
EBITDA		-40,344	27,097
Depreciation and impairments of tangible and intangible non-current assets	15, 16	-26,539	-23,015
Total operating expenses		-307,096	-279,287
Operating profit/loss		-66,883	4,082
Financial income	10, 13	3,239	126
Financial expenses	10, 13	-1,587	-656
Net financial items		1,652	-530
Profit/loss before tax		-65,231	3,552
Income tax	11	5,434	-2,979
Profit/loss for the year		-59,797	573
Other comprehensive income		2017/2018	2016/2017
Items that can be cancelled later in			
Exchange rate differences		1,897	-1,380
Other comprehensive income for the year, net after tax		1,897	-1,380
Total comprehensive income for the year		-57,900	-807

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

	Note	2017/2018	2016/2017
Earnings per share, calculated on basis of profit/loss attributable to the parent company's shareholders (expressed as SEK per share)	12	-0.00230	0.02975

CONSOLIDATED BALANCE SHEET

Amounts in SEK ,000

	Note	8/31/18	8/31/17
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	<u>16</u>	77,415	7,976
Other intangible assets	<u>16</u>	62,872	30,976
Total intangible assets		140,287	38,952
Tangible assets			
Equipment, tools, fixtures and fittings	<u>15</u>	2,822	2,699
Total tangible assets		2,822	2,699
Financial non-current assets			
Other long-term receivables	<u>19</u>	4,300	1,836
Deferred tax asset	<u>20</u>	1,699	1,263
Total financial non-current assets		5,999	3,099
Total non-current assets		149,108	44,750
Current assets			
Current receivables			
Trade and other receivables	<u>21</u>	10,063	13,604
Current tax assets		5,990	1,295
Other current receivables	<u>22</u>	4,009	1,177
Prepaid expenses and accrued income	<u>23</u>	20,488	19,706
Other short-term securities	<u>18</u>	0	19,018
Total short-term receivables		40,550	54,800
Cash and cash equivalents	<u>24</u>	228,083	40,561
Total current assets		268,633	95,361
Total assets		417,741	140,111

Amounts in SEK ,000

	Note	8/31/18	8/31/17
EQUITY AND LIABILITIES			
Equity that can be attributed to the parent company's shareholders			
Share capital	<u>25</u>	684	50
Reserves		-1,883	-3,840
Retained earnings incl. comprehensive income for the year		345,378	102,697
Total equity		344,179	98,907
LIABILITIES			
Long-term liabilities			
Deferred tax liabilities	<u>26</u>	17,925	14,652
Other long-term liabilities	<u>17</u>	15,556	0
Total long-term liabilities		33,481	14,652
Current liabilities			
Trade and other payables		5,047	13,265
Current tax liability		1,040	0
Other current liabilities	<u>27</u>	18,511	2,332
Accrued expenses and prepaid income	<u>28</u>	15,483	10,955
Total current liabilities		40,081	26,552
Total liabilities		73,562	41,204
TOTAL EQUITY AND LIABILITIES		417,741	140,111

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK
,000

	Note	Share capital	Other external capital	Reserves	Retained earnings and profit/loss for the year	Total equity
Opening balance as of 01/09/2016		50		-2,460	115,825	113,415
Profit/loss for the period					573	573
Dividend	33				-14,919	-14,919
Personnel option scheme	25				1,218	1,218
Exchange rate differences				-1,380		-1,380
Closing balance as of 31/08/2017		50		-3,840	102,697	98,907
Opening balance 2017-09-01		50	1,234	-3,840	101,463	98,907
Profit for the period					-59,557	-59,557
Exchange rate gain/loss				1,957	-240	1,717
Change in equity		450			-450	0
Issue costs					-8,284	-8,284
New issues		184	279,807			279,991
Deliquent Ltd					31,405	31,405
Closing balance 2018-08-31		634	281,041	-1,883	64,337	344,179

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK ,000

	8/31/2018	8/31/2017
Cash flow from operating activities		
Profit/loss before financial items	-66,883	4,082
Adjustment for items not included in cash flow <u>29</u>	57,944	23,709
Interest received	3,239	127
Interest paid	-1,587	-7
Income tax paid	-5,916	-1,682
Cash flow from operating activities before change in working capital	-13,203	26,229
Change in current operating receivables	6,122	-3,392
Change in current operating liabilities	4,547	5,757
Total change in working capital	10,669	2,365
Cash flow from operating activities	-2,534	28,594
Cash flow from investing activities		
Investments in tangible non-current assets <u>15</u>	-1,005	-2,374
Capitalized work	-19,954	-20,205
Investments in intangible assets	-110,821	0
Change in securities	19,018	-3,003
Cash flow from investing activities	-112,762	-25,582
Cash flow from financing activities		
Dividend <u>33</u>	0	-14,919
Option scheme <u>25</u>	0	1,218
New share issue	271,707	0
Short-term loan	15,556	0
Long-term loan	15,556	0
Cash flow from financing activities	302,819	-13,701
Reduction/increase in cash and cash equivalents		
Cash flow for the year	187,523	-10,689
Exchange rate difference in cash and cash equivalents	0	-649
Opening cash and cash equivalents	40,560	51,898
Closing cash and cash equivalents	228,083	40,560
Net Debt 8/31/2018		
Cash and equivalents	228,083	
Loans due within a year	-15,556	
Loans due after one year	-15,556	
Net Debt	196,971	
Cash and equivalents	228,083	
Gross debt - floating rate	-31,112	
Net Debt	196,971	

NOTE 1 - GENERAL INFORMATION

The consolidated accounts cover the parent company MAG Interactive AB (publ) (parent company), corp. ID no. 556804-3524 and its subsidiary (the Group). The parent company is a public limited liability company with its registered office in Stockholm. The address of the head office is Drottninggatan 95A, SE-113 60 Stockholm, Sweden. The parent company is listed on NASDAQ Stockholm First North Premier since 8 December 2017.

NOTE 2 - SUMMARY OF IMPORTANT ACCOUNTING POLICIES

The most important accounting policies applied in producing these consolidated accounts are described below. Unless otherwise specified, these policies have been applied consistently for all years presented.

2.1 BASIS ON WHICH THE STATEMENTS HAVE BEEN PREPARED

These annual accounts contain MAG Interactive AB's published consolidated accounts, and the accounting policies chosen to prepare them are the IFRS (International Financial Reporting Standards). The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Complementary Accounting Rules for Groups as well as IFRS and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the EU. They have been prepared in accordance with the acquisition value method, apart from financial assets valued at their fair value through the income statement.

The preparation of financial statements in accordance with IFRS requires the use of a number of important estimates for accounting purposes. Management is also required to make certain judgements when applying the Group's accounting policies. The areas that involve a high degree of assessment, that are complex and areas in which assumptions and estimates are of significant importance to the consolidated accounts are described in Note 4.

Changes in accounting policies and disclosures

New standards and interpretations that have not yet been applied by the Group

A number of new standards and interpretations enter into force for financial years that start after 31 August 2018 and have not been applied in the preparation of this financial statement. None of these are expected to have any significant impact on the Group's financial statements, with the exception of those described below:

IFRS 9 “Financial instruments” deals with the classification, valuation and recording of financial assets and liabilities. It replaces those parts of IAS 39 that deal with the classification and valuation of financial instruments. IFRS 9 retains a mixed valuation approach, but simplifies this approach in certain respects. There will be three valuation categories for financial assets: accrued cost of acquisition, fair value through other comprehensive income and fair value through the income statement. How an instrument is to be classified depends on the company’s business model and the instrument’s characteristics. Investments in equity instruments must be recorded at fair value through the income statement, although there is also a possibility to record instruments when first recorded at fair value through other comprehensive income. There will then be no reclassification to the income statement when the instrument is disposed of. For financial liabilities, the classification and valuation are not changed, unless a liability is recorded at fair value through the income statement based on the fair value alternative. The standard is to be applied for financial years that start as of 1 January 2018 (not yet adopted by the EU). For the group this means the standard applies since 1 September 2018.

The group has no financial assets and therefore IFRS 9 does not have any effect. The development is continuously monitored for changes.

IFRS 15 “Revenue from contracts with customers” regulates how the recording of income takes place. The principles on which IFRS 15 is based aim to provide users of financial statements with more useful information about the company’s income. The extended duty of disclosure means that information must be provided about income type, date of settlement, uncertainties associated with the recording of income and cash flow attributable to the company’s customer contracts. According to IFRS 15, an item of income must be recorded when the customer obtains control over the product or service sold and is able to use or obtain benefit from the product or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and related SIC and IFRIC. IFRS 15 enters into force on 1 January 2018. For the Group, this means application in the financial year that begins on 1 September 2018.

The group has evaluated the effect from IFRS 15 from the following principles. Revenue from purchases in games that are playable off-line, meaning that the game works independent of any effort from neither any of the group companies nor any of its partners, as well as advertising revenue are recognised immediately. The net sales corresponding to this category was 91% of total net sales during the financial year. Out of the remaining 9% two thirds of net sales are of items in games that are consumed within less than seven days. About 2.5% of net sales are purchases of items that are consumed within 30-60 days and has a non material effect on the group from an IFRS 15 perspective. The group is monitoring ongoing changes to its portfolio products as well as its means to generate revenue with regards to IFRS 15.

IFRS 16 "Leases". In January 2016, the IASB published a new leasing standard that will replace IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, with a few exceptions, be recorded in the balance sheet. This recording standard is based on the view that the lessee has a right to use an asset over a specific period of time and at the same time an obligation to pay for this right. Recording for the lessor will essentially remain unchanged. The standard is applicable for financial years that start on 1 January 2019 or later. For the Group, this means application in the financial year that begins on 1 September 2019. Early application is permitted. The Group has not yet evaluated the impact of IFRS 16.

None of the other IFRS or IFRIC interpretations that have not yet come into force are expected to have any significant effect on the Group.

2.2 CONSOLIDATED ACCOUNTS

Subsidiaries are all companies over which the Group has a controlling influence. The Group controls a company when it is exposed to or has the right to a variable return on its holding in the company and is able to affect its return through its influence in the company. Subsidiaries are included in the consolidated accounts as from the date on which the controlling influence was transferred to the Group. They are excluded from the consolidated accounts as from the date on which the controlling influence ceases.

The acquisition method is used when recording the Group's business combinations. The purchase price of an acquisition of a subsidiary consists of the fair value of assets and liabilities transferred that the Group incurs to the former owners of the acquired company. The purchase price also includes the fair value of all liabilities that are the consequence of a contingent consideration agreement. Identifiable acquired assets and debts taken over in a business combination are initially valued at their fair value on the acquisition date.

Expenses relating to the acquisition are recorded as expenses when they arise.

Any contingent consideration to be transferred by the Group is recorded at the fair value on the acquisition date. Subsequent changes in the fair value of a contingent consideration that have been classified as a liability are recorded in accordance with IAS 39 in the income statement.

Goodwill is valued initially as the amount by which the total purchase price and any fair value of a holding without a controlling influence on the date of acquisition exceeds the fair value of identifiable acquired net assets. If the purchase price is lower than the fair value of the acquired company's net assets, the difference is recorded directly in the income statement.

Internal Group transactions, balance sheet items, income and expenses between Group companies are eliminated. Profits and losses resulting from internal Group transactions and recorded under assets are also eliminated. The accounting policies for subsidiaries have been changed as necessary in order to guarantee the consistent application of the Group's policies.

2.3 TRANSLATION OF FOREIGN CURRENCY

(a) Functional currency and reporting currency

Items included in the financial statements for the various entities in the Group are valued in the currency used in the financial environment in which each company is primarily operational (functional currency). The consolidated accounts use Swedish kronor (SEK), which is the Group's reporting currency.

(b) Transactions and balance sheet items

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction date or on the date when the items are revalued. Exchange rate gains and losses that arise when paying for such transactions and when translating monetary assets and liabilities in foreign currency at the exchange rate on the balance sheet date are recorded in the income statement.

Exchange rate gains and losses attributable to cash and cash equivalents are recorded in the income statement as financial income or expenses. All other exchange rate gains or losses are recorded in the item "Other operating income/Other operating expenses" in the income statement.

(c) Group companies

The profit/loss and financial position of all Group companies with a functional currency that is different from the reporting currency are translated into the Group's reporting currency as follows:

(a)

assets and liabilities for each of the balance sheets are translated at the exchange rate on the balance sheet date;

(b)

income and expenses for each of the income statements are translated at the average exchange rate (unless this average exchange rate is not a reasonable approximation of the accumulated effect of the exchange rates in force on the transaction date, in which case income and expenses are translated at the exchange rate on the transaction date), and

(c)

all exchange rate differences that arise are recorded in other comprehensive income.

Accumulated profits and losses in equity are recorded in the income statement when the foreign business is disposed of, either fully or partly.

Goodwill and adjustments to fair value that arise from the acquisition of a foreign business are treated as assets and liabilities in that business and are translated at the exchange rate on the balance sheet date. Exchange rate differences are recorded in other comprehensive income.

2.4 TANGIBLE ASSETS

All tangible non-current assets are recorded at the cost of acquisition deductions for depreciation. The cost of acquisition includes expenses that can be attributed directly to the acquisition of the asset.

Additional expenses are added to an asset's carrying amount or are recorded as a separate asset, depending on which is appropriate, only if it is likely that the future financial benefits associated with the asset will benefit the Group and the asset's cost of acquisition can be measured in a reliable way. The carrying amount of the part replaced is removed from the balance sheet. All other forms of repairs and maintenance are recorded as expenses in the income statement in the period when they arise.

Depreciation of assets in order to allocate their cost of acquisition down to the calculated residual value over the estimated useful life is performed on a straight-line basis as follows:

Equipment - 5 years

The residual values and useful life of assets are reviewed at the end of each reporting period and adjusted as required.

An asset's carrying amount is written down immediately to its recoverable value if the asset's carrying amount exceeds its estimated recoverable value (Note 2.6).

Profits and losses upon disposal are defined by means of a comparison between sales income and carrying amount, and are recorded net in the income statement under Other operating income/Other operating expenses.

2.5 IMPAIRMENT OF FINANCIAL ASSETS

(a) Goodwill

Goodwill arises in connection with the acquisition of a subsidiary and refers to the amount by which the purchase price, any holding without a controlling influence in the acquired company and the fair value as of the date of acquisition of the previous equity share in the acquired company exceeds the fair value of identifiable acquired net assets.

In order to test the impairment requirement, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies in the acquisition.

The impairment of goodwill is tested annually or more often if events or changes in conditions indicate a possible reduction in value. The carrying amount of the cash-generating unit to which goodwill has been assigned is compared with the recoverable amount, which is the higher of the value in use and the fair value minus sales-related costs. Any impairment is recorded immediately as an expense and is not cancelled.

(b) Acquired intellectual rights to games for platforms

Intellectual rights to games for platforms that have been acquired separately are recorded at the cost of acquisition. Intellectual rights to games for platforms that have been acquired through a business combination are recorded at fair value on the acquisition date. Intellectual rights have a definable useful life and are recorded at the cost of acquisition minus accumulated depreciation. Depreciation is performed on a straight-line basis in order to allocate the cost of intellectual rights over their estimated useful life of 3-10 years.

(c) Capitalised expenditure for development works in respect of games for platforms

Costs of maintenance of games for platforms are recorded as expenses as they arise. Development expenses that are directly attributable to the development and testing of identifiable and unique games for platforms that are controlled by the Group are recorded as intangible assets when the following criteria are met:

- it is technically possible to produce the game for platforms so that it can be used,
- MAG Interactive's intention is to produce the game for platforms and to use or sell it,
- the conditions exist to use or sell the game on platforms,
- it can be shown how the game for platforms generates probable future financial benefits,
- adequate technical, financial and other resources to complete development and to use or sell the game on platforms are available, and
- the expenses attributable to the game for platforms during its development can be calculated in a reliable way.

Directly attributable expenses that are capitalised as a part of a game for platforms include expenses for employees and a reasonable proportion of indirect expenses.

Other development expenses that do not meet these criteria are recorded as expenses when they arise. Development expenses that have previously been recorded as an expense are not recorded as an asset in the subsequent period.

Development expenses for games for platforms that are recorded as an asset are depreciated during their estimated useful life, which does not exceed three years.

2.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets that have an indeterminate useful life or intangible assets that are not ready for use are not depreciated, but are tested annually in respect of a possible impairment requirement. Assets that are depreciated are assessed with regard to any value reduction whenever events or changes in conditions indicate that the carrying amount may perhaps not be recoverable. An impairment is performed to the amount by which the asset's carrying amount exceeds its recoverable value. The recoverable value is the higher of an asset's fair value minus sales-related costs and the value in use. When assessing an impairment requirement, assets are grouped at the lowest levels where there are essentially identifiable cash flows (cash-generating units). For assets (other than goodwill) that have previously been impaired, a test is conducted as of each balance sheet date to determine whether cancellation should take place.

2.7 IMPAIRMENT OF FINANCIAL ASSETS

Classification

The Group classifies its financial assets in the following categories: financial assets valued at fair value through the income statement, and loan receivables and trade and other receivables. The classification depends on the purpose for which the financial asset was acquired. Management confirms the classification of financial assets when they are recorded for the first time.

Financial assets and liabilities valued at fair value through the income statement

Financial assets and liabilities valued at fair value through the income statement are financial instruments that when first recorded were identified as an item valued at fair value through the income statement. On the assets side, this item consists of other short-term securities (investment in a fund) and on the liabilities side this item consists of contingent additional considerations.

Loan receivables and trade and other receivables

Loan receivables and trade and other receivables are financial assets that are not derivatives, that have defined or definable payments and that are not listed in an active market. They are included in current assets, with the exception of items with a due date more than 12 months after the balance sheet date, which are classified as non-current assets. The Group's loan receivables and trade and other receivables consist of the following items in the balance sheet: other long-term receivables, trade and other receivables (Note 2.10), cash and cash equivalents (Note 2.11) and other current receivables and prepaid expenses and accrued income to the extent that they relate to financial instruments.

Other financial liabilities

The Group's other long-term liabilities, trade and other payables and the element of other current liabilities and interim liabilities that relates to financial instruments are classified as other financial liabilities.

Recording and valuation

Purchases and sales of financial assets are recorded on the transaction date – the date on which the Group commits itself to buy or sell the asset. Financial instruments are recorded initially at the fair value plus transaction costs, which applies to all financial assets that are not valued at their fair value through the income statement. Financial assets valued at fair value through the income statement are recorded initially at fair value, while attributable transaction costs are recorded in the income statement. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has essentially transferred all risks and benefits associated with the right of ownership. Loan receivables and trade and other receivables are recorded at the accrued cost of acquisition, applying the effective interest method.

Profits and losses resulting from changes in fair value in respect of the category financial assets valued at fair value through the income statement are recorded under the item other short-term securities in the income statement in the period when they arise and are included in the income statement item net financial income/expenses. For the item contingent additional considerations, changes in fair value are recorded as an adjustment to the cost of acquisition of the asset.

2.8 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and recorded as a net amount in the balance sheet only when there is a legal right to offset the recorded amounts and an intention to settle them with a net amount or to simultaneously realise the asset and settle the liability. This legal right may not be dependent on future events and it must be legally binding on the company and the counterparty, both in normal business operations and in the event of a cancellation of payments, insolvency or bankruptcy.

2.9 IMPAIRMENT OF FINANCIAL ASSETS

Assets recorded and accrued cost of acquisition

As of the end of each reporting period, the Group assesses whether there is objective evidence of an impairment requirement for a financial asset or a group of financial assets. There is an impairment requirement for a financial asset or a group of financial assets and it is impaired only if there is objective evidence of an impairment requirement as a consequence of one or more events having occurred since the asset was first recorded (a “loss event”) and this loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For the category trade and other receivables, the impairment is calculated as the difference between the asset's carrying amount and the current value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is impaired and the impairment amount is recorded in the consolidated income statement.

If the impairment requirement reduces in a subsequent period and this reduction can be attributed objectively to an event that has occurred since the impairment was recorded (e.g. an improvement in the debtor's credit rating), the cancellation of the previously recorded impairment is recorded in the consolidated income statement.

2.10 TRADE AND OTHER RECEIVABLES

Trade and other receivables are amounts that are to be paid by customers for games for platforms and advertisements in operating activities. Trade and other receivables are recorded initially at fair value and then at accrued cost of acquisition applying the effective interest method minus any reserve for value reduction.

2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents, in both the balance sheet and the cash flow statement, include cash, bank balances and other short-term investments with due dates within three months of the acquisition date.

2.12 SHARE CAPITAL

Ordinary shares are classified as equity. Preference shares issued are also classified as equity if they are not compulsorily callable. Transaction costs that can be attributed directly to the issue of new ordinary shares or options are recorded, net after tax, in equity as a deduction from the share issue fund. As of the end of the financial year 2017/18 only common stock exist in MAG Interactive AB (publ).

2.13 TRADE AND OTHER PAYABLES

Trade and other payables are obligations to pay for goods or services that have been acquired from suppliers in operating activities. Trade and other payables are classified as current liabilities if they fall due within one year. If not, they are classified as long-term liabilities.

Trade and other payables are recorded initially at fair value and then at accrued cost of acquisition applying the effective interest method.

2.14 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period included current tax and deferred tax. Tax is recorded in the income statement, except when the tax relates to items recorded in other comprehensive income or directly in equity. In such cases, the tax is also recorded in other comprehensive income or equity.

The current tax expense is calculated on the basis of the tax rules adopted on the balance sheet date or adopted in practice in the country where the parent company and its subsidiaries operate and generate taxable income.

Deferred tax is recorded for all temporary differences that arise between the tax value of assets and liabilities and their carrying amounts in the consolidated accounts. A deferred tax liability is not, however, recorded if it arises as a consequence of the initial recording of goodwill. Nor is deferred tax recorded if it arises as a consequence of a transaction that constitutes the first recording of an asset or liability that is not a business combination and that, at the time of the transaction, affects neither the recorded profit/loss nor the profit/loss for tax purposes. Deferred income tax is calculated by applying the tax rates (and laws) that have been adopted or announced as of the balance sheet date and that are expected to apply when the relevant deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recorded to the extent that it is likely that future tax surpluses will be available against which the temporary differences can be utilised.

A deferred tax liability is calculated on taxable temporary differences that arise from participations in subsidiaries, except when the date of cancellation of the temporary difference can be controlled by the Group and it is likely that the temporary difference will not be cancelled within the foreseeable future. A deferred tax asset that is attributable to deductible temporary differences in respect of holdings in subsidiaries is only recorded to the extent that it is likely that the temporary difference will be cancelled in future and there will be a taxable surplus against which the deduction can be utilised.

Deferred tax assets and liabilities are settled when there is a legal right to settle for the relevant tax receivables and tax liabilities, and when the deferred tax receivables and tax liabilities are attributable to taxed charged by one single tax authority and relate to either the same tax subject or different tax subjects where there is an intention to settle the balances by means of net payments.

2.15 EMPLOYEE BENEFITS

(a) Pension obligations

The Group has defined contribution pension plans. A defined contribution pension plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligations to pay additional contributions if this legal entity does not have sufficient assets to pay all compensation to employees associated with the employees' service during the current or earlier periods. The contributions are recorded as personnel costs when they fall due for payment. Prepaid contributions are recorded as an asset to the extent that cash repayment or a reduction of future payments may be credited to the Group.

2.16 RECORDING INCOME

Income is valued at the fair value of what has been received or will be received, and represents the amounts received for goods sold net of discounts, returns and Value Added Tax.

The Group records income when its amount can be measured reliably, it is probable that future economic benefits will accrue to the company and special criteria have been met as described below.

Sales of mobile games

The Group's income comes from in-app purchases on platforms, advertising income attributable to these games and a small element from royalties. Income is recorded when the income can be calculated in a reliable way and when essentially all risks and rights associated with ownership have been transferred to the buyer, which usually happens in connection with delivery.

In-app purchases take place on various platforms, and income is recorded when they are delivered to the customer. In-app purchases are also recorded as they take place and are delivered to the customer.

In connection with in-app purchases, the gross payment flows pass from the end user in all cases to the platform, which deducts its charge, which is 30% of the price paid by the end user, before the money reaches MAG Interactive. The assessment is that MAG Interactive shall record the full income gross and the platform's share of incomes shall be reported as an outgoing expense item, which represents the same net result as with income recorded net.

MAG Interactive also receives income from advertisements that are displayed in the company's games. This income is recorded as the advertisements are displayed and the company receives compensation for these.

The Group also has some royalty income associated with the granting of rights to use the company's games in other contexts. MAG Interactive then receives a proportion of income from this, which is recorded as it arises.

2.18 LEASES

Leases in which a significant element of the risks and benefits of ownership are retained by the lessor are classified as operational leases. Payments made during the term of the lease (after deductions for any incentives from the lessor) are recorded as expenses in the income statement on a straight-line basis over the term of the lease.

A lease agreement for non-current assets in which the Group essentially owns the financial risks and benefits associated with ownership is classified as a financial lease. A financial lease is recorded in the balance sheet at the beginning of the term of the lease at the lower of the lease object's fair value and the current value of the minimum lease charges.

At present the MAG Interactive Group only has lease agreements that are classified as operating lease agreements.

2.19 DIVIDENDS

A dividend to the parent company's shareholders is recorded as a liability in the consolidated financial statements in the period when the dividend is approved by the parent company's shareholders.

2.20 EBITDA

EBITDA, profit/loss before financial items, taxes and depreciation.

2.21 PERFORMANCE-BASED MARKETING

Direct marketing includes digital advertising, TV advertising and other advertising associated directly with the company's products, as well as services and charges directly attributable to direct marketing as well as the production of advertising material. General marketing of the company and brand is not included in the cost of direct marketing.

NOTE 3 - FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group is exposed to a number of different financial risks in its activities: market risk (currency risk), credit risk, liquidity risk and credit risk. The Group's general risk management policy focuses on the unpredictability of the financial markets and attempts to minimise potential unfavourable effects on the Group's financial results. The Group does not use derivative instruments to hedge its risk exposure.

Risk management is performed by Group Finance in accordance with policies adopted by the Board. The Board draws up written policies for general risk management and for specific areas such as currency risk, credit risk, the use of derivative instruments and financial instruments that are not derivatives, as well as the investing of excess liquidity.

(a) Market risk

(i) Currency risk

The Group operates on an international level and is exposed to currency risks arising from various currency exposures, in particular in respect of the US dollar (USD). Currency risk arises through future business transactions, recorded assets and liabilities, and net investments in foreign businesses.

Currency risks also arise when future business transactions are expressed in a currency that is not the entity's functional currency. The Group's product purchases takes place mainly in USD. In order to manage the currency risk of outflows in USD, the Group has USD bank accounts.

The Group has a holding in a foreign business in the UK, the net assets of which are exposed to currency risks.

If the Swedish krona had weakened by 10% in relation to the US dollar, with all other variables held constant, the recalculated annual profit figure as of 31 August 2017 would have been SEK 40,000 higher, largely as a consequence of gains from the translation of trade and other receivables in USD.

(b) Credit risk

Credit risk is managed at Group level, with the exception of credit risk in respect of outstanding trade and other receivables. Each company in the Group is responsible for monitoring and analysing the credit risk for each new customer before offering standard terms of payment and delivery. Credit risk arises through cash and cash equivalents and bank balances, as well as credit exposure to customers. Only banks and financial institutions awarded a credit rating of at least "A" by an independent assessor are accepted. In cases where there is no credit assessment, a risk assessment is conducted of the customer's creditworthiness, taking into account the customer's financial position, as well as previous experiences and other factors. Individual risk limits are defined on the basis of internal or external credit assessments in accordance with the limits set by the Board. The use of credit limits is monitored on a regular basis.

No credit limits were exceeded during the reporting period and management does not expect any losses as a consequence of a failure to pay from these counterparties.

(c) Liquidity risk and interest

Cash flow forecasts are drawn up by the Group's operational companies and are aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity reserve closely in order to make sure that the Group has sufficient cash funds to meet the need of operating activities.

Excess liquidity in the Group's operating companies, in excess of the element required in order to meet working capital needs, is transferred to Group Finance. The Group invests excess liquidity in interest-bearing money market instruments and marketable securities, depending on which instrument has a suitable term or sufficient liquidity to satisfy the scope defined by the above forecasts. As of the balance sheet date on 31 August 2017, the Group had fixed income funds of SEK 19,018 to manage liquidity risk. These are classified as other short-term securities in the balance sheet.

The table below analyses the Group's non-derivative financial liabilities broken down according to the time remaining on the balance sheet date until the contractual due date. The amounts quoted in the table are the contractual, non-discounted cash flows.

As of 31 August 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Other long-term liabilities	0	0	15,556	0	0
Trade and other payables	5,047	0	0	0	0
Other current liabilities	1,041	15,556	0	0	0
Accrued expenses and prepaid income	15,483	0	0	0	0

As of 31 August 2017	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Other long-term liabilities	0	0	0	0	0
Trade and other payables	13,265	0	0	0	0
Other current liabilities	0	0	0	0	0
Accrued expenses and prepaid income	10,955	0	0	0	0

Interest bearing debt for the group is TSEK 31,112 and is amortized quarterly until June 2020. With a non-fixed interest the group carries limited risk in the interest cost in that period.

3.2 MANAGING CAPITAL

The Group's objective with regard to the capital structure is to secure the Group's ability to continue its activities so that it can continue to generate a return for shareholders and value for other stakeholders, and to maintain an optimal capital structure in order to keep down the costs of capital.

To maintain or adjust the capital structure, the Group can change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets in order to reduce liabilities.

3.3 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 valued at fair value on each balance sheet date:

	8/31/18	8/31/17
Assets		
Financial assets valued at fair value through the income statement		
Other short-term securities (level 1)	0	19,018
Total assets	0	19,018
Liabilities		
Financial liabilities valued at fair value through the income statement		
Additional purchase price (level 3)	15,556	0
Total liabilities	15,556	0

NOTE 4 - IMPORTANT ESTIMATES AND JUDGEMENTS FOR ACCOUNTING PURPOSES

Estimates and judgements are reviewed periodically and are based on historical experience and other factors, including expectations of future events considered reasonable under the prevailing circumstances.

4.1 IMPORTANT ESTIMATES AND JUDGEMENTS FOR ACCOUNTING PURPOSES

The Group makes estimates and assumptions about the future. The estimates for accounting purposes that result from these will, by definition, seldom correspond with the actual outcome. The estimates and assumptions that involve a noteworthy risk of significant adjustments to carrying values of assets and liabilities during the next financial year are set out in general terms below.

Impairment testing of goodwill

Every year the Group investigates whether there is an impairment requirement for goodwill, in accordance with the accounting policy described in Note 2.6. The recoverable values of cash-generating units have been defined by means of calculating the value in use. Certain estimates must be made for these calculations (Note 32).

The carrying amount of goodwill totals KSEK 77,415 as of August 31 2018 (7,976 KSEK 31 August 2017).

Valuation of tax loss carryforwards

Deferred tax assets are only recorded for tax loss carryforwards for which it is likely that they can be utilised against future taxable surpluses and against taxable temporary differences.

Every year the Group investigates whether it is appropriate to capitalise new deferred tax receivables in respect of the year's or previous years' tax loss carryforwards.

Retained expenses for development expenses

The Group has retained expenses for development expenses in respect of mobile games that are recorded as intangible assets. After the initial recording, the impairment requirement is tested as soon as there are indications that the asset has reduced in value. The Group performs estimates of the useful life in connection with the initial recording. The useful life is tested every year and adjusted as required. The Group's retained expenses for development expenses are depreciated over three years.

As of August 31, 2018, retained expenses for development expenses totaled KSEK 28,092 (26,485, August 31, 2017).

NOTE 5 – DISTRIBUTION OF NET SALES

The group reports the operations into one segment according to IFRS' definition. To give a better understanding of the business the main sources of Net sales are split; the Net sales from Inapp purchases and Ad sales respectively.

	2017/2018	2016/2017
In-app purchases	129,434	210,941
Advertising income	86,824	49,460
Other	612	4
Total	216,870	260,405
The Group's distribution by country	2017/2018	2016/2017
Sweden	216,870	260,405
UK	0	0
Total	216,870	260,405

The Group's income distributed by registered office, all games developed within the Group are published by the parent company, with its registered office in Sweden, except for Quiz Duel which is published by Feo Media AB.

NOTE 6 – OTHER OPERATING INCOME

	2017/2018	2016/2017
Exchange rate gains	2,428	2,668
Other	961	91
Total	3,389	2,759

NOTE 7 – SALES-RELATED COSTS

	2017/2018	2016/2017
Platform fee	38,832	63,283
Other sales charges	22,912	15,667
Total sales-related costs	61,744	78,950

NOTE 8 – PERSONNEL COSTS

	2017/2018	2016/2017
Costs of employee benefits		
Salaries and remuneration	38,208	23,033
Social security contributions	11,205	6,879
Pension costs	2,647	1,630
Sum	52,060	31,542
Senior executives		
CEO, Daniel Hasselberg		
Salaries and remuneration	1,427	1,339
Variable salary	60	33
Social security contributions	468	431
Pension costs	338	299
Sum	2,293	2,102
Other senior executives		
Salaries and remuneration	8,343	4,793
Variable salary	230	107
Social security contributions	2,665	1,340
Pension costs	1,085	762
Sum	12,323	7,002
Sum salaries and remuneration	66,676	40,646
Other staff costs	2,701	1,791
Sum	69,377	42,437
Fees to Board members	2017/2018	2016/2017
Chairman of the Board, Walter Masalin	0	0
Board member, Teemu Huhtanen	200	0
Board member, Mikael Hjort	200	66
Board member, Daniel Hasselberg	0	0
Board member, Kaj Nygren	0	0
Board member, Johan Persson	0	0
	400	66

Average number of employees	2017/2018		2016/2017	
	Average number of employees	Of which male	Average number of employees	Of which male
Sweden	71	48	41	34
UK	19	15	14	12
	90	63	55	46

Gender distribution in the Group (incl. Subsidiaries) for Board members and other senior executives

	2017/2018		2016/2017	
	Number on balance sheet date	Of which male	Number on balance sheet date	Of which male
Board members	6	6	6	6
CEO and other senior executives	6	6	6	6

There is a mutual period of notice of six months in force between the company and the CEO.

NOTE 9 – REMUNERATION PAID TO AUDITORS

Remuneration paid to auditors	2017/2018	2016/2017
PwC		
- The audit assignment	440	374
- Tax consultancy	279	0
- Other services	969	536
Total	1,688	910
Additional cost to auditors KSEK 621 has been booked as IPO costs		
Other auditors		
- The audit assignment	71	74
Group total	1,759	984

NOTE 10 – FINANCIAL INCOME AND EXPENSES

	2017/2018	2016/2017
Interest expenses	-568	-2
Exchange rate loss	-1,018	-654
Financial expenses	-1,586	-656
Interest income	11	7
Exchange rate gains from current receivables	2,820	38
Valuation at fair value, financial assets	0	14
Profit from sale of securities	407	67
Financial income	3,238	126
Net financial items	1,652	-530

NOTE 11 – INCOME TAX

	2017/2018	2016/2017
Current tax on profit/loss for the year	2,742	1,338
Deferred tax	-8,205	1,641
Other tax	28	0
Total current tax	-5,434	2,979

Income tax on the Group's profit before taxation differs from the theoretical amount that would have arisen from the use of the Swedish tax rate for the consolidated companies as follows:

	2017/2018	2016/2017
Profit/loss before tax	-65,231	3,552
Income tax calculated according to the tax rate in Sweden (22%)	-14,351	781
Tax effects of:		
Non-taxable income	0	48
Additional consideration Delinquent (Mag Games Ltd)	6,909	0
Non-deductible expenses	1,208	1,533
Other	800	0
Tax effect, UK subsidiary	0	617
Tax expense	-5,434	2,979

NOTE 12 – EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit/loss attributable to the parent company's shareholders by the number of shares as of 31 August 2018 (26,321,393). Based on the nature of the preference shares, these have been treated the same way as ordinary shares and are therefore included in the calculation of earnings per share. All preference shares were converted to common shares in December 2017. See Note 25 for the number of shares. Previous years have been recalculated to provide better comparability.

NOTE 13 – NET EXCHANGE RATE DIFFERENCES

Exchange rate differences have been recorded in the income statement as follows:

	2017/2018	2016/2017
Other operating income	2,428	2,668
Other operating expenses	-2,411	-2,380
Sum	17	288
Exchange rate difference in current receivables and liabilities	1,809	-612
Total	1,826	-324

NOTE 14 – HOLDINGS AND INVESTMENTS IN SUBSIDIARIES

Name	Country of registration and operation	Business activity	Proportion of ordinary shares owned directly by the parent company (%)
MAG Games Ltd (formerly Delinquent Interactive Ltd)	UK	Development	100
Feo Media AB	Sweden	Development	100

MAG Games Ltd and Feo Media AB are consolidated into the Group. The proportion of voting rights in subsidiaries which is owned directly by the parent company, does not differ from the proportion of ordinary shares owned.

NOTE 15 – TANGIBLE NON-CURRENT ASSETS

	2017/2018	2016/2017
Opening cost of acquisition	3,423	1,049
Purchases	1,308	2,617
Sales/retirements	-204	-243
Closing accumulated cost of acquisition	4,527	3,423
Opening depreciation	-724	-641
Depreciation for the year	-981	-83
Closing accumulated depreciation	-1,705	-724
Closing carrying amount	2,822	2,699

The acquisition of FEO Media AB included depreciation of SEK 64,131. Exchange rate difference in GBP during the year amounts to SEK 35,427, which affects depreciation. Depreciation during the year affecting earnings is shown in Note 29.

NOTE 16 – INTANGIBLE ASSETS

	Goodwill	Acquired intellectual property rights to games for platforms	Capitalised expenditure for development works in respect of games for platforms	Total
Opening balance, 1 September 2016	8,674	11,358	21,870	41,902
Additions	0	0	20,205	20,205
Exchange rate differences	-698	0	0	-698
Depreciation	0	-6,863	-13,194	-20,057
Impairments	0	0	-2,400	-2,400
Closing balance, 31 August 2017	7,976	4,495	26,481	38,952
Opening balance, 1 september 2017	7,976	4,495	26,481	38,952
Additions	68,237	37,600	19,954	125,791
Exchange rate differences	1,202	0	0	1,202
Depreciation	0	-7,316	-18,342	-24,456
Impairments	0	0	0	0
Closing balance, 31 Augusti 2018	77,415	34,779	28,453	140,287

IMPAIRMENT TESTING OF GOODWILL

Below is a summary of goodwill

	Opening carrying amount	Additions	Sale	Impairment	Translation difference	Closing carrying amount
31/08/2018	7,976	69,439	0	0	0	77,415
31/08/2017	8,674	0	0	0	-698	7,976

IMPAIRMENT TESTING OF GOODWILL

Based on the fact that goodwill relates in its entirety to the acquisitions of MAG Games Ltd (formerly Delinquent Interactive Ltd) and Feo Media AB, which are both fully integrated into MAG Interactive AB, the MAG Group is considered to constitute the smallest cash-generating unit for which the valuation of goodwill can be performed.

The value of goodwill is tested annually against the estimated recoverable value, which is either the value in use or the fair value minus sales-related costs. Goodwill has been tested against the value in use as of 31/08/2018, and as of 31/08/2017.

The value in use is based on estimated assessments of future cash flows before tax, which are based on reasonable and verifiable assumptions that represent the best estimates of the economic conditions that are expected to prevail. The assessment of future cash flows is based on budgets and forecasts for the period of the next three years. Cash flows after the forecast period are estimated with an assumption of a long-term rate of growth after the forecast period of 2 per cent per annum for 31 August 2018 (31 August 2017: 2 per cent).

Important assumptions in this estimate include the discount rate, sales growth and EBITDA margins.

The discount rate before tax is 13 per cent for 31 August 2018 (31 August 2017: 13 per cent).

No reasonable possible change in important assumptions would cause the carrying amount to exceed the recoverable value.

NOTE 17 – FINANCIAL INSTRUMENTS BY CATEGORY

	Loan receivables and trade and other receivables	Assets valued at fair value through the income statement	Total
Assets in the balance sheet			
Other long-term receivables	1,836	0	1,836
Other short-term securities	0	19,018	19,018
Trade and other receivables	13,604	0	13,604
Cash and cash equivalents	40,561	0	40,561
Total 31/08/2017	56,001	19,018	75,019
Assets in the balance sheet			
Other long-term receivables	4,300	0	4,300
Trade and other receivables	10,063	0	10,063
Other current receivables	4,009	0	4,009
Cash and cash equivalents	228,083	0	228,083
Total 31/08/2018	246,455	0	246,455
		Other financial liabilities	Total
Liabilities in the balance sheet			
Trade and other payables		13,265	13,265
Total 31/08/2017		13,265	13,265
Liabilities in the balance sheet			
Other long-term liabilities (loan DB)		15,556	15,556
Trade and other payables		5,047	5,047
Other current liabilities (loan DB)		15,556	15,556
Total 31/08/2018		36,159	36,159

NOTE 18 – OTHER SHORT-TERM SECURITIES

Other short-term securities relate to the investment in Handelsbanken's interest-bearing fund 'Flexibel ränta – MEGA'. The fund invests in both Swedish and global interest rate markets, in government bonds, corporate bonds and in growth markets.

Based on the nature of this item and the company's views, there has been a reclassification in respect of this investment during the year from a long-term to a short-term receivable. Reclassification has also taken place for the comparative periods.

	8/31/18	8/31/17
Opening value	19,018	16,454
Deposits	0	24,228
Withdrawals	-19,018	-21,664
Closing value	0	19,018

NOTE 19 – OTHER LONG-TERM RECEIVABLES

Other long-term receivables relate to deposits for office premises.

	8/31/18	8/31/17
Opening value	1,836	1,841
Deposits	2,450	0
Currency effect	14	-5
Closing value	4,300	1,836

NOTE 20 – DEFERRED TAX ASSET

The Group has recorded deferred tax assets in respect of the tax loss carryforwards in MAG Games Ltd. The tax loss carryforwards have been capitalised as the Group considers it likely that it will be possible to set off the remaining deficit against future taxable profits. There are no non-capitalised deficits in the Group.

	8/31/18	8/31/17
Opening value	1,263	1,612
Currency difference	132	-130
Tax effect, tax loss carryforwards utilised	304	-219
Closing value	1,699	1,263

NOTE 21 – TRADE AND OTHER RECEIVABLES

	8/31/18	8/31/17
Trade and other receivables	10,063	13,604
Total	10,063	13,604

The fair value of trade and other receivables corresponds to their carrying amount, as there is no significant discount effect.

As of 31 August 2018, confirmed trade and other receivables totaled TSEK 10,063 (31 August 2017: TSEK 13,604) for the Group.

As of 31 August 2018, trade and other receivables totaling TSEK 579 (31 August 2017: TSEK 155) were due, without it being considered that an impairment requirement existed for the Group. The receivables due relate to a number of customers who have not previously experienced any payment difficulties. An age analysis of these trade and other receivables is shown below:

	8/31/18	8/31/17
1-30 days	467	154
31-60 days	95	0
> 61 days	17	1
Total trade and other receivables due	579	155

Amounts recorded for each currency for the Group's trade and other receivables are as follows:

	8/31/18	8/31/17
SEK	-2,288	7,387
EUR	0	7
GBP	2,578	0
USD	9,773	6,210
Total	10,063	13,604

The maximum exposure to credit risk as of the balance sheet date is the carrying amount of trade and other receivables as set out above.

The Group has no mortgage as security.

NOTE 22 – OTHER CURRENT RECEIVABLES

	8/31/18	8/31/17
Current receivables, employees	38	14
VAT receivables	1,307	691
Other items	2,664	42
Total	4,009	1,177

NOTE 23 – PREPAID EXPENSES AND ACCRUED INCOME

	8/31/18	8/31/17
Accrued income	15,808	17,225
Prepaid expenses	4,680	2,481
Total	20,488	19,706

NOTE 24 – CASH AND CASH EQUIVALENTS

	8/31/18	8/31/17
Bank balances	228,083	40,561
Total	228,083	40,561

NOTE 25 – EQUITY

	Number of shares	Share capital
Ordinary shares	17,510,860	45,483
Preference shares	1,739,140	4,517
As of 31 August 2017	19,250,000	50,000
Ordinary shares	26,321,393	683,673
As of 31 August 2018	26,321,393	683,673

Share capital as of 31 August 2018 consists of 26,321,393 shares, consisting of ordinary shares with a quota value of SEK 0,00259. The shares have a voting value of 1 vote/share. All shares issued by the parent company are fully paid.

As of the closing date of 31 August 2018, the company has two outstanding option schemes. All options were issued for a competitive premium. When all options, totaling 469,246, are utilized, the company's share capital will increase by a maximum of SEK 12,194 distributed across 469,246 shares. As of the closing date, 469,246 options were not utilized.

The MAG Interactive warrant program was approved by the EGM on February 28 2017. The personnel warrant program is built to give a long term incentive for employees to deliver on a long term share holder value. Through the plan each participant acquires warrants that vest during the following 36 month period. The allocation is determined by the board and no employee has contractual right to participation or allocation.

The number of warrants earned depends on the employee time for each individual employee, aka vesting. The vested warrants can be exercised in the period April-June 2020.

The price paid for the warrants by each employee was the market price as calculated by an independent external advisor. Each warrant gives the right to subscribe for one share in MAG Interactive Ab (publ).

The strike price is SEK 15.

The table below is a summary of the two outstanding option programs:

Program	Number of warrants	Exercise price	Exercise time	Price
2017/2020:1	324 871	15 SEK	April-June 2020	3,75 SEK
2017/2020:2	144 375	15 SEK	April- June 2020	3,75 SEK
Total/average	469 246	15 SEK	April- June 2020	3,75 SEK

No other warrants have been submitted previously by the company or its subsidiaries. No options or warrants have been exercised.

During the financial year 2017/18 warrants for a total value of 28 KSEK have been repurchased.

Current value of ongoing programs

No personnel options or warrants were allocated during the year 2017/18.

All outstanding warrants in the company were purchased by employees at a calculated market value. The calculations were based on standard practice methods and were performed by an external advisor. Since the time of issuing the warrants the company was listed and preference shares were changed to common shares. The volatility of the share is established to 60%. Based on this the company estimates the value of the outstanding warrants from these two programs to 5 SEK per warrant.

Management short term incentive program (STI)

During the financial year 2017/18 no specific short term incentive program for management existed. Specifically no program based on shares.

Costs for share related incentive programs

The total cost for the share related remunerations during the financial year was:

Warrant program 2016/17

The total cost for developing and executing on the warrant programs 2017/2020:1 and 2017/2020:2 was 250 KSEK

NOTE 26 – DEFERRED TAX LIABILITY

The change in deferred tax liabilities during the year, not taking into account any offsets performed within the same tax jurisdiction, is described below:

Deferred tax liabilities	Untaxed reserves	Acquired intellectual rights to games for platforms	Capitalised expenditure for development works in respect of games for platforms	Total
As of 1 September 2016	8,518	-100	4,811	13,229
Recorded in the income statement	308	100	1,105	1,423
As of 31 August 2017	8,826	0	5,826	14,652
As of 1 September 2017	8,826	0	5,826	14,652
Recorded in the income statement	-4,390	7,164	499	3,273
As of 31 August 2018	4,436	7,164	6,325	17,925

NOTE 27 – OTHER CURRENT LIABILITIES

	8/31/18	8/31/17
Personnel-related liabilities	1,837	2,332
VAT	1,118	0
Other items (loan DB)	15,556	0
Total	18,511	2,332

NOTE 28 – ACCRUED EXPENSES AND PREPAID INCOME

	8/31/18	8/31/17
Accrued salaries, employers contribution, holiday pay and bonuses	3,200	683
Accrued marketing expenses	7,218	4,203
Accrued income	1,181	0
Other accrued expenses	3,884	6,069
Total	15,483	10,955

NOTE 29 – ADJUSTMENT FOR ITEMS NOT INCLUDED IN CASH FLOW

	8/31/18	8/31/17
Capitalized work has been moved from Adjustment for items not included in cashflow to Cash flow from investing activities		
Depreciation of tangible non-current assets	881	813
Depreciation of intangible assets	25,658	22,457
New issue	31,405	0
Change in fair value of financial assets recorded in income statement	0	439
Total	57,944	23,709

NOTE 30 – PLEDGED ASSETS

	8/31/18	8/31/17
Bank account	147	147
Rental deposit	4,238	1,836
Total	4,385	1,983

NOTE 31 – OPERATIONAL LEASES

OBLIGATIONS IN RESPECT OF OPERATIONAL LEASES

The Group rents office premises in accordance with non-retractable operational lease agreements. The terms of the leases vary between three and five years, and most contracts can be extended at the end of the term of the lease at a charge that corresponds with a competitive charge.

Leasing expenses in respect of operational lease agreements totalling TSEK 4,681 (31/08/2017: TSEK 3,676) are included in the income statement.

Future total minimum lease charges for non-retractable operational lease agreements are as follows:

	8/31/18	8/31/17
Within 1 year	5,424	4,284
Between 1 and 5 years	16,824	16,284
More than 5 years	0	0
Total	22,248	20,568

NOTE 32 – BUSINESS COMBINATIONS

DELINQUENT

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	18,550
Market value	44	31,423,700
Share premium	18.55	
Not yet registered share capital	18,550	
Effect on profit and loss	31,405,131.45	SEK

FEO MEDIA AB

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, valued at 33,755 KSEK was made during the first half of 2018. The additional payment was determined in a closing balance sheet. The final payment of 15,000 KSEK was made in June 2018 from escrow funds.

A acquisition analysis is presented below.

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

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

NOTE 33 – ASSOCIATED PARTIES

No individual or company has, directly or indirectly, control of a majority of shares or votes in the company.

DIVIDEND

As decision was made at the extraordinary general meeting on 21/11/2016 on a dividend of 14,919; the dividend to associated parties is shown below.

Mobile Access Group	8,707
Johan Persson	1,415
	10,122

REMUNERATION TO SENIOR EXECUTIVES

For information regarding remuneration to senior executives, see note 8.

REDEMPTION OF SHARES

On 12 October 2015, 37,500 shares were redeemed by Roger Skagervall AB, 5590019-2380, to a value of TSEK 7,485. Roger Skagervall AB is an associated party as the company's owner is one of the founders.

ASSOCIATED COMPANY

	Sales of goods/services to associated party	Receivable from associated party as of 31/08/2017
Mobile Access Group	116	116
	116	116

NOTE 34 - ADJUSTED EBITDA

	8/31/18	8/31/17
EBITDA	-40,343	27,097
Costs related to Acquisition of MAG Games Ltd	31,405	0
IPO costs	7,239	236
Acquisition costs	976	0
Restructuring costs	9,406	0
Adjusted EBITDA	8,683	27,333
Profit/loss before tax	-65,231	3,552
Costs related to Acquisition of MAG Games Ltd	31,405	0
IPO costs	7,239	236
Reconstructing cost FEO Media AB	9,406	0
Acquisition cost FEO Media AB	976	0
Adjusted profit/loss before tax	-16,205	3,788

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PARENT COMPANY'S INCOME STATEMENT

Amounts in SEK ,000

		Financial year	
		2017/2018	2016/2017
Operating income			
Net sales	<u>3</u>	166,666	260,405
Other operating income	<u>9</u>	6,786	2,759
Total		173,452	263,164
Operating expenses			
Sales-related costs	<u>4</u>	-51,863	-79,036
Performance-based marketing		-71,617	-111,146
Other external expenses	<u>6, 9</u>	-35,832	-23,913
Personnel costs	<u>5</u>	-53,869	-42,963
Depreciation and impairments of tangible and intangible non-current assets	<u>10, 11</u>	-5,309	-7,441
Total operating expenses		-218,490	-264,499
Operating profit/loss		-45,038	-1,335
Financial items			
Financial income	<u>7, 9</u>	646	566
Financial expenses	<u>7, 9</u>	-613	-652
Net financial items		33	-86
Profit/loss after financial items		-45,005	-1,421
Appropriations			
Change of tax allocation reserves		40,120	-1,400
Total appropriations		40,120	-1,400
Profit/loss before tax		-4,885	-2,821
Taxes			
Tax on profit/loss for the year	<u>8</u>	1,699	-949
Profit/loss for the year		-3,186	-3,770

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

PARENT COMPANY'S BALANCE SHEET

Amounts in SEK ,000

		8/31/18	8/31/17
ASSETS			
Non-current assets			
Intangible non-current assets			
Intellectual property rights	<u>11</u>	0	4,497
Total intangible assets		0	4,497
Tangible assets			
Equipment, tools, fixtures and fittings	<u>10</u>	2,358	2,551
Total tangible assets		2,358	2,551
Financial non-current assets			
Participations in Group companies	<u>12</u>	181,933	15,797
Other long-term receivables	<u>15</u>	3,482	1,782
Total financial non-current assets		185,415	17,579
Total non-current assets		187,773	24,627
Current assets			
Current receivables			
Trade and other receivables		11,995	13,488
Receivables from Group companies	<u>13</u>	6,337	116
Other receivables	<u>17</u>	1,224	1,847
Other short-term securities	<u>14</u>	0	19,004
Prepaid expenses and accrued income	<u>18</u>	15,343	19,701
Total current receivables		34,899	54,156
Cash and bank balances	<u>19</u>	181,305	37,523
Total assets		403,977	116,306

Amounts in SEK ,000

		8/31/18	8/31/17
EQUITY AND LIABILITIES			
Restricted equity			
Share capital 26,321,393 shares 8/31/2018) (19,250,000 shares 8/31/2017)		684	50
Non-restricted equity			
Other external capital		312,430	0
Retained earnings		39,898	53,619
Profit/loss for the year		-3,186	-3,770
Total equity	20	349,826	49,899
LIABILITIES			
Untaxed reserves			
Tax allocation reserve		0	40,120
Total untaxed reserves		0	40,120
Long-term liabilities			
Other long-term liabilities		15,556	0
Total long-term liabilities		15,556	0
Current liabilities			
Trade and other payables		8,309	12,992
Liabilities to Group companies	13	2,589	1,211
Other liabilities	16	17,866	2,073
Accrued expenses and prepaid income	23	9,831	10,011
Total current liabilities		38,595	26,287
TOTAL EQUITY AND LIABILITIES		403,977	116,306

CHANGE IN EQUITY IN THE PARENT COMPANY

Amounts in SEK ,000

	Share capital	Other External Capital	Retained earnings and profit/loss for the year	Total equity
Opening balance as of 01/09/2016	50		67,320	67,370
Profit/loss for the period			-3,770	-3,770
Dividend			-14,919	-14,919
Option scheme			1,218	1,218
Closing balance as of 31/08/2017	50		49,849	49,899
Opening balance as of 01/09/2017	50		49,849	49,899
New Issue	634	309,573	0	310,207
Issue costs			-8,284	-8,284
Profit/loss for the period			-3,186	-3,186
Option scheme			1,190	1,190
Closing balance as of 31/08/2018	684	309,573	39,569	349,826

PARENT COMPANY'S CASH FLOW STATEMENT

Amounts in SEK ,000

	8/31/18	8/31/17
Cash flow from operating activities		
Profit/loss before financial items	-45,038	-1,335
Adjustment for items not included in cash flow <u>24</u>	5,157	7,569
Interest received	11	566
Interest paid	-554	-3
Income tax paid	0	-1,682
Cash flow from operating activities before change in working capital	-40,424	5,115
Change in current operating receivables	-4,416	-4,159
Change in current operating liabilities	1,424	5,799
Total change in working capital	-2,992	1,640
Cash flow from operating activities	-43,015	6,755
Cash flow from investing activities		
Investments in tangible non-current assets <u>10</u>	-469	-2,881
Acquisition of subsidiary, after deduction of cash and cash equivalents acquired <u>32</u>	-134,731	0
Change in securities <u>21</u>	19,004	-3,004
Cash flow from investing activities	-116,196	-5,885
Cash flow from financing activities		
Dividend	0	-14,919
Option scheme	0	1,218
Share Issue	271,707	0
Loan DB	31,311	
Cash flow from financing activities	302,818	-13,701
Reduction/increase in cash and cash equivalents		
Cash flow for the year	143,607	-12,831
Exchange rate difference in cash and cash equivalents	175	-649
Opening cash and cash equivalents	37,523	51,003
Closing cash and cash equivalents	181,305	37,523

NOTE 1 - GENERAL INFORMATION

MAG Interactive AB (publ) (the parent company in the MAG Interactive Group) is a company that operates in the field of games for platforms. The parent company is a limited liability company registered in Sweden with its registered office in Stockholm. The address of the head office is Drottninggatan 95A, SE-113 60 Stockholm, Sweden.

If nothing else is stated amounts are in thousands of Swedish krona (KSEK). Amounts within brackets are comparison year, normally 2016/17.

NOTE 2 - SUMMARY OF THE PARENT COMPANY'S SIGNIFICANT ACCOUNTING POLICIES

The most significant accounting policies applied in preparing this annual report are described below. Unless otherwise specified, these policies have been applied consistently for all years presented.

This is MAG Interactive AB's (the parent company's) set of accounts prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. In cases where the parent company applies other accounting policies than the Group's accounting policies, which are described in Note 2 in the consolidated accounts, this is specified below.

The annual accounts have been prepared in accordance with the acquisition value method.

The preparation of financial statements in accordance with RFR 2 requires the use of a number of important estimates for accounting purposes. Management is also required to make certain judgements when applying the parent company's accounting policies. The areas that involve a high degree of judgement, that are complex or areas in which assumptions and estimates are of significant importance for the annual report are described in Note 4 of the consolidated accounts.

The parent company is exposed to a number of different financial risks in its activities: market risk (currency risk, interest rate risk), credit risk and liquidity risk. The parent company's general risk management policy focuses on the unpredictability of the financial markets and attempts to minimise potential unfavourable effects on the Group's financial results. For more information about financial risks, please refer to Note 3 of the consolidated accounts.

The parent company applies different accounting policies than the Group in the cases specified below:

Formats

The income statement and balance sheet follow the format of the Swedish Annual Accounts Act. The statement of changes in equity follows the Group's format, but must contain the components specified in the Swedish Annual Accounts Act. It also means there is a difference in designations compared with the consolidated accounts, primarily in respect of financial income and expenses and equity.

Participations in subsidiaries

Participations in subsidiaries are recorded at the cost of acquisition after a deduction for any impairments. The cost of acquisition includes acquisition-related expenses. When there is an indication that participations in subsidiaries have decreased in value, a calculation of the recoverable value is performed. If this is lower than the carrying amount, an impairment is performed. Impairments are recorded in the item "Profit/loss from participations in Group companies".

Capitalised development expenses

Development expenses that are directly attributable to the development and testing of identifiable and unique games for platforms that are controlled by the Group are recorded as intangible assets in the Group when the criteria for capitalisation in IAS 38 are met. No development expenses are capitalised in the parent company.

Financial instruments

IAS 39 is not applied in the parent company and financial instruments are valued at the cost of acquisition. In subsequent periods, financial assets that are acquired with the intention of being held in the short term will be recorded in accordance with the lowest value principle at the lower of the cost of acquisition and the market value.

NOTE 3 – DISTRIBUTION OF NET SALES

	2017/2018	2016/2017
In-app purchases	123,642	210,941
Advertising income	43,024	49,460
Other	6,786	4
Total	173,452	260,405

NOTE 4 – SALES-RELATED COSTS

	2017/2018	2016/2017
Platform fee	37,097	63,283
Other sales charges	14,766	15,753
Total sales-related costs	51,863	79,036

NOTE 5 – PERSONNEL COSTS

	2017/2018	2016/2017
Costs of employee benefits		
Salaries and remuneration	19,425	17,223
Social security contributions	6,409	6,297
Pension costs	1,907	1,518
Sum	27,741	25,038
Senior executives		
Salaries and remuneration	8,128	5,215
Social security contributions	2,855	1,639
Pension costs	1,170	1,033
Sum	12,153	7,877
Sum	39,984	32,915
Other staff costs	13,975	10,048
Sum	53,569	42,963

Average number of employees	2017/2018		2016/2017	
	Average number of employees	Of which male	Average number of employees	Of which male
Sweden	41	33	41	34
Germany	1	1	1	1
	42	34	42	35

Gender distribution in the Group (incl. Subsidiaries) for Board members and other senior executives

NOTE 6 – REMUNERATION PAID TO AUDITORS

Remuneration paid to auditors	2017/2018	2016/2017
PwC		
- The audit assignment	440	374
- Auditing activities in addition to the audit assignment	0	0
- Tax consultancy	279	0
- Other services	969	536
Total	1,688	910

NOTE 7 – INTEREST INCOME AND SIMILAR INCOME STATEMENT ITEMS, AND INTEREST EXPENSES AND SIMILAR ITEMS

	2017/2018	2016/2017
Profit from sale of securities	421	521
Exchange rate difference in current receivables and liabilities	214	38
Other financial income	11	7
Total interest income and similar income statement items	646	566
Exchange rate difference in current receivables and liabilities	-38	-649
Interest Loan DB	-554	0
Other financial liabilities	-21	-3
Total interest expenses and similar income statement items	-613	-652
Total net financial items	33	-86

NOTE 8 – TAX RECORDED IN THE INCOME STATEMENT

	2017/2018	2016/2017
Current tax:		
Current tax on profit/loss for the year	-1,699	949
Total current tax	-1,699	949

Income tax on the Group's profit before taxation differs from the theoretical amount that would have arisen from the use of the Swedish tax rate for the consolidated companies as follows:

	2017/2018	2016/2017
Profit/loss before tax	-4,885	-2,821
Income tax calculated according to the tax rate in Sweden (22%)	-1,075	-621
Tax effects of:		
Non-taxable income	0	-2
Non-deductible expenses	1,198	1,524
Tax effect of standard tax rate on fund holdings	0	15
Tax effect of standard tax rate on tax allocation reserve	0	33
Tax effect on IPO costs	-1,822	0
Total tax recorded	-1,699	949

NOTE 9 – EXCHANGE RATE DIFFERENCES

Exchange rate differences have been recorded in the income statement as follows:

	2017/2018	2016/2017
Other operating income	1,644	2,668
Other external expenses	-1,990	-2,381
Sum	-345	287
Exchange rate difference in current receivables and liabilities	176	-611
Total	-169	-324

NOTE 10 – TANGIBLE NON-CURRENT ASSETS

	2017/2018	2016/2017
Opening cost of acquisition	3,082	840
Purchases	469	2,881
Sales/retirements	0	-238
Closing accumulated cost of acquisition	3,551	3,483
Opening depreciation	-532	-465
Depreciation for the year	-661	-467
Closing accumulated depreciation	-1,193	-932
Closing carrying amount	2,358	2,551

NOTE 11 – INTANGIBLE ASSETS

Acquired intellectual rights to games for platforms	2017/2018	2016/2017
Opening cost of acquisition	20,948	20,948
Closing accumulated cost of acquisition	20,948	20,948
Opening depreciation	-16,451	-9,589
Depreciation for the year	-4,497	-6,862
Closing accumulated depreciation	-20,948	-16,451
Closing carrying amount	0	4,497

NOTE 12 – PARTICIPATIONS IN GROUP COMPANIES

	8/31/18	8/31/17
Opening cost of acquisition	15,797	15,797
Acquisitions	134,731	0
Additional payment	31,405	0
Total	181,933	15,797

Name	Country of registration and business activity	Activity	Proportion of ordinary shares owned directly by Parent Company (%)	Carrying amount 31/08/2018	Carrying amount 31/08/2017
MAG Games Ltd	UK	Development	100	47,202	15,797
Feo Media AB	Sweden	Development	100	134,731	0

NOTE 13 – RECEIVABLES AND LIABILITIES, GROUP COMPANIES

Receivables	8/31/18	8/31/17
Trade and other receivables	6,337	116
Total	6,337	116
Liabilities		
Trade and other payables	2,589	1,211
Total	2,589	1,211

NOTE 14 – OTHER SHORT-TERM SECURITIES

Other short-term securities relate to the investment in Handelsbanken's interest-bearing fund 'Flexibel ränta – MEGA'. The fund invests in both Swedish and global interest rate markets, in government bonds, corporate bonds and in growth markets.

	8/31/18	8/31/17
Opening value	19,004	16,000
Deposits	0	24,000
Withdrawals	-19,004	-20,996
Closing value	0	19,004

NOTE 15 – OTHER LONG-TERM RECEIVABLES

Other long-term receivables relate to deposits for office premises

	8/31/18	8/31/17
Opening value	1,782	1,782
Deposits	1699	0
Closing value	3,481	1,782

NOTE 16 – OTHER CURRENT LIABILITIES

	8/31/18	8/31/17
Social security contributions and similar liabilities	2,104	1,933
Loan DB short-term liabilities	15,556	0
Other	206	140
Closing value	17,866	2,073

NOTE 17 – OTHER CURRENT RECEIVABLES

	8/31/18	8/31/17
Current receivables, employees	37	14
Tax asset	140	1,205
VAT receivables	1,047	628
Closing value	1,224	1,847

NOTE 18 – PREPAID EXPENSES AND ACCRUED INCOME

	8/31/18	8/31/17
Prepaid expenses	2,552	2,520
Accrued income	12,555	17,224
Other items	236	-43
Closing value	15,343	19,701

NOTE 19 – CASH AND BANK BALANCES

	8/31/18	8/31/17
Bank balances	181,305	37,523
Total	181,305	37,523

NOTE 20 – EQUITY

For information about equity, see Note 25 in the consolidated accounts.

NOTE 21 - FINANCIAL INSTRUMENTS BY CATEGORY

	Loan receivables and trade and other receivables	Assets valued at fair value through the income statement	Total
Assets in the balance sheet			
Other long-term receivables	1,224	0	1,224
Trade and other receivables	11,995	0	11,995
Other current receivables	15,343	0	15,343
Cash and cash equivalents	181,305	0	181,305
Total 31/08/2018	209,867	0	209,867
Assets in the balance sheet			
Other long-term receivables	1,782	0	1,782
Other long-term securities	19,004	0	19,004
Trade and other receivables	13,488	0	13,488
Cash and cash equivalents	37,523	0	37,523
Total 31/08/2017	71,797	0	71,797
	Other financial liabilities		Total
Other long-term liabilities	15,556		15,556
Trade and other payables	8,310		8,310
Other current liabilities	17,866		17,866
Total 31/08/2018	41,732		41,732
Trade and other payables	12,992		12,992
Total 31/08/2017	12,992		12,992

NOTE 22 – FINANCIAL LIABILITIES

The table below analyses the Group's non-derivative financial liabilities that constitute financial liabilities, broken down according to the time remaining on the balance sheet date until the contractual due date. The amounts quoted in the table are the contractual, non-discounted cash flows.

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
As of 31 August 2018					
Other long-term liabilities	0	0	15,556	0	0
Trade and other payables	8,309	0	0	0	0
Other current liabilities	2,310	15,556	0	0	0
Liabilities to Group companies	2,588	0	0	0	0
Total	13,207	15,556	15,556	0	0
As of 31 August 2017					
Other long-term liabilities	0	0	0	0	0
Trade and other payables	12,992	0	0	0	0
Other current liabilities	0	0	0	0	0
Liabilities to Group companies	1,210	0	0	0	0
Total	14,202	0	0	0	0

NOTE 23 – ACCRUED EXPENSES AND PREPAID INCOME

	8/31/18	8/31/17
Accrued expenses	6,991	9,413
Accrued holiday pay and bonuses	2,840	598
Total	9,831	10,011

NOTE 24 – ADJUSTMENTS FOR ITEMS NOT INCLUDED IN CASH FLOW

	8/31/18	8/31/17
Depreciation of tangible non-current assets	661	468
Retirement of tangible non-current assets	0	239
Depreciation of tangible non-current assets	4,496	6,862
Total	5,157	7,569

NOTE 25 – OPERATIONAL LEASES

OBLIGATIONS IN RESPECT OF OPERATIONAL

The parent company rents office premises in accordance with non-retractable operational lease agreements. The terms of the leases vary between three and five years, and most contracts can be extended at the end of the term of the lease at a charge that corresponds with a competitive charge.

Future total minimum lease charges for non-retractable operational lease agreements are as follows:

	8/31/18	8/31/17
Within 1 year	4,704	3,564
Between 1 and 5 years	15,444	15,444
More than 5 years	0	0
Total	20,148	19,088

NOTE 26 – ASSOCIATED PARTIES

For information about associated parties, see Note 33 in the consolidated accounts.

APPROVAL OF THE FINANCIAL STATEMENT

The Board of Directors and the CEO confirm that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and give a true and fair view of the Group's financial position and profits. The annual accounts have been prepared in accordance with accepted accounting practice and provide a fair view of the parent company's financial position and profits.

The Statutory Administration Report for the Group and the parent company provides a fair summary of developments in the Group's and the parent company's business activities, financial position and profits, and describes the significant risks and uncertainty factors faced by the parent company and the companies that are part of the Group.

Stockholm 26 November 2018

Walter Masalin
Chairman of the Board

Teemu Huuhtanen
Board Member

Kaj Nygren
Board Member

Johan Persson
Board Member

Daniel Hasselberg
CEO/Board member

Michael Hjorth
Board Member

Our audit report has been submitted 26 November 2018
Öhrlings PricewaterhouseCoopers AB

Niklas Renström
Authorised Public Accountant

AUDITORS REPORT

To the general meeting of the shareholders of MAG Interactive AB (publ), corporate identity number 556804-3524

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of MAG Interactive AB (publ) for the financial year 1 September 2017 – 31 August 2018. The annual accounts and consolidated accounts of the company are included under the heading Financial reports in the digital version of the annual accounts as well as on pages 45 to 105 in the pdf version.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 August 2018 and its financial performance and cash flow for the financial year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 August 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of MAG Interactive AB (publ) for the financial year 1 September 2017 – 31 August 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.