ANNUAL REPORT 2018/19

MAG INTERACTIVE (PUBL)

MAG INTERACTIVE

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ABOUT MAG

Founded in 2010, MAG Interactive is a global developer of casual social games for smart mobile phones. The portfolio consists of games that have been collectively downloaded over 250 million times. From MAG's diverse catalogue of games, the most well known titles are Ruzzle, Word Domination, WordBrain and QuizDuel. Revenue is mainly derived from in-app purchases and advertisements. MAG has offices in Stockholm and Brighton and the company is listed on Nasdaq First North Premier Growth Market with the ticker MAGI.

250 M+
DOWNLOADS

385
MILLION HOURS
PLAYED DURING 2018/2019

78
EMPLOYEES

18
NATIONALITIES OF EMPLOYEES

28 % WOMEN
72 % MEN

MAG'S GAMES PLAYED IN
185
COUNTRIES

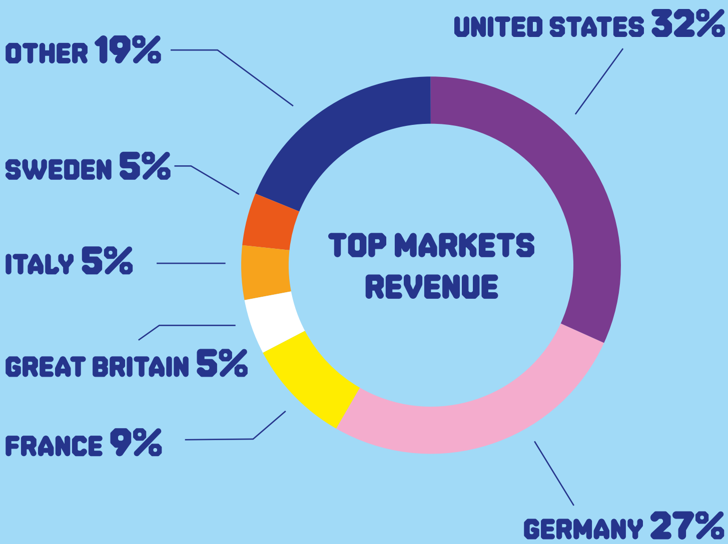
105 M
GAME CONTRIBUTION 2018/2019

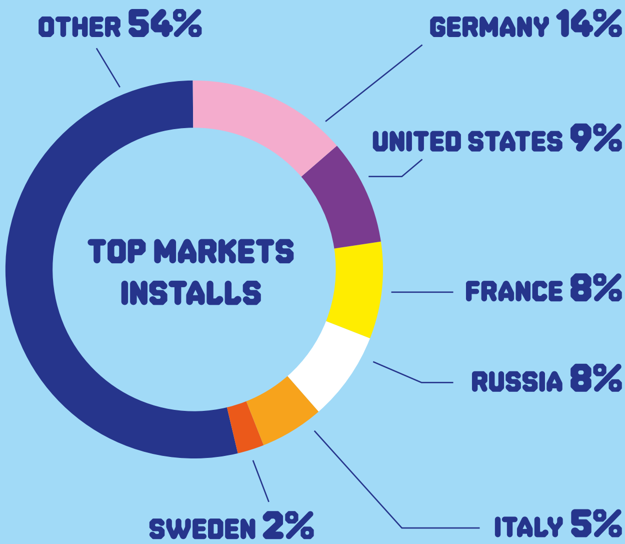
173 M
NET SALES 2018/2019

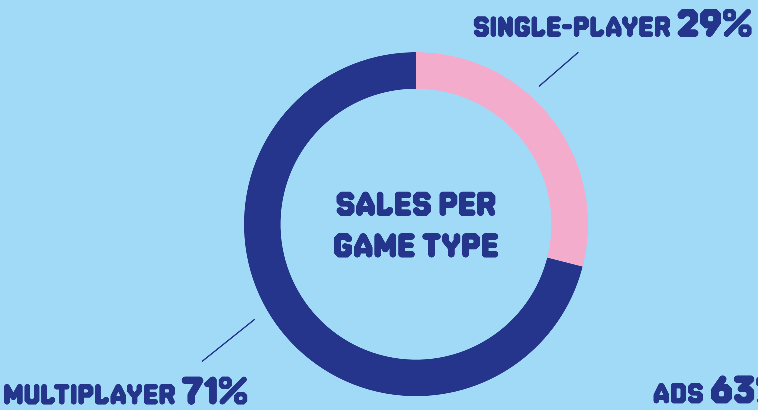
MAG IN NUMBERS

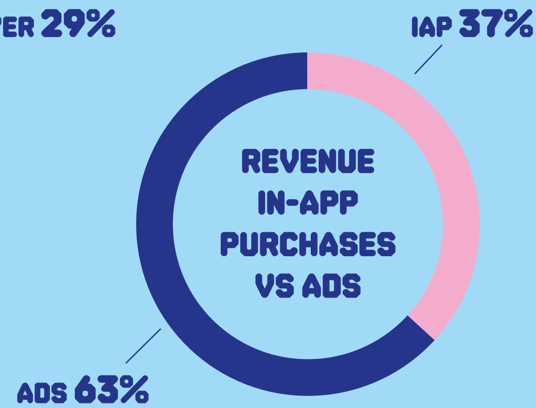
20 M+ NEW PLAYERS
DURING THE YEAR

33 M UNIQUE PLAYERS
DURING THE YEAR









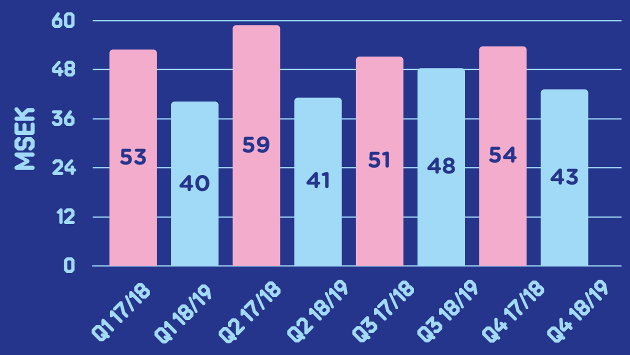
A YEAR IN BRIEF

- PAINT HIT REACHES 20 MILLION DOWNLOADS
- QUIZDUEL SEQUEL IS ANNOUNCED
- WORD DOMINATION REACHES 8 MILLION DOWNLOADS
- ARPDAU IN QUIZDUEL INCREASES WITH 60% COMPARED TO THE PREVIOUS YEAR
- SUBSCRIPTIONS ARE INTRODUCED IN WORD DOMINATION

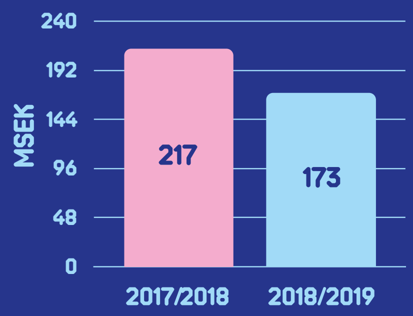
KEY NUMBERS

NET SALES

PER QUARTER 2017/2018 - 2018/2019

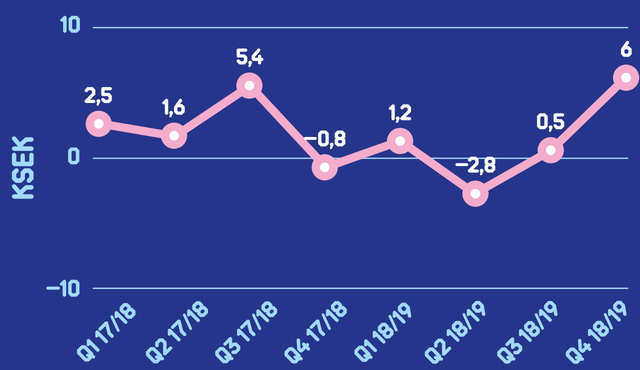


2017/2018 - 2018/2019

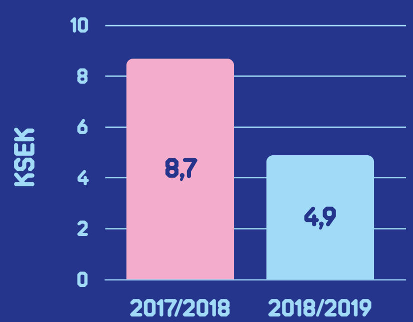


ADJUSTED EBITDA

PER QUARTER 2017/2018 - 2018/2019

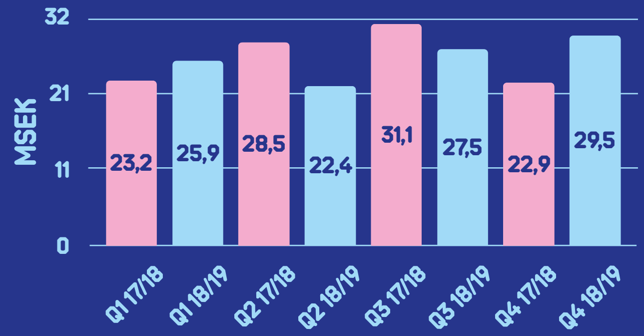


2017/2018 - 2018/2019

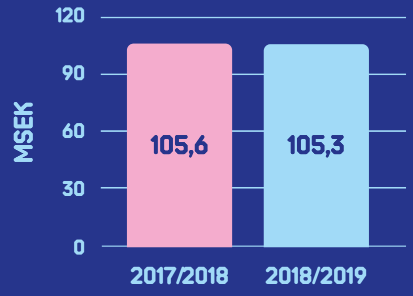


GAME CONTRIBUTION

PER QUARTER 2017/2018 - 2018/2019



2017/2018 - 2018/2019



WORD FROM THE CEO

A YEAR FOCUSED ON SOCIAL MULTIPLAYER GAMES

At the end of last financial year 2017/2018, we decided to take a step back from single-player gaming and put all of our efforts into social gaming. We also identified ARPDAU, the daily earnings per player, as an area where we needed to become stronger. We have since executed our plan step-by-step and implemented what we described as our target for the coming year.

This year has largely been characterized by our strategic focus on social multiplayer games. We saw immediate benefits with the stategic investment in new infrastructure with increased standardization across the entire product portfolio.

Both ongoing updates of existing games and the development process for new games have also been influenced by our new focus. The development of new features or games takes time and thus has had a more gradual impact.

During the second half of the year, we saw positive effects in the form of improved performance of our multiplayer games as a result of greater investments in these products. Ruzzle, QuizDuel and Word Domination have all increased their average earnings per player and have also grown in absolute revenue since the beginning of the year.

NEW BUSINESS MODELS HAVE AN IMPACT

A consistent theme throughout the year has been events - specific time-limited challenges or game modes with unique rewards. We have further developed these to drive engagement and the in-game economy. Various events have been successfully implemented in both QuizDuel and Word Domination during the year. Starting in the beginning of 2019/2020 events will have a clearer impact in Ruzzle as well, with the introduction of new tournament modes.

"ALL MULTIPLAYER GAMES HAVE IMPROVED THEIR ARPDAU DURING THE YEAR AND QUIZDUEL BY AS MUCH AS 60% COMPARED TO Q4 IN THE PREVIOUS FINANCIAL YEAR."

In addition to in-app purchases and advertisements, we have also added subscriptions to our business model. Since spring 2019, Word Domination players have had the opportunity to buy VIP subscriptions, which gives access to unique in-game content in the game or priority for different types of events. The conversion rate from free VIP-players to paying subscribers has been high. At the same time, monthly extensions of existing subscriptions have also exceeded our expectations. The base of paying subscribers has grown steadily every week since launch.

MONETIZATION IS BECOMING MORE EFFICIENT

All multiplayer games have improved their ARPDAU during the year and QuizDuel by as much as 60% compared to Q4 in the previous financial year. Since ARPDAU is a KPI where we see particularly great potential for the future, it's positive to see such an evident development in the right direction during the course of the year.

The goal for all new games is to exhibit an ARPDAU of over $0.10 in our leading market, the US. The average ARPDAU of a global game is greatly influenced by the mix of traffic between different strong markets, which is why we use the US as a benchmark. Word Domination is currently well above $0.10 and we do not intend to launch any games that do not meet this target.

MILESTONES DURING THE YEAR

Since MAGs founding, our portfolio of games has reached over 250 million downloads. Our latest game, Word Domination, has passed eight million downloads and the leading trivia game in Europe, QuizDuel, has reached an impressive 100 million!

MAG - AN ATTRACTIVE PLACE FOR THE BEST IN THE INDUSTRY

We continue to employ the best in the world and have seen the influx of strong profiles from leading companies in the gaming industry increase during the year. MAG is at a stage that many creative people are actively looking for - we are small enough to have a flat and agile organization while at the same time we are big enough to have a world-class infrastructure and talent pool.

Another driving force to work at MAG is a greater chance to actually create and release new games, which is becoming increasingly difficult for larger companies to offer as their threshold for what is considered worth launching is extremely difficult to achieve. We want our new games to have the potential to turn around hundreds of millions of SEK while larger companies can be forced to strive for significantly more in order to justify a game release - which means that they rarely succeed in launching something new. This places us in the ideal position to attract world-class ambitious individuals.

AIM SET FOR THE FUTURE

After investing in both infrastructure and the development process, we are now starting to reap the rewards in the form of a pipeline of products that looks exciting. When we look back on a year with the new strategy, we feel satisfied with the outcome and continue down the beaten path.

With several games releases at our back after the end of the fiscal year, we now feel confident that MAG is ready to take the next step as a company with a stable portfolio of games and revenue with the new games as a growth engine.

We have the ambition to develop games that are so great that they will be used as reference in game market analysis - we refer to these internally as benchmark games. Our latest game releases Wordzee and New QuizDuel definitely has the potential to achieve this and the products we have under development have the same level of ambition. New gameplay mechanics and combinations of categories where we can break new ground can, with the help of a strong return on user acquisition, take MAG to a global leading position in casual multiplayer.

OUR BUSINESS MODEL

FREE-TO-PLAY

MAG's business model is based on the development of free-to-play games for mobile platforms, which refers to games that are free to download and play for the user. The company has chosen to invest in free-to-play because it gives MAG the opportunity to reach a wide audience, the casual players, who prefer to play easily accessible free games. MAG's revenue is generated from in-app purchases and from advertisement. In parallel, the products are continually updated with new content to increase player engagement and improve the gaming economy. The company creates long-term returns by optimizing marketing volumes based on a focus on return on investment (ROI) rather than cost per install (CPI).

SOCIAL COMPONENTS AND MULTIPLAYER

At the beginning of the 2018/2019 financial year MAG established a strategy focused on developing social multiplayer games. The company had seen that social components with multiplayer modes provide better retention and long-term involvement with the players, and thus generate more income over time. Future releases will continue to have the same focus on social multiplayer geared towards a casual audience, while genre may vary.

GAMES AS A SERVICE

In order to maintain player commitment, MAG handles the portfolio as active products and considers the gaming experience a service. The company continuously updates and improves the products, investing in the game’s development by means of surveys, tests, marketing activities, and optimizations to make sure the content’s constantly relevant to the players.

The company's goal is to consistently focus on delivering new and improved experiences to ensure the stable commitment of the players, positive development in revenue and long-term reinforced retention.

WORD DOMINATION

Since the release of Word Domination in May 2018, the game has reached a steady base of over one million active players per month and over eight million downloads in total. The game has continued to grow with new optimizations, which have resulted in the positive development of both ARPDAU and revenue.

During the financial year 2018/2019, the company expanded the social aspect of the game with several game modes. During Q3, subscriptions were also introduced. For a monthly fee users can become VIP players, receive special content and an advertising-free gaming experience - a way to create added value for dedicated players and secure long-term revenue. These optimizations have had a positive effect on the long-term engagement of the players, resulting in improved ARPDAU.

QUIZDUEL

QuizDuel is one of MAG's largest games in terms of the total number of active players, and with one million daily players is the biggest trivia game in Europe for iOS and Android. The game has also reached 100 million downloads during the year, an impressive milestone for a product that has existed since 2012.

During the 2018/2019 financial year, the company continued to integrate QuizDuel into MAG's infrastructure and invested in a number of improvements to the game. During Q1, the BlitzQuiz game mode was released as a step towards improving monetization and it resulted in positive revenue development. Q4 saw an improvement of the in-game economy with an increase in ARPDAU of 60% compared to the same quarter last year. At the same time, the migration of the game to MAG's infrastructure has lowered the cost per player per day for the company.

During Q4, a new user interface of the game was launched, partly to modernize the game's design, partly to make the transition easier for the players to the planned sequel of QuizDuel.

The expected decline in revenue during the summer months was also stifled thanks to extra investments of new content.

RUZZLE

Released in 2012, Ruzzle has been downloaded over 60 million times and continues to be one of MAG's core products. Thanks to a loyal and committed player base, the game provides long-term stable dividends.

Continued investment was made during the year to improve the in-game economy, partly through expanding and improving the content, and partly by the introduction of new types of tournaments during Q4.

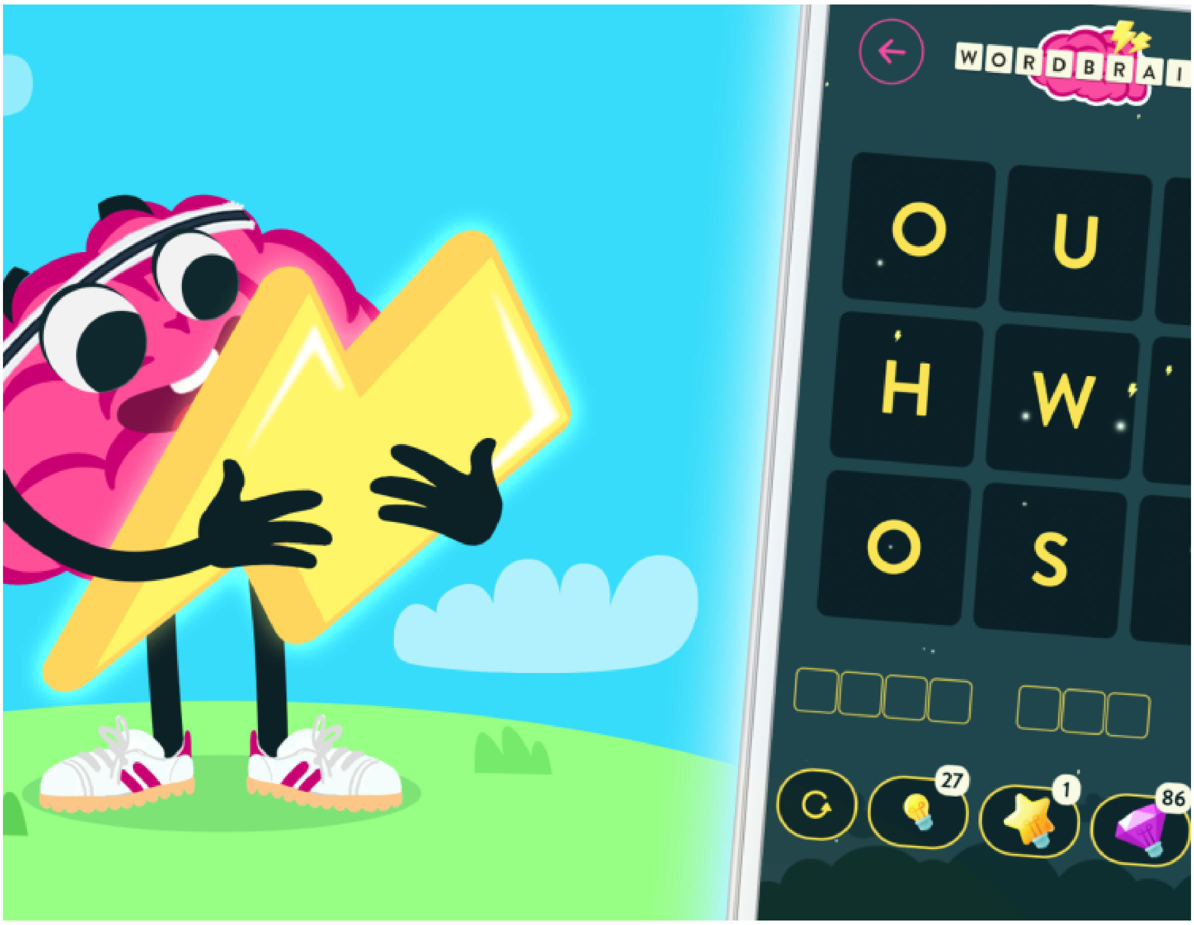
The company has seen a positive trend in revenue from advertisements in Ruzzle due to optimizations of in-game and ads functionality. ARPDAU has also improved when compared to the previous financial year.

WORDBRAIN

WordBrain is one of MAG's evergreen games with a dedicated player base. At the end of the previous fiscal year, the negative trend in revenue was reversed as a result of the decrease in marketing volumes.

Thanks to continued optimization of the game's content during the 2018/2019 financial year, WordBrain has stabilized. Both in terms of long-term retention and the number of daily active users, which has had a positive impact on revenue which has now reached a healthy level.

As the company's vision and strategy is to create added value for the players continuously, MAG has continued to invest in new content in WordBrain; daily puzzles, multiple events and a new design that has created a joint positive impact on the commitment of the dedicated players.



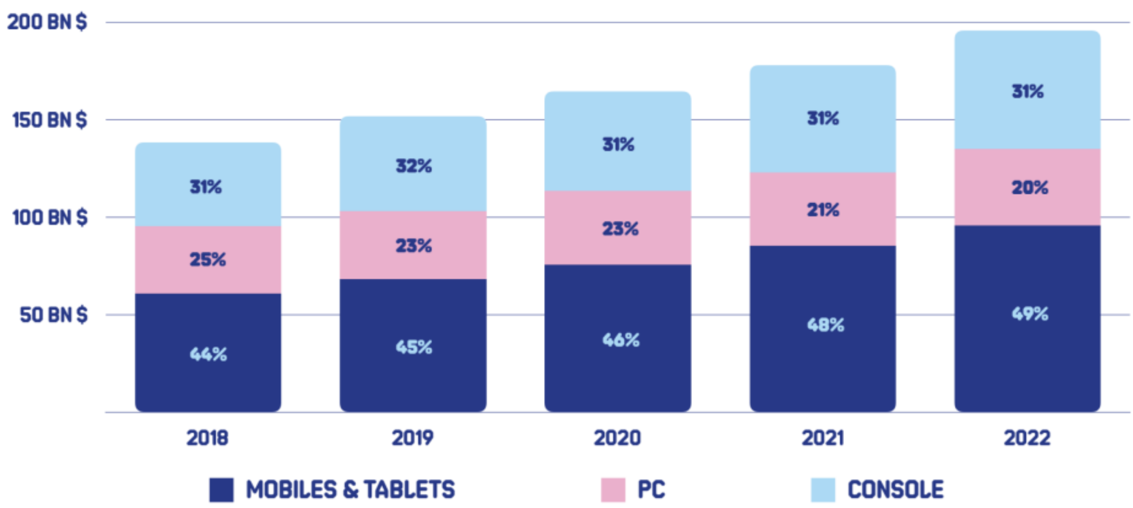
THE MARKET

MOBILE GAMING LEADS GROWTH GLOBALLY

MAG operates in a competitive market, with large growth potential. Gaming for smartphones and tablets continues to be the largest segment of the gaming industry in 2019 - with total revenues of $68.5 billion, mobile gaming accounts for 45% of the global gaming market, according to Newzoo's Game Index Report 2019.

The report also states that mobile gaming is the most expansive area in the global games market with likely continued increases in growth opportunities during the coming years. Newzoo expects steady growth from smartphones and tablet gaming until 2022, compared to PC and console gaming where growth has more or less stagnated.

GLOBAL GAMES REVENUES



INCREASED SMARTPHONE USAGE AND EMERGING MARKETS

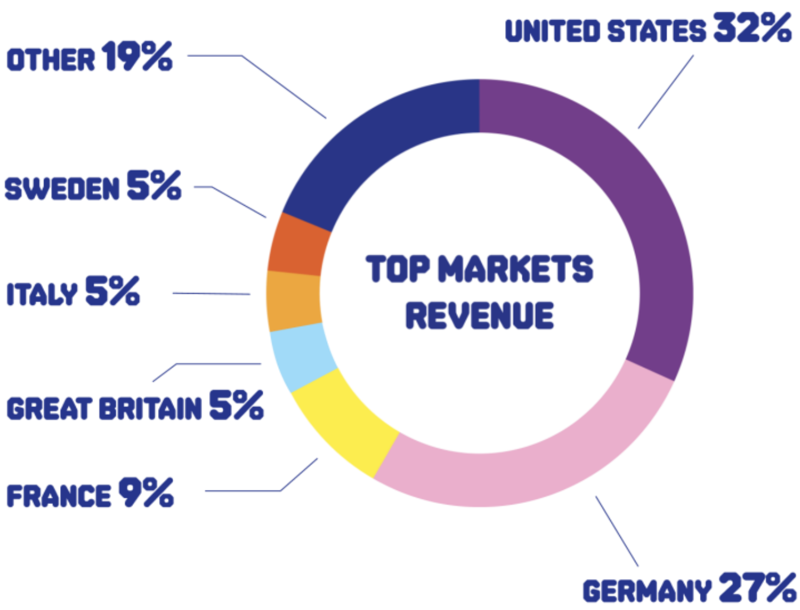
Game revenue for mobiles and tablets will amount to more than $95 billion in 2022 and account for about 49% of the entire gaming market. Although console and PC gaming is a multi-billion dollar industry, they share a similar audience. There's greater growth potential in mobile gaming, a trend clearly visible in Newzoo's report.

This growth is partly due to new emerging markets like Latin America for example, but also due to increased use of smartphones worldwide, improvements in phone hardware and increased play of so called cross-platform games.

In 2019 North America is once again the second largest market after the Asia-Pacific with sales of $39.6 billion, accounting for 26% of the global gaming market.

The US and the EU account for the majority of MAG's revenues, and the company continues to be positive towards increasing its shares in these markets. MAG uses the US as a benchmark for launching new games and does not intend to shift its focus to other markets in the near future.

LEADING MARKET REVENUES 2018/2019 FOR MAG



THE POWER OF FREE-TO-PLAY

Free-to-play games have become very successful in the mobile gaming market. Free-to-play means that the game is free to download and that earnings are instead made from in-app purchases and advertising.

As the player's stake in playing the game is low, the game is made easily accessible to a wider audience. Users are given the opportunity to play for free but in order to progress through the game they need to watch ads or buy items in the game. By gradually offering new content to players, you create an incentive to return to the game which generates long-term revenue.

MAG's business model is based on this free-to-play model, where monetization of the game by giving value to the player through in-app purchases or watching ads is the key to success.

Subscriptions are also emerging as a source of revenue in free-to-play games. MAG follows this market trend closely and has also implemented subscriptions in Word Domination.

NEW PLAYERS ON THE MOBILE MARKET

Over the past year, several console and PC companies have established themselves in the mobile market with cross-platform releases of both classic and new console and PC games. This is a trend with a number of companies that have not previously had a presence on the mobile market, but who are now are capitalizing on the potential of these synergies. These new players are currently not in direct competition with MAG, as they neither focus on social casual multiplayer nor word games.

The global gaming market may also be affected by new technologies and platforms, with streaming solutions such as Google Stadia or Hatch. However, it remains to be seen whether both the technology and the business model work for platform owners, content developers and customers in the long term.

Source: The 2019 Global Games Market Report by Newzoo.com

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 five members appointed by the general meeting for the period until the end of the annual general meeting to be held in 2020 for the financial year 2018/2019. The Company's financial year is between 1 September - 31 August.

Share holdings are valid per 30 September 2019.

THE BOARD OF DIRECTOR'S AT MAG INTERACTIVE

Birgitta Stymne Göransson
Daniel Hasselberg
Andras Vajlok
Teemu Huuhtanen
Taina Malén

BIRGITTA STYMNE GÖRANSSON

Birgitta Stymne Göransson is a member of the board of directors since 2018 and Chairman of the board of directors of MAG Interactive since 2018.
Born in 1957.

Other assignments: Chairman of the board for BCB Medical Oy, and board member in Elekta, Pandora A/S, Sportamore and Midsona.
Previous assignments: Birgitta Stymne Göransson has previously been, inter alia, CEO of Memira and Semantix, and has a background in consumer goods, med tech and IT/telecom.
Education: Birgitta Stymne Göransson holds a M.Sc. in chemistry and biotechnology from KTH, and a MBA from Harvard Business School.
Shares: Birgitta Stymne Göransson owns 35 000 shares in MAG Interactive.

Birgitta Stymne Göransson is independent to large shareholders and to the company and the executive management.

DANIEL HASSELBERG

Daniel Hasselberg is a board member since 2014 and CEO of MAG Interactive since 2013. Daniel Hasselberg was also Chairman between the years 2010 and 2013.
Born in 1973.

Other assignments: Daniel Hasselberg is also a member of the board of directors of MAG Games Limited, Feo Media AB, MAG United AB and Sonetel AB (publ) and NMO Invest AB.
Previous assignments: 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.
Education: Daniel Hasselberg holds a M.Sc. in Engineering Physics from Uppsala University.
Shares: Daniel Hasselberg owns 3 111 666 shares in the company.

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

ANDRAS VAJLOK

Andras Vajlok is a member of the board of directors of MAG Interactive since 2018. Born in 1970.

Other assignments: Board member of Like a Boss Games AB and United Spaces.
Previous assignments: Andras Vajlok has previously been, inter alia, CFO of Paradox Interactive.
Education: Andras Vajlok holds a M.Sc. in Buisness and Economics from Handelshögskolan Göteborg.
Shares: Andras Vajlok owns 501 075 shares in MAG Interactive, privately and through other companies.

Andras Vajlok is independent to large shareholders and to the company and the executive management.

TEEMU HUUHTANEN

Teemu Huuhtanen is a member of the board of directors of MAG Interactive since 2013. Born in 1971.

Other assignments: 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.
Previous assignments: 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.
Education: Teemu Huuhtanen holds a BBA from Preston University.
Shares: Teemu Huuhtanen does not own any shares or other financial instruments in the company.

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

TAINA MALÉN

Taina Malén is a member of the board of directors of MAG Interactive since 2018.
Born in 1967.

Other assignments: CMO, global marketing director and vice president of Star Stable Entertainment AB.
Previous assignments: Taina Malén has previously held a number of positions in the music and record industry, and has among others worked as Nordic Marketing Director at CANAL+ and Executive Vice President at MSL PR. Taina Malén is co-founder and investor in Esportal AB, where she also sits on the board. Taina Malén has previously been a board member of among others WIMP (now TIDAL) and Telegram Records.
Education: Taina Malén has an education in Business Economy from Handelshögskolan in Stockholm.
Shares: Taina does not own any shares or other financial instruments in the company.

Taina Malén 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 - Chief Business Development Officer
Patric Blixt - Chief Marketing Officer
Sara Hjärtberg - Head of People and Culture

DANIEL HASSELBERG

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

Other assignments: Daniel Hasselberg is also a member of the board of directors of MAG Games Limited, Feo Media AB, MAG United AB and Sonetel AB (publ) and NMO Invest AB.
Previous assignments: 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.
Education: Daniel Hasselberg holds a M.Sc. in Engineering Physics from Uppsala University.
Shares: Daniel Hasselberg owns 3 111 666 shares in the Company.

MAGNUS WIKLANDER

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

Other assignments: Magnus Wiklander is also a deputy member of the board of directors of Widespace Holding AB.
Previous assignments: 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.
Education: 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.
Warrants: Magnus Wiklander holds 233 175 warrants in the Company.

KAJ NYGREN

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

Other assignments: Kaj Nygren is also a member of the board of directors of MAG Games Limited and Playful Days AB.
Previous assignments: In the past five years, Kaj Nygren has been, but is no longer, a member of the board of directors of MAG Interactive.
Education: Kaj Nygren holds a M.Sc. in Computer Science from the Royal Institute of Technology (KTH).
Shares: Kaj Nygren owns 3 025 439 shares in the Company.

JOHAN PERSSON

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

Other assignments: 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 Johan Persson Holding AB.
Previous assignments: In the past five years, Johan Persson has been, but is no longer, a member of the board of directors of MAG Interactive.
Education: Johan Persson has studied the masters program in Computer Science at Uppsala University.
Shares: Johan Persson owns 1 499 560 shares in the Company.

DAVID AMOR

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

Other assigments: 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.
Previous assignments: 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.
Education: David Amor has studied mathematics, business and computer studies at Haywards Heath Sixth Form College.
Warrants: David Amor holds 30 000 warrants in the company.

PATRIC BLIXT

Patric Blixt is Chief Marketing Officer of MAG Interactive since 2018.

Other assigments: 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.
Previous assignments: In the past five years, Patric Blixt has been, but is no longer, a member of the board of directors of Byggvarulistan AB.
Education: Patric Blixt holds a Degree of Master of Science in Business and Economics from Uppsala University and a Marketing Degree from RMI Berghs.
Warrants: Patric Blixt holds 100 000 warrants in the company.
Shares: Patric Blixt owns 20 000 shares in the company.

SARA HJÄRTBERG

Sara Hjärtberg is Head of People and Culture since 2019.

Other assignments: Sara Hjärtberg has no ongoing or completed board assignments.
Education: Sara Hjärtberg holds a Master's Degree in Human Resources from Linköping University.
Shares: Sara Hjärtberg owns 3062 shares in the company.

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.

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 is 26,321,393.

As listed on the company website as of 30 September 2019 the major owners are:

Owners	Number of shares	%
Daniel Hasselberg	3 111 666	11,8
Kaj Nygren	3 025 439	11,5
Avanza Pension	2 561 101	9,7
Swedbank Robur	2 466 309	9,4
Didner & Gerge	2 135 000	8,1
Johan Persson	1 499 560	5,7
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	980 656	3,7

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 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 comply with the Code, with the exception of one point. This relates to the Nomination committe where Kaj Nygren is acting chairman and Johan Persson is a member. Both are members of the company management.

REASONS FOR DEVIATING FROM THE CODE

A large share of the ownership of the company is within the founding team, who are also still part of the company management. Two of the largest shareholders, Kaj Nygren and Johan Persson, were appointed members of the nomination committee representing NMO Invest, Playful days as well as the other founders.

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 2020 will take place at 7A Odenplan (Norrtullsgatan 6) 10:00 on the 14th of January 2020 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 fiscal year 2018/2019

- Joachim Spetz, representing Swedbank Robur Fonder
- Henrik Sandell, representing Didner & Gerge Fonder
- Kaj Nygren, representing NMO Invest AB and Playful Days AB
- Johan Persson, representing himself, RSUV AB, Fredrik Stenh and Anders Larsson
- Adjunct: Birgitta Stymne Göransson, Chairman of the board at MAG Interactive AB

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 thirteen (13) meetings during the financial year, where and one (1) of the meetings were by correspondence. In ten of the meeting all members of the board were presnet, while in three meeting all but one member were present.

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 18 December 2017 resolved that the total amount of fees to the board members, until the next annual general meeting, will be SEK 1 200,000. SEK 400,000 to the chairman and SEK 200,000 to each of the other members. The CEO of MAG will not be remunerated for the board work.

EVALUATION OF THE BOARD

As part of the board year calendar an evaluation of the board work is cunducted. It is scheduled to be presented at the ordinary meeting in August/September 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 four members: Birgitta Göransson is Chairman of the remuneration committee. All of the members are independent of the Company and its management. The CEO of the company, also member of the board, is not part of the remuneration committee.

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

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 committe and its instruction were established at the regular board meeting in December 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 the AGM in December 2018, the members of the audit committee are: Birgitta Stymne Göransson and Andras Vajlok (chair). The audit committee met four times during the period Sep 2018 to August 2019. All of the members were present at all meetings.

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.

In addition to fixed salary, the members of the executive management team are entitled to variable salary. The variable salary is determined by the board of directors and must be linked to predetermined and measurable criteria and designed with the aim of promoting the Company's value creation and business strategy both in the short term and the long term. Targets for variable salary shall be linked partly to the outcome of specific financial targets for the Company and partly to individual targets attributable to each executive's role and function at the Company. The size of the variable salary shall not exceed SEK 750,000 per executive and financial year.

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.

LONG TERM INCENTIVE PROGRAMS

A total of 959,246 warrants and employee stock options have been issued to employees of the company. This represents a total potential dilution of 3.6%.

The outstanding options and warrants are described below.

Warrants to the CFO and other employees 2017

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 the group company MAG Games Limited. (previously 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.

ESOP to management and other employees 2019

The annual general meeting held on 18 December 2018 resolved to authorise the board of directors to issue up to 526,428 personnel stock options. 490,000 options were issued on 1 March 2019 and subscribed for by 68 employees, including the Company's CFO and CMO.

Each option entitles the holder to one share, and the exercise price is SEK 30 per share. The number of shares that each option entitles to may, under certain conditions, be recalculated. The exercise period for the options is 1 March 2022 to 30 June 2022.

All options are subject to a three year vesting scheme, meaning that for each 12 months period one third of the programs options are vested.

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 and 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 work instructions 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 2018/2019 amounted to SEK 420,000. In addition, the Company paid SEK 270,000 to Öhrlings Pricewaterhouse-Coopers AB for services rendered in the financial year 2018/2019.

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.

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 2018/19 (ending 31 August 2018).

OPERATIONS

Founded in 2010, MAG Interactive is a global developer of casual social games for smart mobile phones. The portfolio consists of games that have been collectively downloaded over 250 million times. From MAG's diverse catalogue of games, the most well known titles are Ruzzle, Word Domination, WordBrain and QuizDuel. Revenue is mainly derived from in-app purchases and advertisements.

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), MAG Games Ltd (incorporated in United Kingdom and with its site in Brighton) and MAG United AB (incorporated in Sweden with registration number 559182-8230 and with its site in Stockholm). The group has 77 employees as of the end of the financial year, of which FEO Media has seven (7) and MAG Games Ltd has 15. All games in the portfolio except QuizDuel are published by MAG Interactive AB. QuizDuel is published by FEO Media AB.

GROUP PERFORMANCE 2018/19

Operating income

The Group's operating income for the period was 198,670 KSEK (240,213 KSEK), a decrease of 17% compared to the previous year. The Group's Net sales for the period totalled 172,953 KSEK (216,870 KSEK), a decrease of 20%. Own work capitalised totalled 23,667 KSEK (19,954 KSEK). See below for further details of capitalised expenses as well as impairments and depreciation of the same. The group's Net sales was primarily attributable to the games QuizDuel, Word Domination, WordBrain, Ruzzle, Wordalot, WordBrain2 and Paint Hit.

Operating expenses, EBITDA and operating profit/loss

Operating expenses totalled 193,721 KSEK (280,556 KSEK). Of these 41,854 KSEK (61,744 KSEK) were Sales-related costs, primarily originating from fees to Apple App Store and Google Play, as well as server costs. In addition to this 48,673 KSEK (72,930 KSEK) were costs of Direct marketing and 37,992 KSEK (77,046 KSEK) were Other external operating expenses. Costs for Direct marketing are significantly lower than last year, mainly based on lower volumes for the games Wordbrain, Wordbrain2 and Wordalot. During the year, marketing costs are mainly attributable to the game Word Domination. The year 2017/2018 extra ordinary costs of 49,026 KSEK where included in Other external operating expenses. Specifically 31,405 KSEK relating to final settlement of the acquisition of MAG Games Ltd and that has no effect och cashflows, see Note 32 for the Group.

Personnel expenses totalled 65,203 KSEK (69,377 KSEK) a decrease of 6%. The average number of employees during the financial year was 73 (84) a decrease of 13%. The personnel costs in the comparative year includes a restructuring cost of 3.7 MSEK. EBITDA for the financial year was 4,949 KSEK (-40,343 KSEK). Adjusted EBITDA was 4,949 KSEK (8,683 KSEK), see Note 34 for the Group. Depreciation and impairments of tangible and intangible assets totalled 24,345 KSEK (26,539 KSEK), of which 18,950 KSEK (18,342 KSEK) was depreciation of capitalised development expenses and 0 KSEK (4,496 KSEK) was depreciation of intangible assets.

The Group's operating profit was -19,398 KSEK (-66,883 KSEK) and profit before tax -17,216 KSEK (-65,231 KSEK). Adjusted profit before tax was -17,216 KSEK (-16,205 TSEK), see Note 34 for the Group. Profit after tax totalled -13,750 KSEK (-59,797 KSEK). The profit after tax per share was -0.52 SEK/share (-2.43 SEK/share) and the profit after tax per share fully diluted was -0.51 SEK/share (-2.39 SEK/share). The average number of shares during the financial year was 26,321,393 (24,598,653) and the average number of shares fully diluted was 27,094,958 (25,038,233).

The group’s financial position at the end of the year

Total intangible non-current assets at the end of the financial year totalled 141,309 KSEK (140,287 KSEK), of which 77,482 KSEK (77,415 KSEK) relates to intellectual property and 62,872 KSEK (62,872 KSEK) to other intangible assets. The latter consists primarily of capitalised development expenses on own account and acquired IP. Cash and cash equivalents at the end of the financial year totalled 185,071 KSEK (228,083 KSEK). Equity totalled 330,908 KSEK (344,179 KSEK), corresponding to 12.6 SEK/share (13.1 SEK/share). The equity/assets ratio at the same time was 90.4% (82.4%). The group has interest bearing debt of 15,556 KSEK (31,112 KSEK).

PARENT COMPANY PERFORMANCE 2018/19

Operating income

The parent company's Net sales for the financial year were 116,547 KSEK (166,666 KSEK), a decrease of 30% compared to the previous year.

Operating expenses and operating profit/loss

Operating expenses totalled 184,850 KSEK (213,181 KSEK). Of these 38,682 KSEK (51,863 KSEK) were Sales-related costs originating primarily from fees to Apple App Store and Google Play, costs of Performance based marketing were 48,393 KSEK (71,617 KSEK) and 36,848 KSEK (35,832 KSEK) was other external operating expenses. Depreciation and impairments of tangible and intangible assets totalled 709 KSEK (5,309 KSEK), of which 0 KSEK (4,496 KSEK) was depreciation of intangible assets. The parent company's operating profit for the financial year was -54,028 KSEK (-45,038 KSEK). Profit after tax totalled to -633 KSEK (-3,186 KSEK).

Financial position at the end of the year

The parent company's intangible non-current assets at the end of the financial year totalled 0 KSEK (0 KSEK). Cash and cash equivalents at the end of the financial year totalled 179,465 KSEK (181,305 KSEK). Equity at the end of the financial year totalled 350,637 KSEK (349,826 KSEK).

KEY INDICATORS

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 63,432 KSEK (129,434 KSEK), a decrease of 51% compared to the same period the previous year. The Group's Net sales from In app advertising were 108,659 KSEK (86,824 KSEK), an increase of 25% compared to the previous year. Revenues from in app purchases decreasing as a result of those games who has a higher proportion of this type of revenue have reduced their share of the portfolio compared to the comparison period.

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 (primarily originating from fees to Apple App Store and Google Play) 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 105,260 MSEK (105,648 MSEK), a decrease of 0,4% compared to the previous year. Net Sales are lower compared to the previous year, while marketing costs are also lower. Together these aspects make the contribution from sales activities unchanged.

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 2.1 million (2.7 million), a decrease of 20% compared with the previous year. MAU for the financial year was 7.8 million (10.9 million), a decrease of 29% compared to the previous year. MUP for the period was 52 thousand (130 thousand), a decrease of 60% compared with the previous year. ARPDAU for the financial year was 2.42 cent (2.7 cent), a decrease of 10%. All older games can be expected to decrease their player base in cases thay are not supported by marketing, it is mainly Word Domination that grew their base during the year. In the comparison year, PaintHit is also included, which affects DAU and especially MAU up, and ARPDAU down.

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 18 December 2018 the AGM decided to adopt a long-term incentive program in form of a employee stock option program, issue of warrants and transfer of shares and/or warrants to MAG United AB.

NOTABLE EVENTS AFTER THE END OF THE YEAR

- On 30 October 2019 the word game Wordzee soft launched in Sweden.
- On 22 November 2019 New Quizduel soft launched in Sweden.
- On 28 November 2019 Wordzee launched globally.

PROPOSED DISTRIBUTION OF EARNINGS

(SEK)

Retained earnings	**50,482,842**
Profit for the year	632,856
	51,115,698

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

Carried forward to the new accounts	**51,115,698**

DIVIDEND

The board of directors propose to the annual general meeting on 14 January 2020 that no dividend will be paid out for the financial year 2018/19.

THE GROUPS MULTI-YEAR REVIEW

(KSEK)

	8/31/2019	**8/31/2018**	**8/31/2017**	**8/31/2016**
Net sales	172,953	216,870	260,405	263,963
Profit/loss after financial terms	-17,216	-65,231	3,552	37,635
Balance sheet total	377,343	417,741	140,111	146,709
Equity / asset ratio %	90.40%	82.39%	70.59%	77.31%

ANNUAL GENERAL MEETING

The annual general meeting for MAG Interactive AB (publ) is planned to be at 7A Odenplan, Norrtullsgatan 6, at 10am on the 14th of January 2020. 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		Financial year	
	Note	**2018/2019**	**2017/2018**
Operating income			
Net sales	5	172,953	216,870
Own work capitalised	16	23,667	19,954
Other operating income	6, 13	2,050	3,389
Total		**198,670**	**240,213**
Operating expenses			
Sales-related costs	7	-90,527	-134,134
Other external expenses	9,13	-37,992	-77,046
Personnel costs	8	-65,203	-69,377
Depreciation and impairments of tangible and intangible non-current assets	15,16	-24,346	-26,539
Total operating expenses		**-218,068**	**-307,096**
Operating profit/loss		**-19,398**	**-66,883**
Financial income	10, 13	3,847	3,239
Financial expenses	10, 13	-1,666	-1,587
Net financial items		**2,181**	**1,652**
Profit/loss before tax		**-17,216**	**-65,231**
Income tax	11	3,466	5,434
Profit/loss for the year		**-13,750**	**-59,797**
Other comprehensive income		**2018/2019**	**2017/2018**
Items that can be cancelled later in			
Exchange rate differences		301	1,897
Other comprehensive income for the year, net after tax		**301**	**1,897**
Total comprehensive income for the year		**-13,449**	**-57,900**

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

	Note	**2018/2019**	**2017/2018**
Earnings per share calculated on basis of profit/loss attributable to the parent company's shareholders (expressed as SEK per share).	12	-0.52	-2.27

CONSOLIDATED BALANCE SHEET

Amounts in SEK ,000

	Note	8/31/19	8/31/18
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	16	77,482	77,415
Other intangible assets	16	63,827	62,872
Total intangible assets		**141,309**	**140,287**
Tangible assets			
Equipment, tools, fixtures and fittings	15	5,562	2,822
Total tangible assets		**5,562**	**2,822**
Financial non-current assets			
Other long-term receivables	19	2,085	4,300
Deferred tax asset	20	672	1,699
Total financial non-current assets		**2,757**	**5,999**
Total non-current assets		**149,629**	**149,108**
Current assets			
Current receivables			
Trade and other receivables	21	19,517	10,063
Current tax assets		11,363	5,990
Other current receivables	22	8,001	4,009
Prepaid expenses and accrued income	23	3,762	20,488
Total short-term receivables		**42,643**	**40,550**
Cash and cash equivalents	24	185,071	228,083
Total current assets		**227,714**	**268,633**
Total assets		**377,343**	**417,741**

Amounts in SEK ,000

	Note	8/31/19	8/31/18
EQUITY AND LIABILITIES			
Equity that can be attributed to the parent company's shareholders			
Share capital	25	684	684
Other external capital		281,219	281,041
Reserves		-1,583	-1,883
Retained earnings incl. comprehensive income for the year		50,588	64,338
Total equity		**330,908**	**344,179**
LIABILITIES			
Long-term liabilities			
Deferred tax liabilities	26	13,148	17,925
Other long-term liabilities	17	0	15,556
Total long-term liabilities		**13,148**	**33,481**
Current liabilities			
Trade and other payables		6,611	5,047
Current tax liability		0	1,040
Other current liabilities	27	18,665	18,511
Accrued expenses and prepaid income	28	8,011	15,483
Total current liabilities		**33,287**	**40,081**
Total liabilities		**46,435**	**73,562**
TOTAL EQUITY AND LIABILITIES		**377,343**	**417,741**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK ,000

	Note	Share capital	Other external capital	Reserves	Retained earnings and pro t/loss for the year	Total equity
Opening balance as of 9/1/2017		**50**	**1,234**	**-3,840**	**101,463**	**98,907**
Profit/loss for the year					-59,557	-59,557
Exchange rate differences				1,957	-240	1,717
Change in equity		450			-450	0
Issue costs					-8,284	-8,284
New issues		184	279,807			279,991
New issues MAG Games Ltd					31,405	31,405
Closing balance 8/31/2018		**684**	**281,041**	**-1,883**	**64,337**	**344,179**
Opening balance as of 9/1/2018		**684**	**281,041**	**-1,883**	**64,337**	**344,179**
Profit/loss for the year					-13,750	-13,750
Exchange rate differences				301		301
Option scheme	25		178			178
Closing balance 8/31/2019		**684**	**281,219**	**-1,582**	**50,587**	**330,908**

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK ,000

	Note	8/31/19	8/31/18
Cash flow from operating activities			
Profit/loss before financial items		-19,397	-66,883
Adjustment for items not included in cash flow	29	24,601	57,944
Interest received		478	3,239
Interest paid		-464	-1,587
Income tax paid		-6,698	-5,916
Cash flow from operating activities before change in working capital		**-1,480**	**-13,203**
Change in current operating receivables		3,448	6,122
Change in current operating liabilities		-5,787	4,547
Total change in working capital		**-2,339**	**10,669**
Cash flow from operating activities		**-3,819**	**-2,534**
Cash flow from investing activities			
Investments in tangible non-current assets	15	-4,373	-1,005
Capitalized work		-23,667	-19,954
Acquisition of subsidiary after deduction of cash and cash equivalents acquired		0	-110,821
Change in securities		0	19,018
Change in long-term receivables		2,216	0
Cash flow from investing activities		**-25,824**	**-112,762**
Cash flow from financing activities			
Option scheme	25	-77	0
New share issue		0	271,707
Short-term loan		0	15,556
Long-term loan		-15,556	15,556
Cash flow from financing activities		**-15,633**	**302,819**
Reduction/increase in cash and cash equivalents			
Cash flow for the year		-45,276	187,523
Exchange rate difference in cash and cash equivalents		2,208	0
Opening cash and cash equivalents		228,083	40,560
Closing cash and cash equivalents		**185,015**	**228,083**

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.

If nothing else is stated amounts are in thousands of Swedish krona (KSEK). Information in parentheses refers to the comparative year.

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 and amended standards applied by the Group

The following standards have been applied by the Group for the first time for the financial year beginning on 1 September 2018:

– IFRS 9 *Financial Instruments*
– IFRS 15 *Revenue from Contracts with Customers*

Neither of the standards above had any material impact on the Group's financial statements. IFRS 15 *Revenue from Contracts with Customers* has replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations (IFRIC and SIC). Revenue is recognised when control of the goods or services sold is passed to the customer and replaces the previous policy of recognising revenue when the risks and rewards have been transferred to the buyer. The fundamental principle of IFRS 15 is that an entity recognises revenue in the manner that best reflects the transfer of control of the promised goods or services to the customer. Distinct goods or services in integrated contracts must be recognised as separate performance obligations and any discounts are, as a main rule, to be allocated to the distinct performance obligations. IFRS 15 entered force for financial years beginning on or after 1 January 2018. In accordance with the transition rules for IFRS 15, the Group has applied the new regulations with retrospective effect and has restated the comparative figures submitted, but this has had no impact on amounts recognised for preceding financial years. Nor is IFRS 15 expected to have a material impact on current or future periods.

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 2018/2019. 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 9 *Financial Instruments* has replaced IAS 39 *Financial instruments*: *Recognition and measurement*. The new standard entails new starting points for classifying and measuring financial instruments, a forward-looking impairment model and simplified conditions for hedge accounting. IFRS 9 entered force for financial years beginning on or after 1 January 2018, and the Group has chosen to apply IFRS 9 with retrospective effect but has chosen not to restate the comparative figures. As a result, the comparative figures provided continue to be accounted for in accordance with the group's previous accounting policies. IFRS 9 did not have any impact on amounts recognised in prior years, nor is it expected to have any material impact on current or future periods.

New standards and interpretations which 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 2019 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 16 *Leases* In January 2016, the IASB published a new lease standard that will replace IAS 17 Leases, and related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to leases – with a few exceptions – are to be recognised in the balance sheet. Such recognition is based on the approach that the lessee has a right-of-use asset for a specific period of time, and simultaneously an obligation to pay for that right. Accounting for the lessor will remain essentially unchanged. The standard is applicable for financial years beginning on or after 1 January 2019, and will be applied by the Group as of 1 September 2019. Early application is permitted, and the standard has been adopted by the EU. See the disclosures on the effects on transition to IFRS 16 in Note 18.

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 FINANCIAL INSTRUMENTS

IFRS 9 was applied for the current financial year, while IAS 39 was applied for the comparative period. Any differences between the policies are described in the section below.

Initial recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the financial instrument's contractual conditions. Purchases and sales of financial assets and liabilities are recognised on the trade date, i.e. the date on which the Group undertakes to purchase or sell the asset.

Financial instruments are initially measured at fair value plus, for an asset or financial liability that is not measured at fair value in profit or loss, transaction costs that are directly attributable to acquisitions, or issues of a financial asset or financial liability (e.g. fees and commissions). Transaction costs for financial assets and financial liabilities measured at fair value through profit or loss are expensed in profit or loss.

Financial assets – Classification and measurement under IFRS 9, applied as of 1 September 2018

The Group classifies and measures its financial assets in the category of amortised cost.

Financial assets measured at amortised cost

Assets held to collect contractual cash flows and where these cash flows are solely payments of principal and interest are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit losses that have been recognised (see the paragraph below on impairment). Interest income from these financial assets is recognised using the effective interest method and is included in financial income. The Group's financial assets that are measured at amortised cost consist of other non-current receivables, accounts receivable and other current receivables and accrued income as well as cash and cash equivalents.

Financial assets – Classification and measurement under IAS 39, applied to the comparative period before 1 September 2018

The Group classifies and measures its financial assets in the category of *loan receivables and accounts receivable*.

Loan receivables and accounts receivable

Loan receivables and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's "loan receivables and accounts receivable" consist of other non-current receivables, accounts receivable (Note 2.10) and other current receivables as well as cash and cash equivalents (Note 2.11) while "accounts receivable" consist of prepaid expenses and accrued income that constitute financial instruments and are recognised after the date of acquisition at amortised cost using the effective interest method.

Derecognition of financial instruments

Financial assets, or portions thereof, are derecognised from the balance sheet when the contractual rights to collect the cash flows from the assets have expired or been transferred, and either (i) the Group transfers essentially all the risks and benefits associated with ownership or (ii) the Group neither transfers nor retains essentially all risks and advantages associated with ownership and has not retained control of the asset.

Derecognition of financial liabilities

Financial liabilities are derecognised from the balance sheet when the contractual obligations have been fulfilled, cancelled or extinguished in another manner. The difference between the carrying amount of a financial liability (or portion of a financial liability) that is extinguished or transferred to another party and the remuneration paid, including transferred assets that are not cash or assumed liabilities, is recognised in the statement of comprehensive income.

Since the terms of a financial liability are renegotiated and not derecognised from the balance sheet, a profit or loss is recognised in the statement of comprehensive income and the profit or loss is calculated as the difference between the original cash flows and the modified cash flows discounted at the original effective interest rate.

Financial liabilities – Classification and measurement according to IFRS 9 and under IAS 39

Financial liabilities measured at amortised cost

The Group's other financial liabilities are subsequently classified as measured at amortised cost by applying the effective interest method. Other financial liabilities consist of accounts payable, other current liabilities and accrued expenses.

Impairment of financial assets recognised at amortised cost according to IFRS 9 applied from 1 September 2018

The Group assesses the future expected credit losses attributable to assets recognised at amortised cost. The Group recognises a reserve ("loss allowance") for such expected credit losses on each reporting date. The Group employs forward-looking variables for expected credit losses. Expected credit losses are recognised in the consolidated income statement under operating expenses.

Impairment of financial assets recognised at amortised cost according to IAS 39 for comparative periods prior to 1 September 2018

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or group of financial assets needs to be impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of a need for impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that 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 of loan receivables and accounts receivable, the amount of the loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is impaired and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

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.

Impairment of financial assets

Impairment of financial assets recognised at amortised cost according to IFRS 9 applied from 1 September 2018

The Group assesses the future expected credit losses attributable to assets recognised at amortised cost. The Group recognises a reserve ("loss allowance") for such expected credit losses on each reporting date. For accounts receivable, the Group applies the simplified approach for loss allowances, meaning that the reserve will correspond to the expected loss for the entire lifetime of the account receivable. To measure the expected credit losses, accounts receivable are grouped based on credit risk properties and days overdue. The Group employs forward-looking variables for expected credit losses. Expected credit losses are recognised in the consolidated income statement under operating expenses.

Impairment of financial assets recognised at amortised cost according to IAS 39 for comparative periods prior to 1 September 2018

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or group of financial assets needs to be impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of a need for impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that 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 of loan receivables and accounts receivable, the amount of the loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is impaired and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.8 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.

2.9 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.

2.10 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 2018/19 only common stock exist in MAG Interactive AB (publ).

2.11 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.

2.12 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.

2.13 EMPLOYEE BENEFITS

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.

2.14 RECORDING INCOME

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.

Sales in games take place in various mobile device platforms, and revenue is recognised when these are delivered to the customer, which is when control passes to the customer. A receivable is recognised when the goods are delivered since this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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.

No substantial element of financing is deemed present as the sales are made with a credit term of 30–60 days. Furthermore, all contracts with customers have an original expected period of at most one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied obligations is not disclosed.

Normally, the Group's customers pay with payment terms of 30–60 days.

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust the transaction price for the effects of a significant financing component.

All contracts with customers have an original expected period of at most one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied obligations is not disclosed.

2.15 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.

2.16 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.

2.17 EBITDA

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

2.18 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 Groups 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

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, then in order of SEK, EUR and GBP. In order to manage the currency risk of outflows in USD, the Group has USD bank accounts but also SEK, EUR and GBP accounts. The Group's revenues are mainly in USD and SEK, and a small part of the revenues are received in EUR. Remuneration to employees is paid in SEK in the Swedish companies and in GBP in the subsidiary in the United Kingdom.

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

The Group does not currently hedge any foreign currencies.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises through cash and cash equivalents, bank balances and credit exposure with customers, including receivables outstanding.

Only banks and financial institutions that have a minimum rating of “A” from independent agencies are accepted. The Group's customers consist primarily of private individuals to whom sales are made through payment with major credit cards to reduce credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Group's accounts receivable and debt instruments recognised at amortised cost are within the field of application of the model for expected credit losses: The Group applies the simplified approach to measuring expected credit losses, which entails using the expected credit losses over the entire period of the receivable as the starting point. The expected credit losses are based on the customers' payment profiles together with the credit losses for the same period. They are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the customers' ability to settle the receivables. The Group has historically had low customer losses, and believes that this also reflects the situation going forward since the Group's customers are well-established companies with high credit ratings.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(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.

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 2019	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Trade and other payables	6,611	0	0	0	0	**6,611**
Other current liabilities	0	15,556	0	0	0	**15,556**
Accrued expenses and prepaid income	8,011	0	0	0	0	**8,011**

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	Total
Other long-term liabilities	0	0	15,556	0	0	**15,556**
Trade and other payables	5,047	0	0	0	0	**5,047**
Other current liabilities	1,041	15,556	0	0	0	**16,597**
Accrued expenses and prepaid income	15,483	0	0	0	0	**15 483**

Interest bearing debt for the group is TSEK 15,556 and is ammortized quarterly until June 2020. With a non-fixed interest the group carries limited risk in the interest cost in that peiod.

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

Fair value of the Group's short- and long-term borrowing is deemed to essentially correspond to the carrying amount, since the loans mature with variable market interest rates for long-term borrowing and the discount effect for short-term borrowing is immaterial.

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 77,482 as of August 31 2019 (77,415 KSEK 31 August 2018).

Valuation of tax loss carryforwards

Deffered 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 2019, retained expenses for development expenses totaled KSEK 32,808 (28,092 KSEK August 31 2018).

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.

	2018/2019	2017/2018
In-app purchases	63,432	129,434
Advertising income	108,658	86,824
Other	863	612
Total	**172,953**	**216,870**
The Group's distribution by country	**2018/2019**	**2017/2018**
Sweden	172,953	216,870
UK	0	0
Total	**172,953**	**216,870**

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 QuizDuel which is published by FEO Media AB.

NOTE 6 - OTHER OPERATING INCOME

	2018/2019	2017/2018
Exchange rate gains	1,989	2,428
Other	61	961
Total	**2,050**	**3,389**

NOTE 7 - SALES-RELATED COSTS

	2018/2019	2017/2018
Platform fee	19,020	38,832
Performance-based marketing	48,673	72,390
Other sales charges	22,834	22,912
Total sales-related costs	**90,527**	**134,134**

NOTE 8 - PERSONNEL COSTS

	2018/2019	2017/2018
Costs of employee benefits		
Salaries and remuneration	32,431	38,208
Social security contributions	9,520	11,205
Pension costs	2,668	2,647
Employee stock options	114	0
Total	**44,733**	**52,060**
Other senior executives		
CEO, Daniel Hasselberg		
Salaries and remuneration	1,714	1,427
Variable remuneration	150	60
Social security contributions	538	468
Pension costs	409	338
Total	**2,811**	**2,293**
Other senior executives, 6 people (4 people)		
Salaries and remuneration	10,185	8,343
Variable remuneration	850	230
Social security contributions	3,103	2,665
Pension costs	1,039	1,085
Employee stock options	141	0
Total	**15,318**	**12,323**
Sum salaries and remuneration	**62,862**	**66,676**
Other personnel costs	2,341	2,701
Total	**65,203**	**69,377**
Fees to Board members	**2018/2019**	**2017/2018**
Chairman of the Board, Birgitta Stymne Göransson	267	0
Former Chairman of the Board, Walter Masalin	0	0
Board member, Taina Malén	133	0
Board member, Andras Vajlok	133	0
Board member, Teemu Huhtanen	200	200
Board member, Mikael Hjort	67	200
Board member, Daniel Hasselberg	0	0
Total	**800**	**400**

	2018/2019		2017/2018	
	Average number of employees	Of which male	Average number of employees	Of which male
Sweden	54	38	70	47
UK	18	13	19	15
Germany	1	1	1	1
Total	**73**	**52**	**90**	**63**

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

	2018/2019		2017/2018	
	Number on balance sheet date	Of which male	Number on balance sheet date	Of which male
Board members	5	3	6	6
CEO and other senior executives	7	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	2018/2019	2017/2018
PwC		
The audit assignment	420	440
Tax consultancy	45	279
Other services	270	969
Total	**735**	**1,688**
Other auditors		
The audit assignment	0	71
Group total	**735**	**1,759**

NOTE 10 – FINANCIAL INCOME AND EXPENSES

	2018/2019	2017/2018
Interest expenses	-654	-568
Exchange rate loss	-1,154	-1,018
Financial expenses	**-1,808**	**-1,586**
Interest income	479	11
Exchange rate gains from current receivables	3,510	2,820
Valuation at fair value, financial assets	0	0
Profit from sale of securities	0	407
Financial income	**3,989**	**3,238**
Net financial items	**2,181**	**1,652**

NOTE 11 - INCOME TAX

	2018/2019	2017/2018
Current tax on profit/loss for the year	284	2 742
Deferred tax	-3,750	-8,205
Other tax	0	28
Total current tax	**-3,466**	**-5,435**

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:

	2018/2019	2017/2018
Profit/loss before tax	-17,216	-65,231
Income tax calculated according to the tax rate in Sweden (22%)	-3,787	-14 351
Tax effects of:		
Non-taxable income	-1	0
Additional consideration MAG Games Ltd	0	6,909
Non-deductible expenses	244	1,208
Other	123	800
Tax effect due to changed tax rate	444	0
Tax effect of standard rate on tax allocation reserve	16	0
Change in deferred tax	-504	0
Tax expense	**-3,466**	**-5,434**

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 2019 (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 commonshares in December 2017. See Note 25 for the number of shares.

NOTE 13 - NET EXCHANGE RATE DIFFERENCES

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

	2018/2019	2017/2018
Other operating income	1,989	2,428
Other operating expenses	-1,650	-2,411
Total	**339**	**17**
Exchange rate difference in current receivables and liabilities	2,215	1,809
Total	**2,554**	**1,826**

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 United AB	Sweden	Warrants	100

MAG Games Ltd, FEO Media AB and MAG United 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

	2018/2019	2017/2018
Opening cost of acquisition	**4,527**	**3,423**
Purchases	4,367	1,308
Sales/retirements	-350	-204
Closing accumulated cost of acquisition	**8,544**	**4,527**
Opening depreciation	**-1,705**	**-724**
Depreciation for the year	-1,277	-981
Closing accumulated depreciation	**-2,982**	**-1,705**
Closing carrying amount	**5,562**	**2,822**

The acquisition of FEO Media AB 2017/2018 included depreciation of SEK 64,131. Exchange rate difference in GBP during the year amounts to SEK 8,522 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 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	-25,658
Impairments	0	0	0	0
Closing balance, 31 August 2018	**77,415**	**34,779**	**28,093**	**140,287**
Opening balance, 1 September 2018	**77,415**	**34,779**	**28,093**	**140,287**
Additions	0	0	23,666	23,666
Exchange rate differences	67	0	0	67
Depreciation	0	-3,760	-18,951	-22,711
Impairments	0	0	0	0
Closing balance, 31 August 2019	**77,482**	**31,019**	**32,808**	**141,309**

Impairment testing of goodwill

Below is a summary of goodwill

	Opening carrying amount	Additions	Sales	Impairment	Translation difference	Closing carrying amount
8/31/2019	**77,415**	**0**	**0**	**0**	**67**	**77,482**
8/31/2018	**7,976**	**69,439**	**0**	**0**	**0**	**77,415**

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 8/31/2019 and as of 8/31/2018.

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 2019 (31 August 2018: 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 2019 (31 August 2018: 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

IFRS 9 was applied as of 1 September 2018, while classification under IAS 39 was applied for the comparative period.

	Loan receivables and trade and other receivables	Total
Assets in the balance sheet		
Other long-term receivables	4,300	4,300
Trade and other receivables	10,063	10,063
Other current receivables	4,009	4,009
Cash and cash equivalents	228,083	228,083
Total 8/31/2018	**246,455**	**246,455**

	Financial assets valued at accrued cost of acquisition	Total
Assets in the balance sheet		
Other long-term receivables	2,085	2,085
Trade and other receivables	19,517	19,517
Other current receivables	8,001	8,001
Cash and cash equivalents	185,071	185,071
Total 8/31/2019	**214,674**	**214,674**

	Other financial liabilities	Total
Liabilities in the balance sheet		
Other long-term liabilities (loan Danske Bank)	15,556	15,556
Trade and other payables	5,047	5,047
Other current liabilities (loan Danske Bank)	15,556	15,556
Total 8/31/2018	**36,159**	**36,159**

	Other financial liabilities	Total
Liabilities in the balance sheet		
Trade and other payables	6,611	6,611
Other current liabilities (loan Danske Bank)	15,556	15,556
Total 8/31/2019	**22,167**	**22,167**

NOTE 18 - EFFECTS CAUSED BY THE TRANSITION TO IFRS 16

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

In accordance with IFRS 16, the Group is expected to recognise right-of-use assets totalling approximately KSEK 35,000 as of 1 September 2019 and lease liabilities of KSEK 34,000 after adjustments for prepaid lease payments recognised at 31 August 2019. The Group's initial calculations indicate that IFRS 16 will have a minimal impact on operating profit and a minimal impact on profit after financial items. A few additional disclosures will be added to the 2019/20 Annual Report.

The Group will apply the standard from the application date, 1 September 2019. The Group intends to apply the simplified transition approach and will not restate the comparative figures. All right-of-use assets will be measured at an amount corresponding to the lease liability adjusted for prepaid lease payments attributable to the lease as at 31 August 2019. The only exceptions are short-term and low-value leases. In conjunction with the transition, the following practical exemption rules have been applied: the same discount rate has been used in lease portfolios with similar characteristics, and the right-of-use period has been determined using knowledge after the fact as regards, for example, extension options and cancellation clauses.

Adjustment 1 September 2019	
Tangible non-current assets, rights of use	35,000
Prepaid costs	-1,000
Leasing liabilities carried interest	34,000

NOTE 19 - OTHER LONG-TERM RECEIVABLES

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

	8/31/19	8/31/18
Opening value	**4,300**	**1,836**
Deposits	298	2,450
Withdrawal	-2,513	0
Currency effect	0	14
Closing value	**2,085**	**4,300**

NOTE 20 - DEFERRED TAX ASSET

The Group has recorded deferred tax assets in respect of the tax loss carryforwards in MAG Interactive AB. 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.

	8/31/19	8/31/18
Opening value	**1,699**	**1,263**
Currency difference	0	132
Tax effect, tax loss carryforwards utilised	-1,027	304
Closing value	**672**	**1,699**

NOTE 21 - TRADE AND OTHER RECEIVABLES

	8/31/19	8/31/18
Trade and other receivables	19,517	10,063
Trade and other receivables - net	**19,517**	**10,063**

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

	8/31/19	8/31/18
SEK	6,044	-2,288
EUR	111	0
GBP	2,034	2,578
USD	11,328	9,773
Total	**19,517**	**10,063**

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

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

No trade or other receivables have been pledged as collateral for any debt.

The amended version of IFRS 7 *Financial instruments: Disclosures* was applied to the current year, whereas the previous version of IFRS 7 was applied to the comparative period. The disclosures below pertain only to the comparative period.

As of 31 August 2018 confirmed trade and other receivables totaled KSEK 10,063 for the Group.

As of 31 August 2018, trade and other receivables totaling KSEK 579 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:

	8/31/19	8/31/18
1-30 days	554	467
31 - 60 days	137	95
> 61 days	282	17
Total trade and other receivables due	**973**	**579**

The Group has no mortgage as security.

NOTE 22 - OTHER CURRENT RECEIVABLES

	8/31/19	8/31/18
Current receivables, employees	101	38
VAT receivables	639	1,307
Other items	7,261	2,664
Total	**8,001**	**4,009**

NOTE 23 - PREPAID EXPENSES AND ACCRUED INCOME

	8/31/19	8/31/18
Accrued income	-1	15,808
Prepaid expenses	3,763	4,680
Total	**3,762**	**20,488**

NOTE 24 - CASH AND CASH EQUIVALENTS

	8/31/19	8/31/18
Bank balances	185,071	228,083
Total	**185,071**	**228,083**

NOTE 25 - EQUITY

	Number of shares	Share capital
Ordinary shares	26,321,393	683,673
As of 31 August 2018	**26,321,393**	**683,673**
Ordinary shares	26,321,393	683,673
As of 31 August 2019	**26,321,393**	**683,673**

Share capital as of 31 August 2019 consists of 26,321,393 shares, consisting of ordinary shares with a quota value of SEK 0.025974. 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 2019, the company has three outstanding option schemes. No other warrants have been submitted previously by the company or its subsidiaries. No options or warrants have been exercised.

About the programs 2017/2020:1 and 2017/2020:2

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 personel 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.

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

During the financial year 2018/19 warrants for a total value of 77 KSEK (28 KSEK) have been repurchased.

Current value of ongoing programs

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 value of the options at the allotted date was 2 SEK.

About the program 2019/2022 Long-term incentive program (LTIP 2018)

In total, the LTIP 2018 consist of no more than 526,428 employee stock options, entitling to subscription for an equal number of shares. Each employee stock option entitles the holder to acquire one (1) new share against cash consideration at an exercise price of SEK 30. Till det långsiktigt incitamentsprogrammet tillkommer emission av teckningsoptioner och överlåtelse av aktier och/eller teckningsoptioner.

As of the closing date, 490,000 options were not utilized.

The allotted employee stock options will be vested over a three-year period in accordance with the following:

a) 1/3 of the allotted employee stock options will be vested on 1 March 2020;
b) 1/3 of the allotted employee stock options will be vested on 1 March 2021; and
c) 1/3 of the allotted employee stock options will be vested on 1 March 2022.

The employee stock options shall be allotted without consideration. The holders can exercise allotted and vested employee stock options during the period from and including 2 March 2022 up to and including 2 April 2022.

MAG Interactive's stock option program for employees was approved by the shareholders at the Annual General Meeting held on December 18, 2018. The reasons for the long-term incentive program is that it should contribute to the possibilities to retain and attract qualified personnel and to increase motivation for the executive management and other employees by being involved in and working for a positive value increase of the shares during the period covered by the LTIP 2018.

In order to enable delivery of shares under the LTIP 2018, an issue of not more than 526,428 warrants, free of charge, has been made to MAG United AB. Each warrant entitles to subscription for one (1) share in MAG Interactive AB (publ) during the period from the registration of the warrants with the Swedish Companies Registration Office up to and including 15 May 2022 at an exercise price of SEK 30. If the warrants are exercised in full the share capital will increase by SEK 13,673. The subscription for warrants shall be made no later than 15 March 2019. However, the board of directors shall be entitled to extend the subscription period. There can be no over-subscription.

MAG United AB has been granted permission to transfer shares to the participants in the LTIP 2018 program in connection with exercise of the employee stock options in accordance with a number of terms.

Program	Number of warrants	Exercise price	Exercise time	Price
LTIP 2018	490,000	30	2 Mars 2022-2 April 2022	0 SEK
Totalt/snitt	**490,000**	**30**	**2 Mars 2022-2 April 2022**	**0 SEK**

Current value of ongoing program

The employee stock options do not have a market value since they are not transferable. The value of the options at the allotted date was 0 SEK.

Costs for share related incentive programs

The total cost for developing and executing on the LTIP 2018 program was 200 KSEK.

Management short term incentive program (STI)

During the financial year 2018/19 no specific show term incentive program for management existed. Specifically no program based on shares.

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 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**
As of September 2018	**4,436**	**7,164**	**6,325**	**17,925**
Recorded in the income statement	-4,436	-775	434	-4,777
As of 31 August 2019	**0**	**6,389**	**6,759**	**13,148**

NOTE 27 - OTHER CURRENT LIABILITIES

	8/31/19	8/31/18
Personnel-related liabilities	3,247	1,837
VAT	-138	1,118
Other items (loan Danske Bank)	15,556	15,556
Total	**18,665**	**18,511**

NOTE 28 - ACCRUED EXPENSES AND PREPAID INCOME

	8/31/19	8/31/18
Accrued salaries, employers contribution, holiday pay and bonuses	4,255	3,200
Accrued marketing expenses	1,649	7,218
Accrued income	768	1,181
Other accrued expenses	1,339	3,884
Total	**8,011**	**15,483**

NOTE 29 - ADJUSTMENT FOR ITEMS NOT INCLUDED IN CASH FLOW

	8/31/19	8/31/18
Depreciation of tangible non-current assets	1,496	881
Retirements of tangible non-current assets	139	0
Depreciation of intangible assets	22,711	25,658
New issue	0	31,405
Employee stock options LTIP 2018	255	0
Total	**24,601**	**57,944**

NOTE 30 - PLEDGED ASSETS

	8/31/19	8/31/18
Bank account	148	147
Rental deposit	2,085	4,238
Total	**2,233**	**4,385**

The Group also holds 1,000 shares in FEO Media AB in mortgage, which is owned by the parent company MAG Interactive AB.

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 KSEK 6,235 (8/31/2018: KSEK 12,210) are included in the income statement.

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

	8/31/19	8/31/18
Within 1 year	6,115	5,424
Between 1 and 5 years	11,650	16,824
More than 5 years	5,112	0
Total	**22,877**	**22,248**

NOTE 32 - BUSINESS COMBINATIONS

MAG GAMES LTD

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

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

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 trivia game Quiz Duel. Quiz Duel is published on Google Play and Apple App Store and has its main audience in Germany, where the game is called Quizduell.

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 in February 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.

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

No dividend has been paid to related parties within the past financial year 2018/2019 or during the comparative year 2017/2018.

REMUNERATION TO SENIOR EXECUTIVES

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

REDEMPTION OF SHARES

No associated parties have redeemed shares during the past financial year 2018/2019 or during the comparative year 2017/2018.

ASSOCIATED COMPANY

No transactions where made between associated companies during the past financial year 2018/2019 or during the comparative year 2017/2018.

NOTE 34 - ADJUSTED EBITDA

	8/31/19	8/31/18
Total operating income	198,670	240,213
Total operating expenses (excluding depreciation and impairment test of tangible and intangible non-current assets)	-193,722	-280,557
EBITDA	**4,948**	**-40,343**
Costs related to Acquisition of MAG Games Ltd	0	31,405
IPO costs	0	7,239
Acquisition costs FEO Media AB	0	976
Restructuring costs FEO Media AB	0	9,406
Adjusted EBITDA	**4,948**	**8,683**
Profit/loss before tax	-17,216	-65,231
Costs related to Acquisition of MAG Games Ltd	0	31,405
IPO costs	0	7,239
Acquisition cost FEO Media AB	0	976
Restructuring cost FEO Media AB	0	9,406
Adjusted profit/loss before tax	**-17,216**	**-16,205**

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PARENT COMPANY'S INCOME STATEMENT

Amounts in SEK ,000		Financial year	
		2018/2019	2017/2018
Operating income			
Net sales	3	116,547	166,666
Other operating income	4,9	15,724	6,786
Total		**132,271**	**173,452**
Operating expenses			
Sales-related costs	5	-87,075	-123,480
Other external expenses	6,9	-49,136	-35,832
Personnel costs	7	-49,379	-53,869
Depreciation and impairments of tangible and intangible non-current assets	12	-709	-5,309
Total operating expenses		**-186,299**	**-218,490**
Operating profit/loss		**-54,028**	**-45,038**
Financial items			
Financial income		352	646
Financial expenses		-2,019	-613
Net financial items	**8,9**	**-1,667**	**33**
Profil/loss after financial items		**-55,695**	**-45,005**
Appropriations			
Change of tax allocation reserves		0	40,120
Received group contribution		57,355	0
Total appropriations	**10**	**57,335**	**40,120**
Profit/loss before tax		**1,660**	**-4,885**
Taxes			
Tax on profit/loss for the year	11	-1,027	1,699
Profit/loss for the year		**633**	**-3,186**

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

PARENT COMPANY'S BALANCE SHEET

Amounts in SEK ,000		8/31/19	8/31/18
ASSETS			
Non-current assets			
Tangible non-current assets			
Equipment, tools, fixtures and fittings	12	1,921	2,358
Total tangible assets		**1,921**	**2,358**
Financial non-current assets			
Participations in Group companies	13	181,983	181,933
Deferred tax assets	14	672	1,699
Long-term receivables group companies	15	61	0
Other long-term receivables	16	1,782	1,782
Total financial non-current assets		**184,498**	**185,415**
Total non-current assets		**186,419**	**187,773**
Current assets			
Current recivables			
Trade and other receivables		12,896	11,995
Receivables from group companies	17	59,190	6,337
Other receivables	18	1,870	1,224
Prepaid expenses and accrued income	19	3,506	15,343
Total current receivables		**77,462**	**34,899**
Cash and bank balances	20	179,465	181,305
Total assets		**443,346**	**403,977**

Amounts in SEK ,000	Note	8/31/19	8/31/18
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (26 321 393 shares 8/31/2019) (26 321 393 shares 8/31/2018)		684	684
Non-restricted equity			
Other external capital		312,608	312,430
Retained earnings		36,712	39,898
Profit/loss for the year		633	-3,186
Total equity	**21**	**350,637**	**349,826**
LIABILITIES			
Long-term liabilities			
Other long-term liabilities	22	0	15,556
Total long-term liabilities		**0**	**15,556**
Current liabilities			
Trade and other payables		6,374	8,309
Liabilities to group companies	17	61,803	2,589
Other liabilities	23	18,286	17,866
Accrued expenses and prepaid income	24	6,246	9,831
Total current liabilities		**92,709**	**38,595**
TOTAL EQUITY AND LIABILITIES		**443,346**	**403,977**

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 9/1/2017	**50**		**49,849**	**49,899**
New issue	634	309,573		310,207
Issue costs			-8,284	-8,284
Profit/loss of the year			-3,186	-3,186
Dividend				0
Option scheme		1,190		1,190
Closing balance as of 8/31/2018	**684**	**310,763**	**38,379**	**349,826**
Opening balance as of 9/1/2018	**684**	**310,763**	**38,379**	**349,826**
Profit/loss of the year			633	633
Option scheme		178		178
Closing balance as of 8/31/2019	**684**	**310,941**	**39,012**	**350,637**

PARENT COMPANY'S CASH FLOW STATEMENT

Amounts in SEK ,000

	Note	8/31/19	8/31/18
Cash flow from operating activities			
Profit/loss before financial items		-54,028	-45,038
Adjustment for items not included in cash flow	26	58,257	5,157
Interest received		289	11
Interest paid		-704	-554
Income tax paid		-463	0
Cash flow from operating activities before change in working capital		**3,351**	**-40,424**
Change in current operating receivables		-42,091	-4,416
Change in current operating liabilities		54,114	1,424
Total change in working capital		**12,023**	**-2,992**
Cash flow from operating activities		**15,374**	**-43,416**
Cash flow from investing activities			
Investments in tangible non-current assets	13	-272	-469
Acquisition of subsidiary after deduction of cash and cash equivalents acquired	14	-50	-134,731
Change in securities	19	0	19,004
Change in long-term receivables		0	0
Cash flow from investing activities		**-322**	**-116,196**
Cash flow from financing activities			
Dividend		0	0
Option scheme		-77	0
Share Issue		0	271,707
Loan Danske Bank		-15,556	31,111
Cash flow from financing activities		**-15,633**	**302,818**
Reduction/increase in cash and cash equivalents			
Cash flow for the year		-581	143,607
Exchange rate difference in cash and cash equivalents		-1,259	175
Opening cash and cash equivalents		181,305	37,523
Closing cash and cash equivalents		**179,465**	**181,305**

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). Information in parentheses refers to the comparative year.

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

	2018/2019	2017/2018
In-app purchases	60,182	123,642
Advertising income	53,365	43,024
Total	**116,547**	**166,666**

NOTE 4 - OTHER OPERATING INCOME

	2018/2019	2017/2018
Other income group	14,207	5,072
Exchange gains	1,470	1,644
Other income	47	69
Total	**15,724**	**6,785**

NOTE 5 – SALES-RELATED COSTS

	2018/2019	2017/2018
Platform fee	18,054	37,097
Other sales charges	20,628	14,766
Total	**38,682**	**51,863**

NOTE 6 – REMUNERATION PAID TO AUDITORS

	2018/2019	2017/2018
PwC		
The audit assignment	320	440
Auditing activities in addition to the audit assignment	0	0
Tax consultancy	45	279
Other services	181	969
Total	**546**	**1,688**

NOTE 7 – PERSONNEL COSTS

	2018/2019	2017/2018
Costs of employee benefits		
Salaries and remuneration	21,507	19,425
Social security contributions	6,278	6,409
Pension costs	2,240	1,907
Total	**30,025**	**27,741**
Senior executives		
Salaries and remuneration	11,366	8,128
Social security contributions	3,766	2,855
Pension costs	1,406	1,170
Total	**16,538**	**12,153**
Other personnel costs	2,816	13,975
Total	**2,816**	**13,975**
Total personnel costs	**49,379**	**53,869**

Average number of employees	**2018/2019**		**2017/2018**	
	Average number of employees	Of which male	Average number of employees	Of which male
Sweden	47	37	41	33
Germany	1	1	1	1
Total	**48**	**38**	**42**	**34**

NOTE 8 – INTEREST INCOME AND SIMILAR ITEMS, AND INTEREST EXPENSES AND SIMILAR ITEMS

	2018/2019	2017/2018
Profit from sale of securities	0	421
Exchange rate difference in current receivables and liabilities	63	214
Other financial income	289	11
Total interest income and similar income statement items	**352**	**646**
Exchange rate difference in current receivables and liabilities	-459	-38
Interest Loan Danske Bank	-435	-554
Other financial liabilities	-1,125	-21
Total interest expenses and similar income statement items	**-2,019**	**-613**
Total net financial items	**-1,667**	**33**

NOTE 9 – EXCHANGE RATE DIFFERENCES

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

	2018/2019	2017/2018
Other operating income	1,470	1,644
Other external expenses	-1,576	-1,990
Total	**-106**	**-346**
Exchange rate difference in current receivables and liabilities	-1,062	176
Total	**-1,168**	**-170**

NOTE 10 – APPROPRIATIONS

	2018/2019	2017/2018
Tax allocation reserves	0	40,120
Group contributions received	57,355	0
Total	**57,355**	**40,120**

NOTE 11 - TAX RECORDED IN THE INCOME STATEMENT

	2018/2019	2017/2018
Current tax:		
Current tax on profit/loss for the year	-672	-1,699
Deferred tax	1,699	0
Total current tax	**1,027**	**-1,699**

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:

	2018/2019	2017/2018
Profit/loss before tax	**1,660**	**-4,885**
Income tax calculated according to the tax rate in Sweden (22%)	365	-1,075
Tax effects of:		
Non-taxable income	-1	0
Non-deductible expenses	221	1,198
Tax effect on IPO costs	0	-1,822
Tax effect due to changed tax rate	20	0
Use of loss carried forward	-1,277	0
Total tax recorded	**-672**	**-1,699**

NOTE 12 - TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS

Tangible non-current assets	**8/31/19**	**8/31/18**
Opening cost of acquisition	**3,551**	**3,082**
Purchases	272	469
Sales/retirements	0	0
Closing cost of acquisition	**3,823**	**3,551**
Opening depreciation	**-1,193**	**-532**
Depreciation for the year	-709	-661
Closing accumulated depreciation	**-1,902**	**-1,193**
Closing carrying amount	**1,921**	**2,358**

Intangible non-current assets	**8/31/19**	**8/31/18**
Opening cost of acquisition	**0**	**20,948**
Closing accumulated cost of acquisition	**0**	**20,948**
Opening depreciation	**0**	**-16,451**
Depreciation for the year	0	-4,497
Closing accumulated depreciation	**0**	**-20,948**
Closing carrying amount	**0**	**0**

NOTE 13 - PARTICIPATIONS IN GROUP COMPANIES

	8/31/19	8/31/18
Opening balance cost of acquisition	**181,933**	**15,797**
Acquisitions	50	134,731
Reclassification	0	31,405
Closing balance	**181,983**	**181,933**

Name	Country of registration and business activity	Activity	Proportion of ordinary shares owned directly by Parent Company (%)	Carrying amount 8/31/2019	Carrying amount 8/31/2018
MAG Games Ltd	UK	Development	100	47,202	47,202
FEO Media AB	Sweden	Development	100	134,731	134,731
MAG United AB	Sweden	Warrants	100	50	0

NOTE 14 - DEFERRED TAX ASSET

Deferred tax recognized in the balance sheet is relating to temporary differences on items below and and loss carry-forward.

	8/31/19	8/31/18
Deferred tax assets recognized in the balance sheet	**672**	**1,699**
Opening balance	1,699	0
Deferred tax on used loss carry-forward	-1,699	0
Current tax on profit/loss for the year	692	1,699
Revaluation due to changed tax rate	-20	0
Closing balance	**672**	**1,699**

NOTE 15 - LONG-TERM GROUP RECEIVABLES

	8/31/19	8/31/18
Employee stock options in subsidaries	61	0
Total	**61**	**0**

NOTE 16 - OTHER LONG-TERM RECEIVABLES

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

	8/31/19	8/31/18
Opening value	**1,782**	**1,782**
Deposits	0	0
Closing value	**1,782**	**1,782**

NOTE 17 - RECEIVABLES AND LIABILITIES, GROUP COMPANIES

Receivables	**8/31/19**	**8/31/18**
Trade and other receivables	1,835	6,637
Long-term receivables	61	0
Current liabilities (group contribution)	57,355	0
Total	**59,251**	**6,637**
Liabilities		
Trade and other payables	2,034	2,589
Current liabilities (cashpool)	59,769	0
Total	**61,803**	**2,589**
Group net	**-2,552**	**4,048**

NOTE 18 - OTHER CURRENT RECEIVABLES

	8/31/19	8/31/18
Current receivables, employees	101	37
Tax assets	1,511	140
VAT receivables	258	1,047
Total	**1,870**	**1,224**

NOTE 19 - PREPAID EXPENSES AND ACCRUED INCOME

	8/31/19	8/31/18
Prepaid expenses	3,506	2,552
Accrued income	0	12,555
Other items	0	236
Total	**3,506**	**15,343**

NOTE 20 - CASH AND BANK BALANCES

	8/31/19	8/31/18
Bank balances	179,465	181,305
Total	**179,465**	**181,305**

NOTE 21 - EQUITY

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

NOTE 22 - OTHER LONG-TERM LIABILITIES

	8/31/19	8/31/18
Loan Danske Bank, long-term	0	15,556
Total	**0**	**15,556**

NOTE 23 - OTHER CURRENT LIABILITIES

	8/31/19	8/31/18
Social security contributions and similar liabilities	2,614	2,104
Loan Danske Bank, short-term	15,556	15,556
Other	116	206
Total	**18,286**	**17,866**

NOTE 24 - ACCRUED EXPENSES AND PREPAID INCOME

	8/31/19	8/31/18
Accrued expenses	2,891	6,991
Accrued holiday pay and bonuses	3,355	2,840
Total	**6,246**	**9,831**

NOTE 25 - ADJUSTMENTS FOR ITEMS NOT INCLUDED IN CASH FLOW

	8/31/19	8/31/18
Depreciation of tangible non-current assets	709	661
Retirement of tangible non-current assets	0	0
Depreciation of tangible non-current assets	0	4,496
Employee stock options LTIP 2018	193	0
Group contribution received	57,355	0
Total	**58,257**	**5,157**

NOTE 26 - FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets valued at accrued cost of acquisition	Total
Assets in the balance sheet		
Other long-term receivables	1,844	1,844
Trade and other receivables	14,731	14,731
Other current receivables	59,225	59,225
Cash and cash equivalents	179,465	179,465
Total 8/31/2019	**255,265**	**255,265**
	Loan receivables trade- and other receivables	**Total**
Assets in the balance sheet		
Other long-term receivables	3,482	3,482
Trade and other receivables	18,332	18,332
Other current receivables	1,224	1,224
Cash and cash equivalents	181,305	181,305
Summa 8/31/2018	**204,343**	**204,343**
Liabilities in the balance sheet	**Other financial liabilities**	**Total**
Trade and other payables	8,408	8,408
Other current liabilities	78,055	78,055
Total 8/31/2019	**86,463**	**86,463**
Liabilities in the balance sheet	**Other financial liabilities**	**Total**
Other long-term liabilities	15,556	15,556
Trade and other payables	10,898	10,898
Other current liabilities	17,866	17,866
Total 8/31/2018	**44,320**	**44,320**

NOTE 27 - 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 2019					
Trade and other payables	6,356	17	0	0	0
Other current liabilities	5,734	12,551	0	0	0
Liabilities to Group companies	61,803	0	0	0	0
Total	**73,893**	**12,568**	**0**	**0**	**0**
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	231	15,556	0	0	0
Liabilities to Group companies	2,588	0	0	0	0
Total	**11,128**	**15,556**	**15,556**	**0**	**0**

NOTE 28 - OPERATIONAL LEASES

Obligations in respect of operational leases

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:

	8/31/19	8/31/18
Within 1 year	4,903	4,704
Between 1 and 5 years	6,538	15,444
More than 5 years	0	0
Total	**11,441**	**20,148**

NOTE 29 - 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 13 December 2019

Birgitta Stymne Göransson
Chairman of the Board

Taina Malén
Board Member

Andras Vajlok
Board Member

Teemu Huuhtanen
Board Member

Daniel Hasselberg
CEO/Board member

Our audit report has been submitted 18 December 2019
Öhrlings PricewaterhouseCoopers AB

Niklas Renström
Authorised Public Accountant

AUDITOR'S 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 the financial year 1 September 2018 – 31 August 2019. 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 39-100 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 2019 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 2019 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 2018 – 31 August 2019 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.

Stockholm 18th December 2019

Öhrlings PricewaterhouseCoopers AB

Niklas Renström
Authorized public accountant