

ANNUAL REPORT 2019/2020

MAG INTERACTIVE AB (PUBL)



MAG INTERACTIVE

TABLE OF CONTENTS

About MAG	3
MAG in numbers	4
A year in brief	5
Key numbers	6
Word from the CEO	8
MAG's business model	11
Wordzee	13
QuizDuel	14
Word Domination	15
Ruzzle	16
WordBrain	17
The Market	18
Definitions	22
Board of directors, executive management and auditors	24
Ownership structure	30
Corporate governance	31
The annual general meeting	32
The board of directors	34
CEO and executive management	37
Internal control	40
Audit	42
Expected future development, notable risks and uncertainties	43

ABOUT MAG

MAG Interactive is a leading mobile game developer focused on casual social games. With passionate, creative teams and a data-driven business model, MAG delivers world-class gaming experiences to millions of players worldwide. MAG's expertise in word games and trivia, has created a catalog of games, including Ruzzle, Word Domination, WordBrain and QuizDuel, that have been downloaded over 250 million times. MAG has offices in Stockholm and Brighton and was listed in 2017 on the Nasdaq First North Premier Growth Market with the ticker MAGI.



 **250 M+**
DOWNLOADS

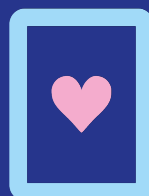
 **435**
MILLION HOURS
PLAYED DURING 2019/2020

92 **20**
EMPLOYEES NATIONALITIES
EMPLOYED

25 % WOMEN
75 % MEN

MAG'S GAMES
PLAYED IN
192
COUNTRIES

120 M
GAME CONTRIBUTION
2019/2020



217M
NET SALES
2019/2020

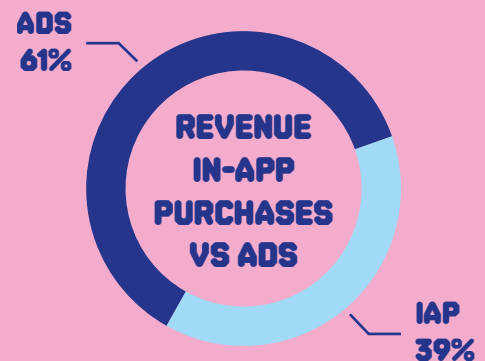
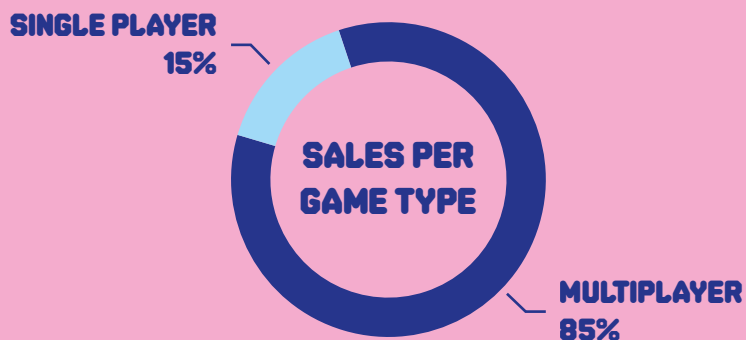
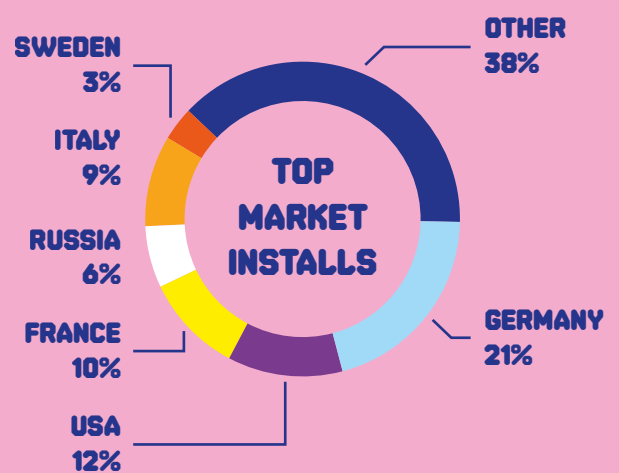
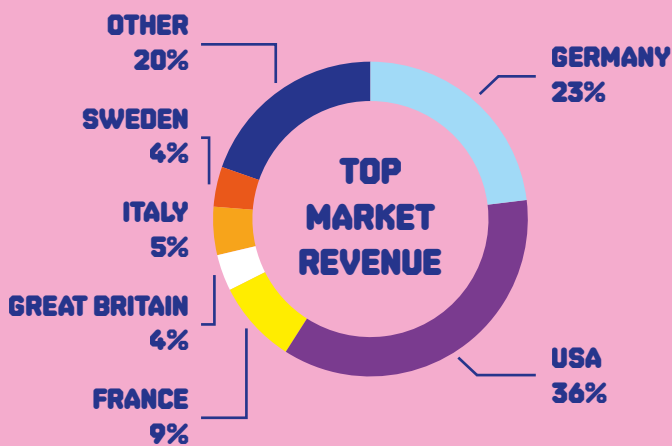
MAG IN NUMBERS

16 M+ NEW PLAYERS

DURING THE YEAR

26 M UNIQUE PLAYERS

DURING THE YEAR



A YEAR IN BRIEF

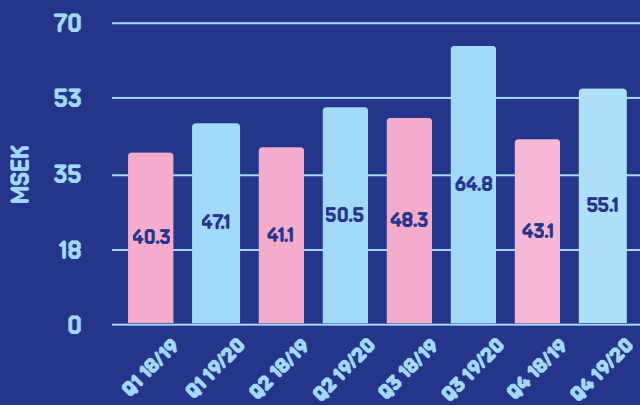
- QUIZDUEL REACHED 100 MILLION DOWNLOADS
- THE NEW WORD GAME WORDZEE GLOBALLY LAUNCHED NOVEMBER 2019
- WORD DOMINATION REACHED 10 MILLION DOWNLOADS
- NEW QUIZDUEL GLOBALLY LAUNCHED MAY 2020
- ON JUNE 23, 2020 THE SUBSIDIARY FEO MEDIA AB MERGED IN TO THE PARENT COMPANY MAG INTERACTIVE AB (PUBL)
- ON AUGUST 28, 2020 MAG ANNOUNCED THE ACQUISITION OF SVENTERTAINMENT AB, THE COMPANY BEHIND THE LIVE TRIVIA APP PRIMETIME



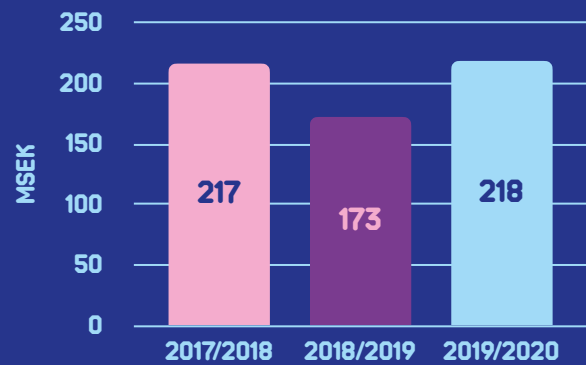
KEY NUMBERS

NET SALES

PER QUARTER 2018/19 - 2019/20



YEAR ON YEAR

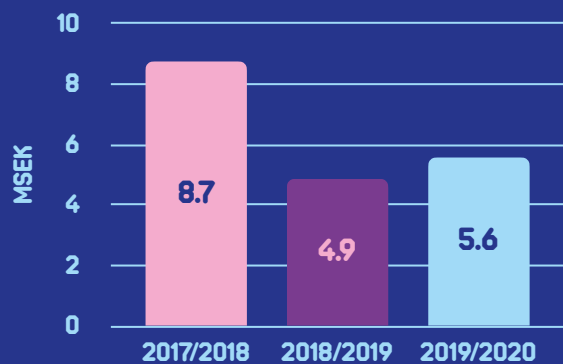


ADJUSTED EBITDA

PER QUARTER 2018/19 - 2019/20



YEAR ON YEAR



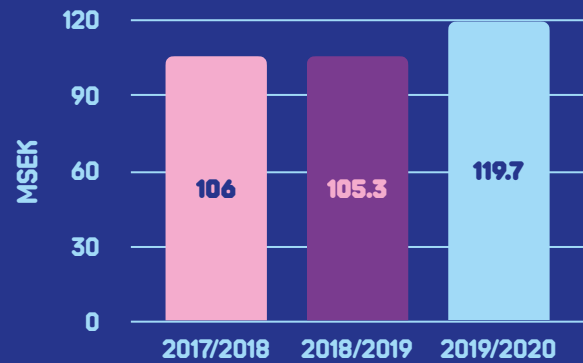
KEY NUMBERS

GAME CONTRIBUTION

PER QUARTER 2018/19 - 2019/20

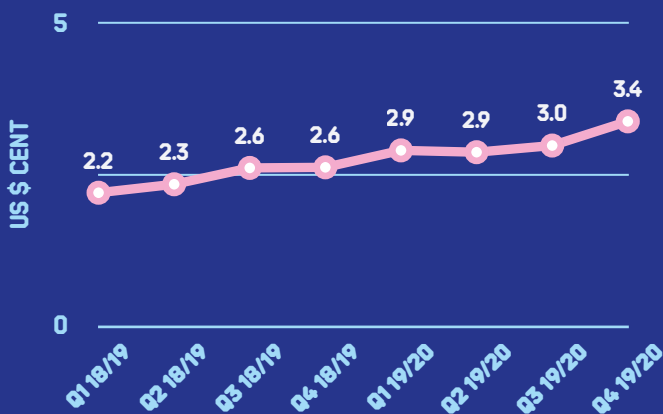


YEAR ON YEAR

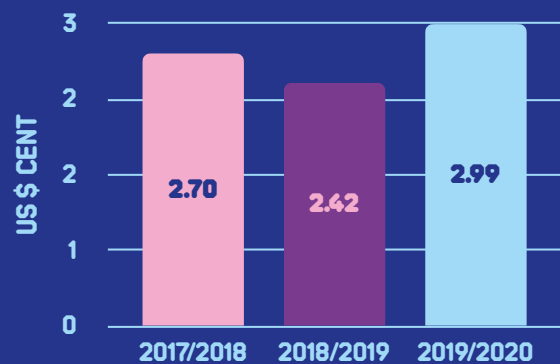


ARPPDAU

PER QUARTER 2018/19 - 2019/20



YEAR ON YEAR

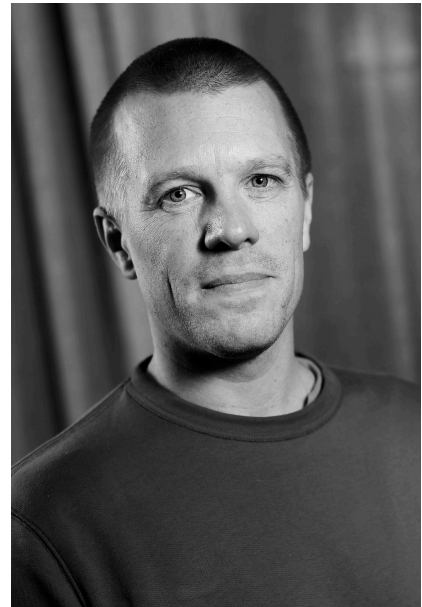


WORD FROM THE CEO

CONTINUED EXECUTION ON OUR MULTIPLAYER GAMES STRATEGY

This second year of our multiplayer strategy has been a turning point in revenue growth as our multiplayer games have come to account for more than 80% of the entire business, which has resulted in a significant top line growth for the company. The multiplayer part of the portfolio is now larger than the entire business was at the end of the previous financial year.

All our multiplayer games have improved their average revenue per daily active user (ARPDau), and the overall revenues grew 26% compared to the previous year. These improvements come from a combination of the launch of two new products as well as continued optimization of the existing portfolio.



We believe that the social nature of multiplayer games helps build strong, long term player engagement and through that an opportunity for MAG to operate the games for many years with significant contribution to the overall business.

TWO MORE GAMES ADDED TO THE PORTFOLIO

During the 2019/20 financial year, we put multiple games out for test in the market, and two of the games made it all the way to a global launch: the new word game Wordzee and the sequel to our classic trivia game, New QuizDuel. MAG is a metrics driven company, which means that if a game doesn't meet our standards in terms of certain key performance indicators it won't be launched globally. Making games is fairly easy, but making competitive games is hard; it requires focus, attention and the very best people working on it. It's important to be strict and not allow more development time to be spent if the game doesn't show globally competitive market potential. Wordzee and New QuizDuel have shown the potential that we're looking for, which is why we went ahead with global launches for them both in November 2019 and May 2020 respectively.

Wordzee is a player versus player word game developed in our Brighton studio. Since launch it has proven to be the best monetizing game in our portfolio, and, encouraged by



strong metrics, we have continuously invested in both a larger development team as well as increased user acquisition throughout the year. UA is our most powerful tool to grow our games - we invest in line with a return of investment model that calculates payback within 180 days.

New QuizDuel is the next generation of QuizDuel, and its launch marks the start of a journey that will last many years into the future. With New QuizDuel, we have built a platform that lays the foundation for modern, live operations of the game with multi game mode capabilities. Additionally, as monetization in the classic QuizDuel game became stagnant, migrating players to the new game, which has a higher monetization potential, became even more purposeful.

THE ARPDAU JOURNEY CONTINUES UPWARD

During the 2019/20 financial year, we managed to improve ARPDAU by 24% compared to the previous year. While this is a significant improvement, ARPDAU is a measure we expect to be able to continue to improve in the future through optimization of current games as well as new game launches.

PANDEMIC IMPACT ON MAG

In mid-March of 2020, we decided to move to a working setup we call “remote first”. This means that the expected work place of our employees is their home even though we keep the office available for those who benefit from being there. Our approach has been primarily focused on the safety of our people and our society. In the short term, there is almost nothing we cannot do equally well from home, and we have seen little negative impact on work since March in terms of quality or productivity. In the long term, we believe that creative work is easier to do when in the same room, but MAG has adapted remarkably well to remote work even in this regard.

The secondary effect of the pandemic has actually benefited our business. Particularly during March and April, we saw over one million additional downloads of our games in the countries most heavily impacted by lockdowns in Europe. Gradually, that effect faded away, and since the summer we have seen a return to more expected patterns of downloads and player behavior.

ACQUISITIONS - A PART OF WHAT MAKES MAG GREAT

Several of the games in our portfolio are directly or indirectly a result of acquisitions. WordBrain and QuizDuel both come from direct acquisitions, and Wordzee was developed by the Brighton studio that we acquired back in 2015. We have shown over the last six years that our acquisitions pay back financially in a great way, and that the games integrate well into our portfolio. Our thorough M&A process of identifying both people and products that fit within the MAG family has the potential to continue to add value in the future as we are continuously in talks with several studios on this topic.

The most recent example is the acquisition of Primetime that was closed just one day after this financial year ended, September 1 2020. With Primetime we get expertise in live trivia show production and broadcasting as well as premium advertising sales. It fits perfectly with our plans to continue building New QuizDuel into the best mobile trivia game in the world.

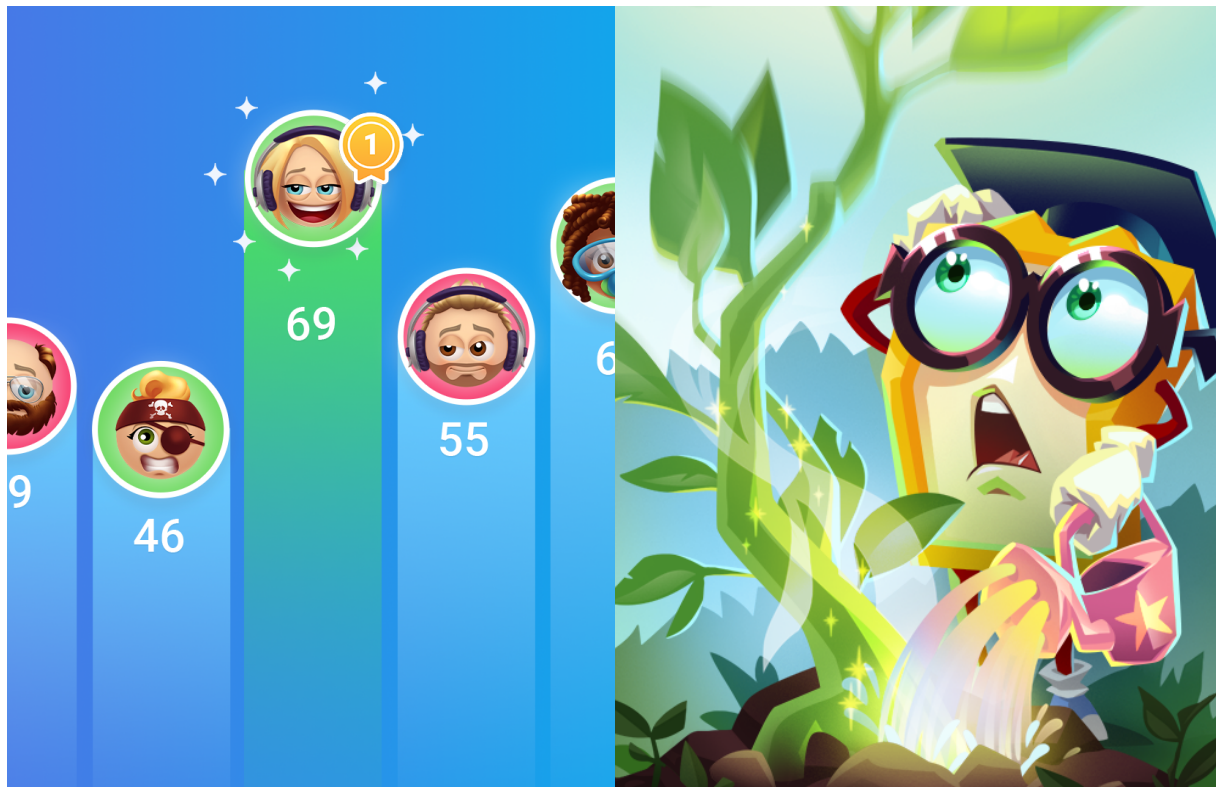
BUILDING FOR THE NEXT DECADE

MAG was founded ten years ago without external funding. Since then we have built a portfolio of games that make us stand out as one of the key players globally in both word and trivia games. We have invested resources in building infrastructure for tracking and analyzing data to improve our products based on player behavior. We've also built a reliable model to optimize our return on investment on our user acquisition investments. Our experienced and talented game teams now have a quick way to get their games to market, receive instant feedback on product quality and, if it turns out to be competitive in the market, have their games get millions of downloads. In fact, every game we ever launched since MAG's founding in 2010 has reached a multi-million player base - a great testament to both our skilled teams as well as our thorough development process that only allows excellent games to be launched.

“WE MANAGED TO IMPROVE ARPPDAU BY 24% COMPARED TO THE PREVIOUS YEAR. WHILE THIS IS A SIGNIFICANT IMPROVEMENT, ARPPDAU IS A MEASURE WE EXPECT TO BE ABLE TO CONTINUE TO IMPROVE IN THE FUTURE”

Looking ahead into the next decade for MAG, we aim to continue to strengthen our product portfolio, expand the business further and continue our journey towards additional growth and profitability. We are proud to have highly empowered and agile teams at MAG, and we'll continue to build a healthy and positive workplace that keeps attracting the most talented and ambitious people in the industry.

MAG'S BUSINESS MODEL



CASUAL AND SOCIAL GAMES FOR A WIDE AUDIENCE

Our ambition for a MAG game is to be appealing and easily accessible to a large crowd of people around the world. Our expertise lies in word games, puzzle and trivia - three genres that are universally popular with a wide audience. We have also consciously chosen to make these games social, meaning that players are encouraged to interact with other players by, for example, challenging them and chatting with one another.

When we develop new games - even outside these three genres - we always have the player's journey and long-term engagement in mind. With a catalog of intricate, reasonably challenging, social and easily accessible games in the portfolio, we know our audience well. We know that a game has a longer lifespan if it has strong social elements; if their friends remain in the game, it's more likely that the player will as well.

FREE-TO-PLAY AS REVENUE MODEL

MAG's games are free to download and play, which is called "free-to-play". MAG generates revenue instead by offering players opportunities to either buy items within games - so-called in-app purchases - or watch ads to advance. During the previous financial year, subscriptions were also introduced as a third revenue stream. For a monthly fee, users receive access to exclusive content and an ad-free experience. MAG employs a free-to-play revenue model in order to make its games available to a wide audience, namely casual players, who are our target audience.

A GAME CATALOG OF LONG-LIVED EVERGREENS AND NEW GROWTH GAMES

The strength of MAG's gaming portfolio is its range: We have several stable evergreens, games that have existed for many years and are now very profitable, games with strong growth and new games under development. We mitigate risk by always having several games in each of these different phases.

In order to maintain player engagement, MAG manages games in its portfolio, including the older ones, as active products by either updating their content, delivering new functions or improving performance. With new content, player engagement lasts longer, making it possible to keep both a player community and a product active for a long time. It's the company's approach of making games from a player-first perspective, which is called "games as a service". We always strive to maintain player engagement and continued development of our existing active games as they contribute to predictable long-term revenue.

A SUCCESSFUL BUSINESS MODEL

MAG continues to develop new products based on the aspects of casual accessibility, long-term profitable products and free-to-play, and it is a model that has proven successful. All games MAG has released have reached over one million downloads, and currently, the company has reached over a quarter of a billion players worldwide.



WORDZEE

Wordzee is MAG's innovative word game that was released globally in November 2019. It has since placed top ten in the word game category in 140 countries on Apple's App Store and has been downloaded over three million times. Wordzee is developed by MAG's studio in Brighton and is one of the company's main growth products.

In Wordzee, players challenge each other by competing head-to-head using letter tiles to form words on a special board. The player who fills the entire board earns "Wordzee" and extra bonus points, a game mechanic inspired by the classic dice game "Yatzy".

The game shows the strongest monetization potential and the highest average revenue per daily active user, ARPDau, of all games in the MAG portfolio.



QUIZDUEL

QuizDuel is a social trivia game with over one million daily players and 100 million downloads in total.

The sequel, New QuizDuel, launched globally in May 2020 and is both a sequel and heir to the classic QuizDuel. It contains all elements from the classic game and also introduces the new multiplayer mode "Arena", where five players challenge each other to climb leaderboards.

Compared to Q4 2019 - when only QuizDuel existed - the combined revenues from both QuizDuel and New QuizDuel increased in Q4 2020. It is primarily "Arena" that affects the turnover in a positive way, as the player needs to make in-app purchases or watch ads to join the game.

MAG plans to migrate all old QuizDuel players to the new game, which has significantly higher average revenue per daily active user, ARPDAU, than the classic game. New QuizDuel has been downloaded over five million times.



WORD DOMINATION

Word Domination is MAG's tactical word game that was released globally in May 2018. Since then, it has placed in the top five in the word game category in 140 countries and has been downloaded over ten million times.

In Word Domination, players challenge each other in real-time to thrilling word battles. Opponents compete and attempt to earn the most points on the board by creating words over five rounds. Word Domination is MAG's only multiplayer game with real-time matches and thanks to its booster cards which allow users to play out tactical time-limited benefits, it puts the game in a unique position in the word game market.

In April 2019 Word Domination also became the first game in MAG's portfolio to introduce subscriptions. A subscription means that users pay a monthly fee to become VIP players, giving them an ad-free experience and access to exclusive content, events and other bonuses in the game. Subscriptions add another revenue stream to regular ads and in-app purchases from the most engaged users - VIP players hold the highest average revenue per daily active user, ARPDAU, of all Word Domination players. Subscription revenue has increased significantly since its launch and in Q4 2020 accounted for 28% of in-app revenue in Word Domination, compared to 10% in Q4 2019.



RUZZLE

Ruzzle is a social word game where players are challenged to find as many words as possible in two minutes within a limited grid of letters. The game was released in 2012 and has been downloaded over 60 million times. The game is MAG's first major success and still remains popular; it's played in 13 different languages and has been ranked in the top ten in 148 countries on Apple's App Store.

During the financial year 2019/2020, Ruzzle also grew in terms of engagement and revenue. Both the average revenue per daily active user, ARPDAU, and daily in-app purchases increased significantly during the year, which was mainly due to the launch of a new, optimized game economy and a significant increase in the proportion of paying players.

Ruzzle is a good demonstration of the strength in continuously updating content and features, thus maintaining both a stable user base and long-term predictable turnover. The game is a good example of "games as a service" and will continue to be a cornerstone of the company's product portfolio for a long time to come.



WORDBRAIN

In the puzzle-word game WordBrain, the player solves riddles by looking for secret words based on specific letter combinations on special boards. The game was acquired by MAG in 2014 and is one of the company's important evergreens. It has been downloaded over 40 million times in total and reached first place in 118 countries in the word game category on Apple's App Store.

WordBrain has a stable and dedicated player base, and MAG continues to deliver content to the game in the form of new puzzles and events. This is in line with the company's strategy to continuously add value for players as it has a continued positive effect on users' long-term engagement.



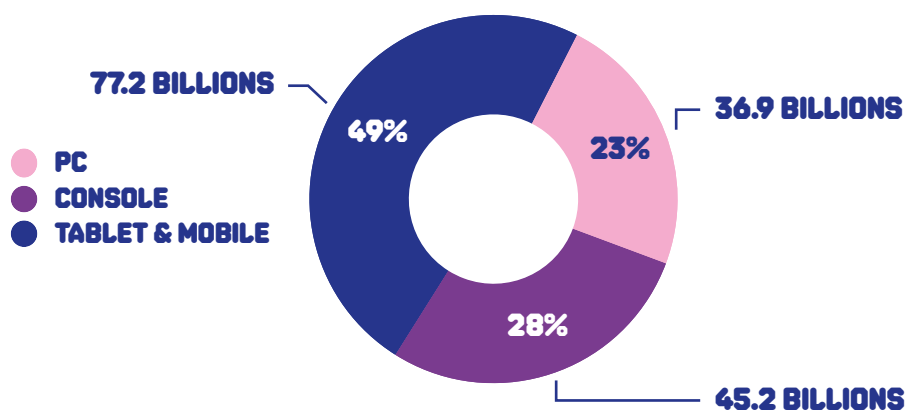
THE MARKET

SIGNIFICANT GROWTH FOR MOBILE GAMES DURING 2020

Mobile is the strongest growing segment in the global gaming market, with an increase of 13.3% in 2020. Along with increased gaming in emerging markets, an important driving force for growth was COVID-19. This is stated in Newzoo's Global Games Market Report 2020.

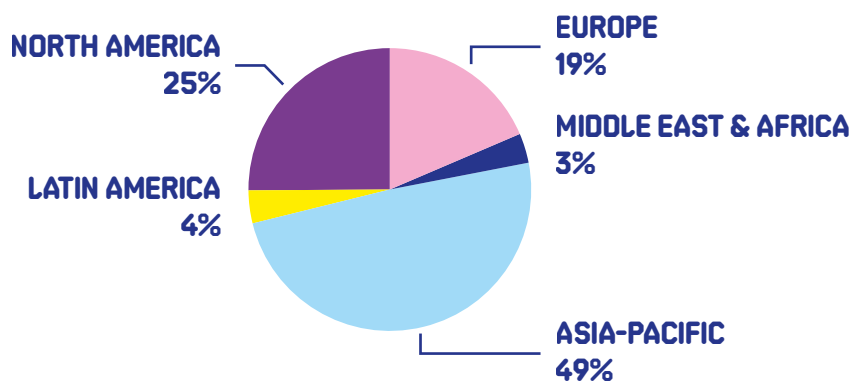
Newzoo estimates that the global gaming market will generate revenue of \$159.3 billion by 2020, an increase of 9.3 percent from last year. Mobile and tablet games account for 49% of all gaming industry revenue, totalling \$77.2 billion. In terms of development, global mobile games revenues are expected to exceed a total of \$300 billion by 2023.

GLOBAL MOBILE GAMES SALES PER SEGMENT 2020



There are several reasons why mobile continues to grow so strongly compared to PC – which is declining in growth – and console. For one, the number of smartphones continues to increase. In 2020 the number is expected to reach over 3.5 billion, an increase of 6.7% from last year according to Newzoo's report for the global mobile market 2020. This abundant access to mobile phones makes mobile gaming more easily accessible as it eliminates the need to buy additional hardware to start gaming.

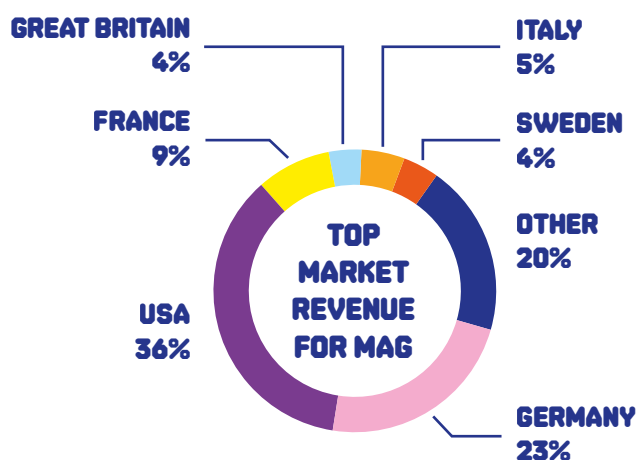
GLOBAL GAMES MARKET PER REGION



Additionally, in most cases people get their mobile phones without paying an up-front purchase charge as the most common business model in mobile is free-to-play – that is, optional payments with in-app purchases or users viewing advertisements.

Predominantly, the largest category in mobile gaming in terms of number of players is casual gaming. This category includes words, trivia and puzzles, which are MAG's focus areas. MAG is a significant player in these areas, and the company's business model is adapted for the segment.

Several emerging markets in Asia, Africa and Latin America also accounted for the largest global growth for the gaming industry. Newzoo estimates that the increase will reach 135 million more players compared to 2019.





MAG's main markets, North America and Europe, also grew in 2020. These markets are classified as mature, which means that the majority of the population uses smartphones. In these markets there are still many high-quality paying players to reach, and they remain the company's primary focus for growth.

COVID-19 LED TO INCREASED MOBILE USAGE

One reason for this year's strong growth for gaming in general are the lockdowns that were carried out as a result of COVID-19. The pandemic also had a strong effect on mobile phone use overall. According to the analysis company App Annie's report on COVID-19's impact on the mobile market, the pandemic made people more inclined to shop via their phones. Mobile shopping in June 2020, for example, exceeded the levels for holiday shopping in 2019.

App Annie's report also states that during the most intense period of lockdowns in March-April 2020, the mobile market saw a 25% increase in downloads on iOS and Google Play compared to the average during the second half of 2019. These figures are also reflected in MAG, which noted an increase of over one million more monthly active users during the same months. In particular, the increase was seen among MAG's most well-known games with a loyal user base, Ruzzle and QuizDuel, which reached high download volumes during the spring.

OUTLOOK FOR 2021

Apple's iOS 14 update may influence the advertising market

In 2020, Apple announced an upcoming software update in connection with the upgrade to iOS 14 which would change the way data collection linked to mobile advertising works. The update changes the management of Apple's identifiers for advertisers, shortened IDFA, which enables the collection of user data on the iOS platform. With the upcoming update, app developers must request the user's permission to use IDFA. Without access to IDFA, it will be more difficult for mobile companies to deliver tailored ads, at least on an individual level.

With a more limited traceability for those users who do not accept the use of IDFA, actors who have a strong dependence on a few high-spending users may face a major challenge. The impact may be positive for actors who target a broader and thus less specific target group. Apple has not yet announced exactly when and how the new update will be applied. It is therefore difficult to say at present how the upcoming change will affect the industry during the year. According to Apple, the update will be released sometime during the first half of 2021.

More cloud services open up for new business models

Interest in gaming has increased greatly leading up to and throughout 2020. At the end of the calendar year, Microsoft and Sony also launched the new generation of game consoles, Xbox Series X and PlayStation 5 respectively. These companies have also launched and expanded their respective cloud services, xCloud and PlayStation Now, which compete with Google's Stadia. For a monthly fee, a user can play more advanced games in browsers and on mobile phones. The increased opportunities for cloud gaming create new business models as they are aimed at players who do not want to invest in hardware but still want to play advanced games. These cloud services are not direct competitors to MAG thus far, as they do not focus on the company's main target group, casual players with a focus on word and trivia games.

Sources:

[Newzoo's Global Games Market Report 2020](#)

[App Annie, The State of Mobile 2020](#)

["How COVID-19 has changed consumer behavior on mobile forever", H1 2020 Report App Annie](#)

[Newzoo's Global Mobile Market Report 2020](#)

DEFINITIONS

Term	Description
<i>Net sales</i>	Total game revenue, drawn from In-app purchases and advertising sales. MAG records the full value of items sold as In-app purchases and reports the platform share as Sales related costs. The Platform fee is normally 30% of the item price (Apple and Google).
<i>In-app purchases</i>	The value of purchases made in an app through Google Play or Apple App Store or other such store.
<i>Advertising sales</i>	Net sales from ads in the games.
<i>Activated costs for own account</i>	Development work activated to the balance sheet. The company activates personnel costs, including social fees and other related costs such as office space, for games in soft launch and until the game moves into live ops. Soft launch is the last development phase prior to global launch and the probability of a global launch is high. Live ops is when a central team takes responsibility of the game and works with content and events mainly, no costs are activated in this phase. MAG has not had any amortizations of activated development costs since the company went public.
<i>Platform fee</i>	30% of the In-app purchases are costs to the platform, primarily Google Play and Apple App Store. Subscriptions have a reduced fee of 15% after a user has been a subscriber for 12 months.
<i>User acquisition</i>	Marketing costs with direct connection to one of the games and with measurable effect and demands on ROI (return on investment). A common ROI requirement is to have the investment paid back as net revenues within six or nine months, and longer periods can be relevant in situations with strong retention and long term monetization.
<i>Game contribution</i>	Net sales minus platform fees (primarily to Google and Apple) minus direct marketing.

EBITDA	Profit/loss before financial items, taxes and depreciation.
Equity/asset ratio	Equity as a percentage of total assets.
DAU	Average number of Daily Active Users for the days during the period. Calculated as the sum of DAU for the individual games in such a way so that a player that plays more than one game in one day is counted once per game.
MAU	Average number of Monthly Active Users over the months during the period. Calculated as the sum of MAU for the individual games in such a way so that a player that plays more than one game in one month is counted once per game. An average over the months in the period is calculated.
MUP	Average Monthly Unique during the period is the total number of unique users that makes an In-app purchase in a game. Counted in such a way that a user that makes purchases in more than one game during the month is counted once per game. An average over the months in the period is calculated.
ARPPDAU	Daily average Net sales per daily active user (DAU). If nothing else is stated this is measured in US cents.



BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT AND AUDITORS



THE BOARD OF DIRECTOR'S OF MAG INTERACTIVE (from the upper left row)

BIRGITTA STYMNE GÖRANSSON, DANIEL HASSELBERG, ANDRAS VAJLOK, TEEMU HUUHTANEN, TAINA MALÉN, ASBJØRN SØNDERGAARD

BOARD OF DIRECTORS

According to MAG Interactive's articles of association, the board of directors shall consist of five to ten members appointed by the general meeting, without deputy members. MAG Interactive's board of directors currently consists of six members appointed by the annual general meeting for the period 2019/2020 until the annual general meeting to be held in 2021 for the financial year 2019/2020. The Company's financial year is between 1 September - 31 August.

Share holdings are valid per 30 September 2020.

BIRGITTA STYMNE GÖRANSSON, CHAIRMAN OF THE BOARD

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

Other assignments: Birgitta Stymne Göransson is also Chairman of the boards of BCB Medical Oy, Industrifonden and Cinder Invest. She is also board member of Elekta AB, Pandora A/S and Enea AB.

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: 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, CEO AND BOARD MEMBER**

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

Other assignments: Daniel Hasselberg is also a member of the board of directors of MAG Games Limited, MAG United AB and Sonetel AB (publ) and NMO Invest AB.

Previous assignments: Deputy member of the board of directors of Gaming on the Tail AB.

Education: Holds a M.Sc. in Engineering Physics from Uppsala University.

Shares: Daniel Hasselberg owns 3,186,666 shares in the company.

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

ANDRAS VAJLOK, BOARD MEMBER

Andras Vajlok, born in 1971, has been a member of the board of directors of MAG Interactive since 2018.

Other assignments: Andras Vajlok is also a board member of Like a Boss Games AB, Unibap AB and Card of Joy AB.

Previous assignments: Andras Vajlok has previously been, inter alia, CFO of Paradox Interactive, board member at Small Giant Games and United Spaces.



Education: Holds a MSc in Business 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, BOARD MEMBER

Teemu HUUHTANEN, born in 1971, is a member of the board of directors of MAG Interactive since 2013.

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: 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, BOARD MEMBER

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

Other assignments: Taina Malén is also the 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: Has an education in Business Economy from Handelshögskolan Stockholm.

Shares: Taina Malén 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.





ASBJØRN SØNDERGAARD, BOARD MEMBER

Asbjørn Søndergaard, born in 1980, is a member of the board of directors of MAG Interactive since 2020.

Other assignments: Asbjørn Søndergaard is also the CEO and chairman of the board of directors of Tactile Games ApS.

Previous assignments: Asbjørn Søndergaard has no previous or completed assignments.

Education: Holds a degree in business development, media technology and games.

Shares: Asbjørn Søndergaard owns 26,000 shares in MAG Interactive, privately and through other companies.

Asbjørn Søndergaard 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

PATRIC BLIXT, CHIEF MARKETING OFFICER

SARA HJÄRTBERG, HEAD OF PEOPLE AND CULTURE

MAGNUS HOLMSTRÖM, HEAD OF PRODUCTION

DANIEL HASSELBERG

Daniel Hasselberg is the Chief Executive Officer of MAG Interactive since 2013 and member of the board of directors since 2014. For more information, read “The board of director’s of MAG Interactive”.

MAGNUS WIKLANDER

Magnus Wiklander, born in 1973, 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 and a board member of Liphax 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: Holds a M.Sc. in Engineering Physics from Chalmers Institute of Technology, as well as a M.Sc. in Advanced Communication from Imperial College.

Warrants: Magnus Wiklander holds 70,000 employee stock options (ESOP program, 2019) and 103,213 warrants (warrant option program, 2020).

Shares: Magnus Wiklander owns 77,231 shares in the company

KAJ NYGREN

Kaj Nygren, born in 1970, 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: Holds a M.Sc. in Computer Science from the Royal Institute of Technology (KTH).

Shares: Kaj Nygren owns 3,100,439 shares in the company.



JOHAN PERSSON

Johan Persson, born in 1981, is the 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: Has studied the master program of Computer Science at Uppsala University.

Shares: Johan Persson owns 1,499,560 shares in the company.

PATRIC BLIXT

Patric Blixt, born in 1969, is the Chief Marketing Officer of MAG Interactive since 2018.

Other assignments: Patric Blixt is also a member of the board of directors of Kitab Sawti AB, Påmind AB, In-Grid AB, Swedish Hasbeens AB, Oscorp AB, Paper Street Soap Company AB, Fulgur



AB, HugBen 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: 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 130,000 employee stock options (ESOP program, 2019) and 130 000 warrants (warrant option program, 2020) in the company.

Shares: Patric Blixt owns 130,000 shares in the company.

SARA HJÄRTBERG

Sara Hjärtberg, born in 1981, is the Head of People and Culture since 2019.

Other assignments: Sara Hjärtberg has no ongoing or completed board assignments.

Education: Holds a Master's Degree in Human Resources from Linköping University.

Shares: Sara Hjärtberg owns 4,766 shares in the company.



MAGNUS HOLMSTRÖM

Magnus Holmström, born in 1977, is the Head of Production since 2019.

Other assignments: Magnus Holmström has no ongoing or completed assignments.

Education: Has studied the Masters program of Media Technology at Mid Sweden University.

Shares: Magnus Holmström owns no 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. In the beginning of December 2017 MAG Interactive was listed on NASDAQ First North Premier Growth Market 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 September 30 2020 the major owners are:

OWNERS	NUMBER OF SHARES	%
DANIEL HASSELBERG	3,186,666	12.0
KAJ NYGREN	3,100,439	11.7
AVANZA PENSION	3,019,854	11.4
SWEDBANK ROBUR	2,466,309	9.3
DIONER & GERGE	2,030,000	7.7
JOHAN PERSSON	1,499,560	5.7
ANDERS LARSSON	1,444,560	5.5
FREDRIK STENH	1,353,256	5.1
CHALEX	1,037,841	3.9
ROGER SKAGERWALL	657,407	2.5

CORPORATE GOVERNANCE

MAG Interactive is a Swedish public limited liability company. As a Company listed on Nasdaq First North Premier Growth Market, the Company applies Swedish laws (e.g. the Swedish Companies Act (2005:551) and the Swedish Annual Accounts Act (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 committee 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 ANNUAL 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 2021 will be held on Wednesday 20 January 2021 in Stockholm.

Due to the development of the COVID-19 pandemic, the annual general meeting will be held by way of a so-called postal voting procedure, meaning that no shareholders will attend the general meeting by physical presence, in person or by proxy. Instead, shareholders may participate in the annual general meeting by voting and asking questions in advance in accordance with the instructions of the notice of the annual general meeting.

RIGHT TO ATTEND GENERAL MEETINGS

All shareholders who are directly registered in the share register kept by Euroclear Sweden AB ("Euroclear"), six bank days 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 2021:

- 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 characterized 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 sixteen (16) meetings during the financial year, where and two (2) of the meetings were by correspondence. In ten of the meeting all members of the board were present, while in three meeting all but one member was present.

RENUMERATION 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 January 14, 2020 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 conducted. 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 finalized, 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 committee and its instruction were established at the regular board meeting in January 14, 2020.

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 September 2019 to August 2020. 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 international 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 authorization 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".

RENUMERATION 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 1,211,926 warrants and employee stock options have been issued to employees of the company. This represents a total potential dilution of 4.6%. The outstanding options and warrants are described below.

WARRANTS TO THE SELLERS OF THE SHARES IN DELINQUENT

The board of directors of MAG Interactive resolved, on a board meeting held on September 27, 2017, in accordance with the authorization given by the extraordinary general meeting held on February 28, 2017, to issue 144,375 warrants to some of the sellers of the shares in Delinquent (David Bishop, David Amor and Chris Lee). David Bishop is employed by the group company MAG Games Limited (previously Delinquent).

The subscription period for the warrants is July 1, 2020 to September 30, 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 December 18, 2018 resolved to authorize the board of directors to issue up to 526,428 personnel stock options. 490,000 options were issued on March 1, 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 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.

ESOP TO EMPLOYEES 2020

The annual general meeting held on January 14, 2020 resolved to issue up to 293,213 personnel stock options. 255,500 options were issued on March 1, 2020 and subscribed for by 75 employees.

Each option entitles the holder to one share, and the exercise price is SEK 20,50 per share. The run time period for the options is March 1, 2020 to March 1, 2023. 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.

WARRANTS TO MANAGEMENT 2020

The AGM January 14, 2020 resolved to issue 233,213 warrants to members of the management team. All of the warrants were subscribed to in February 2020.

One warrant entitles subscription to one shares and the strike price is SEK 20,50. The number of shares that each warrant entitles to can under certain circumstances be recalculated. The run time period for the warrants is March 1, 2020 to March 1, 2023.

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 implemented 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 sta 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.

AUDIT

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 2019/2020 amounted to SEK 360,000. In addition, the Company paid SEK 167,000 to Öhrlings PricewaterhouseCoopers AB for services rendered in the financial year 2019/2020.

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 DIGITAL APP STORES TO DISTRIBUTE THE COMPANY'S GAMES

The Company relies on distributing the Company's games through digital 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 unfavorable 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 digital 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 ACQUIRING 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, unauthorized 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 2019/2020 (ending August 31, 2020).

OPERATIONS

MAG Interactive is a leading mobile game developer focused on casual social games. With passionate, creative teams and a data-driven business model, MAG delivers world-class gaming experiences to millions of players worldwide. MAG's expertise in word games and trivia, has created a catalog of games, including Ruzzle, Word Domination, WordBrain and QuizDuel, that have been downloaded over 250 million times. Revenue is mainly derived from in-app purchases and advertisements.

THE GROUP

The MAG Interactive AB (publ) group consists of, in addition to the parent company, 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 92 employees as of the end of the financial year, of which MAG Games Ltd has 20. All games in the portfolio are published by MAG Interactive AB.

GROUP PERFORMANCE 2018/2019

OPERATING INCOME

The Group's operating income for the period was 247,711 KSEK (198,670 KSEK), an increase of 25% compared to the same period the previous year. The Group's net sales for the period totalled 217,566 KSEK (172,953 KSEK), an increase of 26%. Own work capitalized totalled 28,099 KSEK (23,667 KSEK). See below for further details of capitalized expenses as well as impairments and depreciation of the same. The group's net sales was primarily attributable to the games Word Domination, QuizDuel, Wordzee, Ruzzle, WordBrain, New QuizDuel, Wordalot and WordBrain2.

OPERATING EXPENSES, EBITDA AND OPERATING PROFIT/LOSS

Operating expenses totalled 226,554 KSEK (193,721 KSEK). Of these, 51,129 KSEK (41,854 KSEK) were sales related costs, primarily originating from fees to Apple App Store and Google Play, as well as server costs. In addition to this 72,774 KSEK (48,673 KSEK) were costs of user acquisition and 28,791 KSEK (37,992 KSEK) were other external operating expenses. During the year, user acquisition costs are mainly attributable to the game Word Domination, Wordzee and QuizDuel.

Personnel expenses totalled 73,860 KSEK (65,203 KSEK) an increase of 13%. Adjusted personnel cost (adjusted for research and development deductible) totalled 81,481 KSEK (65,203 KSEK). The average number of employees during the period was 84 (73) an increase of 15%. EBITDA for the period was 21,157 KSEK (4,949 KSEK). Adjusted EBITDA for the period was 5,587 KSEK (4,949 KSEK), see note 12. Depreciation and impairments of tangible and intangible assets totalled 37,768 KSEK (24,345 KSEK), of which 23,476 KSEK (18,950 KSEK) was depreciation of capitalized development expenses.

The Group's operating profit was -16,611 KSEK (-19,397 KSEK) and profit before tax -22,636 KSEK (-17,216 KSEK). Adjusted profit/loss before tax was -28,519 KSEK (-17,216 KSEK), see note 12. Profit after tax totalled -17,371 KSEK (-13,750 KSEK). The profit after tax per share was -0.66 SEK/share (-0.52 SEK/share) and the profit after tax per share fully diluted was -0.63 SEK/share (-0.51 SEK/share). The average number of share during the period was 26,343,600 (26,321,393) and the average number of shares fully diluted was 27,530,821 (27,094,958).

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

Intangible non-current assets at the end of the period totalled 141,843 KSEK (141,309 KSEK), of which 77,153 KSEK (77,482 KSEK) relates to intellectual property and 64,690 KSEK (63,827 KSEK) to other intangible assets. The latter consists primarily of capitalized development expenses on own account and acquired IP. Cash and cash equivalents at the end of the period totalled 160,630 KSEK (185,071 KSEK). Equity at the end of the period totalled 313,840 KSEK (330,908 KSEK), corresponding to 11.9 SEK/share (12.6 SEK/ share). The equity/assets ratio at the same time was 76.2% (87.7 %). The group has interest bearing debt of 54,346 KSEK (15,556 KSEK) and these arises from leasing liabilities current year and to bank loan in the comparison period.

PARENT COMPANY PERFORMANCE 2019/2020

OPERATING INCOME

The parent company's net sales for the period were 217,566 KSEK (116,547 KSEK), an increase of 87% compared with the same period the previous year. 51,743 KSEK of the revenues are related to the merger of FEO Media AB.

OPERATING EXPENSES AND OPERATING PROFIT/LOSS

Operating expenses totalled 234,022 KSEK (184,850 KSEK) Of these costs 11,700 KSEK are related to the merger of FEO Media AB and 51,168 KSEK (38,682 KSEK) were sales related costs originating primarily from fees to Apple App Store and Google Play. Costs of user acquisition were 72,774 KSEK (48,393 KSEK) and 35,568 KSEK (36,848 KSEK) was other external operating expenses. Depreciation and impairments of tangible and intangible assets totalled 20,574 KSEK (1,450 KSEK). The parent company's operating profit for the period was -34,985 KSEK (-54,028 KSEK). Profit after tax totalled to -33,843 KSEK (633 KSEK).

FINANCIAL POSITION AT THE END OF THE YEAR

Cash and cash equivalents at the end of the period totalled 156,668 KSEK (179,465 KSEK). Equity at the end of the period totalled 279,304 KSEK (350,637 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 period were 83,586 KSEK (63,432 KSEK), an increase of 32% compared to the same period the previous year. The Group's net sales from in-app advertising were 133,390 KSEK (108,659 KSEK), an increase of 23% compared with the same period the previous year.

CONTRIBUTION FROM SALES ACTIVITIES

Games that are marketed by MAG Interactive have different cost levels in their distribution cost (Sales-related costs) and marketing cost (Performance-based marketing), not least relating to which phase the games are in. The Group therefore reports the total contribution from games activities according to the following model: Net income minus platform fees (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 game contribution was 119,734 KSEK (105,260 KSEK), an increase of 14 % compared to previous year.

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

DAU for the financial year was 2.05 million (2.11 million), a decrease of 3% compared with the previous year. MAU for the financial year was 6.78 million (7.79 million), a decrease of 13% compared to the previous year. MUP for the period was 52 thousand (52 thousand), a decrease of 1% compared with the previous year. ARPDau for the financial year was 2.99 dollar cent (2.42 dollar cent), an increase of 24% compared with the previous year.

CORPORATE GOVERNANCE

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

SIGNIFICANT EVENTS DURING THE YEAR

- On November 28, 2019 the game Wordzee launched globally after having been through a soft launch in Sweden and the UK earlier in the quarter
- The warrant- and employee stock option program, which was determined on the annual general meeting on January 14, 2020, started on March 1, 2020
- On May 5, 2020 the game New QuizDuel launched globally
- On June 23, 2020 the subsidiary FEO Media AB merged in to the parent company MAG Interactive AB (publ)
- On August 28, 2020 the company announced the agreement to purchase all shares in Sventertainment AB, the company behind the live trivia app Primetime

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

- On September 1, 2020 the acquisition was closed and Sventertainment AB became a fully owned subsidiary

PROPOSED DISTRIBUTION OF EARNINGS

(SEK)

The Annual General Meeting has at its disposal:

Retained earnings	50,588,325
Profit/loss for the year	-17,370,648
Total	33,217,677

The Board of Directors and the Chief Executive Officer proposes appropriation of retained

Carried forward	33,217,677
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DIVIDEND

The board of directors propose to the annual general meeting on January 20, 2021 that no dividend will be paid out for the financial year 2019/20.

THE GROUPS' MULTI-YEAR REVIEW

(KSEK)

	8/31/2020	8/31/2019	8/31/2018	8/31/2017	8/31/2016
Net sales	217,566	172,953	216,870	260,405	263,963
Result after financial items	-22,636	-17,216	-65,231	3,552	37,635
Balance sheet total	411,985	377,343	417,741	140,111	146,709
Equity / asset ratio %	76.18 %	87.69 %	82.39 %	70.59 %	77.31 %

ANNUAL GENERAL MEETING

The annual general meeting for MAG Interactive AB (publ) will be held on Wednesday January 20 2021 in Stockholm. For more details see the section Annual general meeting in Corporate governance.

TABLE OF CONTENTS

Consolidated statement of comprehensive income	52
Consolidated balance sheet	53
Consolidated statement of changes in equity	55
Consolidated cash flow statement	56
Parent company's income statements	57
Parent company's balance sheet	58
Change in equity in the parent company	60
Parent company's cash flow statement	61
Note 1 - General information	62
Note 2 - Summary of important accounting policies	62
Note 3 - Financial risk management	73
Note 4 - Important estimates and judgements for accounting purposes	75
Note 5 - Distribution of net sales	76
Note 6 - Intangible assets	76
Note 7 - Other operating income	78
Note 8 - Sales-related costs	78
Note 9 - Remuneration paid to auditors	79
Note 10 - Personnel costs	79
Note 11 - Tangible assets	81
Note 12 - Adjusted personnel costs, EBITDA and result before tax	82
Note 13 - Financial items	83
Note 14 - Appropriations	83
Note 15 - Income tax	84
Note 16 - Earnings per share	84
Note 17 - Rights of use assets and lease liabilities	85
Note 18 - Other long-term receivables	87
Note 19 - Financial instruments by category	87
Note 20 - Deferred tax asset	88
Note 21 - Trade and other receivables	88
Note 22 - Other current receivables	89
Note 23 - Prepaid expenses and accrued income	89
Note 24 - Cash and cash equivalents	90
Note 25 - Equity	90
Note 26 - Deferred tax liability	90
Note 27 - Other current liabilities	91
Note 28 - Accrued expenses and prepaid income	91
Note 29 - Adjustment for items not included in the cash flow	91
Note 30 - Long-term incentive programs	92
Note 31 - Merger of FEO Media AB	96
Note 32 - Holdings and investments in subsidiaries	96
Note 33 - Intercompany receivables and liabilities	97
Note 34 - Associated parties	98
Note 35 - Pledged assets	98
Note 36 - Significant events after the end of the year	98

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in KSEK	Note	Financial year	
		2019/2020	2018/2019
Operating income			
Net sales	<u>5</u>	217,566	172,953
Own work capitalized	<u>6</u>	28,099	23,667
Other operating income	<u>7</u>	2,046	2,050
Total operating income		247,711	198,670
Operating expenses			
Sales-related costs	<u>8</u>	-123,903	-90,527
Other external expenses	<u>9</u>	-28,791	-37,992
Personnel costs	<u>10, 12</u>	-73,860	-65,203
Depreciation and impairment of tangible and intangible non-current assets	<u>6, 11</u>	-37,768	-24,346
Total operating expenses		-264,322	-218,068
Operating profit/loss		-16,611	-19,398
Profit/loss from securities		-663	0
Financial income		729	3,847
Financial expenses		-6,090	-1,666
Net financial items	<u>13</u>	-6,025	2,181
Profit/loss before tax	<u>12</u>	-22,636	-17,216
Income tax	<u>15</u>	5,265	3,466
Profit/loss for the year	<u>16</u>	-17,371	-13,750
Other comprehensive income		2019/2020	2018/2019
Items that can be transferred to profit/loss for the year			
Exchange rate differences		-659	301
Total other comprehensive income for the year, after tax		-659	301
Total comprehensive income for the year		-18,029	-13,449

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

	2019/2020	2018/2019
Earnings per share calculated on basis of profit/loss attributable to the parent company's shareholders (expressed as SEK per share).	-0.66	-0.52

CONSOLIDATED BALANCE SHEET

Amounts in KSEK

	Note	8/31/2020	8/31/2019
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	<u>6</u>	77,153	77,482
Other intangible assets	<u>6</u>	64,690	63,827
Total intangible assets		141,843	141,309
Tangible assets			
Right-of-use assets	<u>17</u>	52,751	0
Equipment, tools, fixtures and fittings	<u>11</u>	8,438	5,562
Total tangible assets		61,190	5,562
Financial non-current assets			
Other long-term receivables	<u>18</u>	4,052	2,085
Deferred tax asset	<u>20</u>	5,841	672
Total financial non-current assets		9,893	2,757
Total non-current assets		212,926	149,629
Current assets			
Current receivables			
Trade and other receivables	<u>21</u>	23,015	19,517
Current tax assets	<u>15</u>	1,075	11,363
Other current receivables	<u>22</u>	979	8,001
Prepaid expenses and accrued income	<u>23</u>	13,360	3,762
Total short-term receivables		38,429	42,643
Cash and cash equivalents	<u>24</u>	160,630	185,071
Total current assets		199,059	227,714
TOTAL ASSETS		411,985	377,343

CONSOLIDATED BALANCE SHEET

Amounts in KSEK

	Note	8/31/2020	8/31/2019
Equity and liabilities			
Equity that can be attributed to the parent company's shareholders			
Share capital	<u>25</u>	687	684
Other external capital		282,176	281,219
Reserves		-2,241	-1,583
Retained earnings incl. comprehensive income for the year		33,218	50,588
Total equity		313,840	330,908
LIABILITIES			
Long-term liabilities			
Deferred tax liabilities	<u>26</u>	13,326	13,148
Long-term lease liabilities	<u>17</u>	45,239	0
Total long-term liabilities		58,565	13,148
Current liabilities			
Trade and other payables		11,919	6,611
Current tax liability	<u>15</u>	86	0
Short-term lease liabilities	<u>17</u>	9,107	0
Other current liabilities	<u>27</u>	3,349	18,665
Accrued expenses and prepaid income	<u>28</u>	15,119	8,011
Total current liabilities		39,581	33,287
Total liabilities		98,146	46,435
TOTAL EQUITY AND LIABILITIES		411,985	377,343

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in KSEK

	Note	Share capital	Other external capital	Reserves	Retained earnings and profit/loss for the year	Total equity
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
LTIP	<u>30</u>		178			178
Closing balance 8/31/2019		684	281,219	-1,582	50,588	330,908
Opening balance 8/31/2019		684	281,219	-1,582	50,588	330,909
Profit/loss for the year					-17,371	-17,371
Exchange rate differences				-659		-659
LTIP	<u>30</u>	3	957			960
Closing balance 8/31/2020		687	282,176	-2,241	33,217	313,839

CONSOLIDATED CASH FLOW STATEMENT

Amounts in KSEK

	Note	8/31/2020	8/31/2019
Cash flow from operating activities			
Profit/loss before financial items		-16,611	-19,397
Adjustment for items not included in cash flow	<u>29</u>	38,225	24,601
Interest received		729	478
Interest paid		-318	-464
Interest leasing	<u>17</u>	-1,223	0
Intome tax paid		10,656	-6,698
Cash flow from operating activities before change in working capital		31,458	-1,480
Change in current operating receivables		-6,153	3,448
Change in current operating liabilities		12,569	-5,787
Total change in working capital		6,416	-2,339
Cash flow from operating activities		37,874	-3,819
Cash flow from investing activities			
Investment in tangible non-current assets	<u>11</u>	-5,102	-4,373
Capitalized work	<u>6</u>	-28,099	-23,667
Change in financial investments		-1,978	2,216
Change in securities		-663	0
Cash flow from financing activities		-35,842	-25,824
Cash flow from financing activities			
Option scheme	<u>30</u>	504	-77
Amortized short-term loan		-15,556	0
Amortized long-term loan		0	-15,556
Amortized leasing liabilities	<u>17</u>	-6,872	0
Cash flow from financing activities		-21,924	-15,633
Change in Cash and cash equivalents			
Cash flow for the year		-19,892	-45,276
Exchange rate difference in cash and cash equipvalents		-4,550	2,264
Opening cash and cash equivalents		185,071	228,083
Closing cash and cash equivalents	<u>24</u>	160,630	185,071

PARENT COMPANY'S INCOME STATEMENT

Amounts in KSEK	Note	Financial year	
		2019/2020	2018/2019
Operating income			
Net sales	<u>5</u>	217,566	116,547
Other operating income	7	2,046	15,724
Total operating income		219,612	132,271
Operating expenses			
Sales-related costs	<u>8</u>	-123,942	-87,075
Other external expenses	<u>9</u>	-35,568	-49,136
Personnel costs	<u>10</u>	-74,511	-49,379
Depreciation and impairments of tangible and intangible non-current assets	<u>6,11</u>	-20,575	-709
Total operating expenses		-254,597	-186,299
Operating profit/loss		-34,985	-54,028
Financial items			
Profit/loss from securities		-663	0
Financial income		1,265	352
Financial expenses		-5,403	-2,019
Net financial items	<u>13</u>	-4,802	-1,667
Profit/loss after financial items		-39,786	-55,695
Appropriations			
Group contribution received		0	57,355
Sum Appropriations	<u>14</u>	0	57,335
Profit/loss before tax		-39,786	1,660
Taxes			
Tax on profit/loss for the year	<u>15</u>	5,944	-1,027
Profit/loss for the year		-33,843	633

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

PARENT COMPANY'S BALANCE SHEET

Amounts in KSEK

	Note	8/31/2020	8/31/2019
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	<u>6, 31</u>	30,707	-
Other intangible assets	<u>6, 31</u>	27,260	-
Total intangible assets		57,967	0
Tangible assets			
Equipment, tools, fixtures and fittings	<u>11</u>	5,579	1,921
Total tangible assets		5,579	1,921
Financial non-current assets			
Participation in Group companies	<u>19</u>		
	<u>32</u>	47,252	181,983
Deferred tax assets	<u>20</u>	5,841	672
Long-term receivables from Group companies	<u>33</u>	136	61
Other long-term receivables	<u>18</u>	3,766	1,782
Total financial non-current assets		56,995	184,498
Total non-current assets		120,541	186,419
Current assets			
Current receivables			
Trade and other receivables		23,015	12,896
Receivables from Group companies	<u>33</u>	-	59,190
Other receivables	<u>22</u>	2,410	1,870
Prepaid expenses and accrued income	<u>23</u>	13,213	3,506
Total current receivables		38,638	77,462
Cash and cash equivalents	<u>24</u>	156,668	179,465
TOTAL ASSETS		315,847	443,346

PARENT COMPANY'S BALANCE SHEET

Amounts in KSEK

	Note	8/31/2020	8/31/2019
EQUITY			
Restricted equity			
Share capital (26,454,632 shares 8/31/2020) (26,321,393 shares 8/31/2019)	<u>25</u>	687	684
Non-restricted equity			
Other external capital		313,565	312,608
Retained earnings		-1,106	36,712
Profit/loss for the year		-33,843	633
Total equity		279,304	350,637
LIABILITIES			
Long-term liabilities			
Other long-term liabilities	<u>26</u>	5,616	0
Total long-term liabilities		5,616	0
Current liabilities			
Trade and other payables		11,702	6,374
Liabilities to Group companies	<u>33</u>	2,845	61,803
Other liabilities	<u>27</u>	3,140	18,286
Accrued expenses and prepaid income	<u>28</u>	13,241	6,246
Total current liabilities		30,928	92,709
Total liabilities		36,544	92,709
TOTAL EQUITY AND LIABILITIES		315,847	443,346

CHANGE IN EQUITY IN THE PARENT COMPANY

Amounts in KSEK	Note	Share capital	Other external capital	Retained earnings and profit/loss for the year	Total equity
Opening balance as of 9/1/2018		684	312,430	36,712	349,826
Profit/loss of the year				633	633
LTIP	<u>30</u>		178		178
Closing balance as of 8/31/2019		684	312,608	37,345	350,637
Opening balance as of 9/1/2019		684	312,608	37,345	350,637
Profit/loss of the year				-33,843	-33,843
Merge reserve	<u>31</u>			-38,451	-38,451
LTIP	<u>30</u>	3	957		960
Closing balance as of 8/31/2020		687	313,565	-34,949	279,303

PARENT COMPANY'S CASH FLOW STATEMENT

Amounts in KSEK

	Note	8/31/2020	8/31/2019
Cash flow from operating activities			
Profit/loss before financial items		-34,985	-54,028
Adjustment for items not included in cash flow	<u>29</u>	20,777	58,257
Interest received	<u>13</u>	1,265	289
Interest paid	<u>13</u>	-853	-704
Income tax paid		592	-463
Cash flow from operating activities before change in working capital		-13,205	3,351
Change in current operating receivables		120,516	-42,091
Change in current operating liabilities		-106,105	54,114
Total change in working capital		14,411	12,023
Cash flow from operating activities		1,207	15,374
Cash flow from investing activities			
Investments in tangible non-current assets	<u>11</u>	-4,734	-272
Acquisition of subsidiary after deduction of cash and cash equivalents acquired		-	-50
Change in securities		-663	-
Change in long-term receivables		-2,057	-
Effect from merger	<u>31</u>	3,055	-
Cash flow from investing activities		-4,400	-322
Cash flow from financing activities			
Option scheme	<u>30</u>	504	-77
Amortized loan		-15,556	-15,556
Cash flow from financing activities		-15,051	-15,633
Decrease/increase in cash and cash equivalents			
Cash flow for the year		-18,245	-581
Exchange rate difference in cash and cash equivalents		-4,553	-1,259
Opening balance cash and cash equivalents		179,465	181,305
Closing balance cash and cash equivalents		156,668	179,465

NOTES

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 Growth Market since December 8, 2017. MAG Interactive AB (publ) is a company that operates in the field of games for mobile platforms.

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 (publ)'s published consolidated accounts, and the accounting policies chosen to prepare these 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 to accounting policies applied by the Group

IFRS 16 Leasing came into force for the financial year starting September 1, 2019. It replaces IAS 17 and associated interpretations such as IFRIC 4, and its objective is to clarify reporting and the financial effects for both lessors and lessees. The standard demands that assets and liabilities

attributable to all leasing agreements, with a few exceptions, are accounted for in the balance sheet. The standard has primarily affected the Group's accounting of operational leasing agreements, which mostly includes office rent and lease cars.

MAG Interactive AB have chosen to apply the change to the new standard with use of the modified retrospective approach under which comparative periods are not restated. The chosen transition method means that comparative periods have not been restated. The effect to the income statement is considered not to be material. See the disclosures on the effects of the transition to IFRS 16 in note 17.

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

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.

Acquisition related costs 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.

Intercompany transactions, balance sheet items, income and expenses between Group companies are eliminated. Profits and losses resulting from intercompany 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 of 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 INTANGIBLE 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) Capitalized 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 capitalized 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 INTANGIBLE 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).

2.7 FINANCIAL INSTRUMENTS

Initial recognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the financial instrument's contractual conditions. Purchases and sales of financial assets and liabilities are recognized 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 a financial asset or 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 liability (i.e. fees and commissions). Transaction costs for financial assets and liabilities measured at fair value through profit or loss are expensed in the profit or loss.

Financial assets - Classification and valuation

The Group classifies and measures initially its financial assets at amortized cost (debt financial instruments). The classification of investments in debt financial instruments is dependent on the Group's business model of managing financial assets and the contractual terms for the assets cash flows.

Financial assets measured at amortized cost

Assets held for the purpose of collecting contractual cash flows, where these cash flows only consists of capital amounts and interest, are valued at amortized cost. The recorded amount of these assets are adjusted for expected reported credit losses. Interest income from these financial assets is recorded with the effective interest rate method and is included in the financial income. The Group's financial assets that are measured at amortized cost consist of other non-current receivables, accounts receivable, other current receivables, accrued income and cash and cash equivalents.

Derecognition of financial assets

Financial assets, fully or partially, are derecognized in the balance sheet when the contractual rights to obtain the cash flow from the assets have been expired or transferred and either (i) the Group transfers all significant risks and benefits that are related to its ownership or (ii) the Group does not transfer or keep in all significant risks and benefits related to the ownership and the Group has not kept the control over the asset.

Financial liabilities - Classification and valuation*Financial liabilities measured at amortized cost*

The financial liabilities are measured after its initial recognition to amortized cost with the apply of the effective interest rate method. The financial liabilities consists of accounts payable, other current liabilities and accrued expenses.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligations specified in the contract have adjusted, been discharged or expires. The difference between the recognized value for a financial liability, fully or partially, that has been extinguished or transferred to another party and the reimbursement that has been paid including the transferred assets that is not cash or assumed liabilities, are recognized in the profit or loss.

When the terms of a financial liability are renegotiated, and not derecognized from the balance sheet, the gain or loss is recognized in the profit or loss. The gain or loss is occurs from the difference between the original contractual cash flows and the modified cash flows discounted with the original effective interest rate.

Impairment of financial assets - Assets that are recognized at amortized cost

The Group estimates future expected credit losses that are connected to assets recognized to amortized cost. The Group reports a credit reserve for these expected credit losses at each reporting

date. As for accounts receivables, the Group applies simplified approach to credit provisions. The reserve will correspond to the expected loss over the entire life of the account receivable. To identify whether there is a need for impairment of financial asset, an assessment is made of the future expected credit losses based on both historical and forward-looking variables. These variables are based on the type of the financial asset's distribution of credit risk characteristics and due dates. The expected credit losses are reported as a credit reserve at each reporting date in the consolidated income statement in operating expenses.

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 2019/2020 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 rate method.

2.12 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period includes 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 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 realized 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 that 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 utilized.

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 obligation

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 smaller revenue stream from royalties.

Sales in games take place in various mobile device platforms and revenue is recognized when these are delivered to the customer, which is when control passes to the customer. A receivable is recognized 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. Subscription have a reduced fee of 15% after a user has been a subscriber for more than 12 months. 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 revenue 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.

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.

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.

2.19 SUMMARY OF THE PARENT COMPANY'S SIGNIFICANT ACCOUNTING POLICIES

This is MAG Interactive AB (publ)'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 in the consolidated accounts, this is specified below.

Financial risks

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 minimize potential unfavourable effects on the Group's financial results. For more information about financial risks, please refer to note 3.

Estimates and judgements

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.

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.

Participation 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".

Capitalized 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 capitalization in IAS 38 are met. No development expenses are capitalized in the parent company.

Financial instruments

IFRS 9 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.

The parent company must apply the impairment rules in IFRS 9 and assess whether there is any indication of impairment in any of the financial fixed assets. An impairment is performed if the declined value of the asset is assessed as permanent. Impairment for interest-bearing financial assets recorded at amortized cost is calculated as the difference between the asset's recorded amount and the present value of the management's estimate of future cash flows discounted with the asset's original effective interest rate. Impairment for other financial fixed assets is determined as the difference between the recorded amount and the highest of the fair value deducted for acquisition cost and the present value future cashflow based on the management's estimation.

Leasing*Accounting principle before September 1, 2019*

All leasing agreements are recorded as operating leases, regardless of whether the agreements are financial or operational. The leasing fee is reported as a straight line basis expense over the leasing period.

Accounting principle 2019/2020

The parent has chosen not to apply IFRS 16 Leasing. Instead the parent applies RFR2 IFRS Leasing p2-12. This means that the right of use asset and leasing liability are recorded as an expense on a straight line basis over the leasing period and not in the balance sheet.

Merger

During the financial year, a fully owned subsidiary has merged into its parent. This has been prepared in accordance to BFNAR 1999:1 "Merger of a fully owned subsidiary". The consolidated value method has been applied, which means that the parent company has reported the merged subsidiary's assets and liabilities at the value in the consolidated accounts. This has also resulted in a goodwill attributable to the subsidiary in the parent company.

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 minimize potential unfavourable effects on the Group's financial results. The Group does not use derivative instruments to hedge its risk exposure.

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

(a) Market risk

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 United Kingdom, 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.

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 recognized at amortized 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 August 31, 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	-	-	-	-	6,611
Other current liabilities	-	15,556	-	-	-	15,556
Accrued expenses and prepaid income	8,011	-	-	-	-	8,011
As of August 31, 2020	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	11,919	-	-	-	-	11,919
Leasing liabilities	2,254	6,856	9,352	29,186	6,697	54,346
Other current liabilities	3,349	-	-	-	-	3,349
Accrued expenses and prepaid income	14,643	-	-	-	476	15,119

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 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. The carrying amount of goodwill totals KSEK 77,153 as of August 31, 2020 (KSEK 77,482 as of 31 August 2019).

Valuation of tax loss carry forwards

Deferred tax assets are only recorded for tax loss carry forwards for which it is likely that they can be utilized against future taxable surpluses and against taxable temporary differences. Every year the Group investigates whether it is appropriate to capitalize new deferred tax receivables in respect of the year's or previous years' tax loss carry forwards.

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 2020, retained expenses for development expenses totaled KSEK 37,430 (KSEK 32,808 as of August 31, 2019).

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 in two revenue streams; In-app purchases and Advertising sales.

	Group		Parent	
	2019/2020	2018/2019	2019/2020	2018/2019
In-app purchases	83,586	64,432	83,586	60,182
Advertising sales	133,390	108,658	133,390	53,365
Other	591	863	591	-
Total	217,566	172,953	217,566	116,547
The Group's distribution by country	2019/2020	2018/2019		
Sweden	217,566	172,953		
UK	-	-		
Total	217,566	172,953		

The Group's income distributed by registered office, all games developed within the Group are published by the parent company, with its office registered in Sweden.

NOTE 6 - INTANGIBLE ASSETS

Intellectual property rights to games on platforms

	Group		Parent	
	2019/2020	2018/2019	2019/2020	2018/2019
Opening balance, purchase value	34,779	34,779	0	0
Merger of subsidiary	-	-	37,600	-
Closing balance, purchase value	34,779	34,779	37,600	0
Opening balance, depreciation	-3,760	0	0	0
Merger of subsidiary	-	-	-6,581	-
Depreciation	-3,759	-3,760	-3,759	-
Closing balance, depreciation	-7,519	-3,760	-10,340	0
Closing balance	27,260	31,019	27,260	0

Capitalized expenditure for development works on mobile platforms

	Group	
	2019/2020	2018/2019
Opening balance	93,398	69,732
Capitalized development costs	28,099	23,666
Closing balance	121,497	93,398
Opening balance, depreciation	-60,590	-41,640
Depreciation	-23,477	-18,950
Closing balance, depreciation	-84,067	-60,590
Closing balance	37,430	32,808

Goodwill	Group		Parent	
	2019/2020	2018/2019	2019/2020	2018/2019
Opening balance	77,482	77,415	0	0
Merger of subsidiary	-	-	68,237	-
Exchange rate differences	-329	67	-	-
Closing balance	77,153	77,482	68,237	0
Opening balance, depreciation	0	0	0	0
Merger of subsidiary	-	-	-23,883	-
Depreciation	-	-	-13,647	-
Closing balance, depreciation	0	0	-37,530	0
Closing balance	77,153	77,482	30,707	0

Impairment testing of goodwill for the Group

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 8/31/2020 and as of 8/31/2019.

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 percent per annum for August 31, 2020 (August 31, 2019: 2 percent).

Important assumptions in this estimate include the discount rate, sales growth and EBITDA margins. The discount rate before tax is 13 percent for August 31, 2020 (August 31, 2019: 13 percent). No reasonable possible change in important assumptions would cause the carrying amount to exceed the recoverable value.

NOTE 7 - OTHER OPERATING INCOME

	Group		Parent	
	2019/2020	2018/2019	2019/2020	2018/2019
Intercompany revenue	-	-	-	14,207
Exchange rate gains	1,930	1,989	1,930	1,470
Other	116	61	116	47
Total other operating income	2,046	2,050	2,046	15,724

NOTE 8 - SALES-RELATED COSTS

	Group		Parent	
	2019/2020	2018/2019	2019/2020	2018/2019
Platform fee	25,058	19,020	25,058	18,054
Performance-based marketing	72,774	48,673	72,774	48,393
Other sales charges	26,071	22,834	26,111	20,628
Total sales-related costs	123,903	90,527	123,943	87,075

NOTE 9 - REMUNERATION PAID TO AUDITORS

Remuneration paid to auditors	Group		Parent	
	2019/2020	2018/2019	2019/2020	2018/2019
PwC				
The audit assignment	360	420	360	320
Tax consultancy	90	45	-	45
Other services	77	270	77	181
Sum PWC	527	735	437	546
Other auditors				
The audit assignment	115	-	-	-
Tax consultancy	63	-	-	-
Other services	67	-	-	-
Sum other auditors	245	0	0	0
Total	772	735	437	546

NOTE 10 - PERSONNEL COSTS

Costs of employee benefits	Group		Parent	
	2019/2020	2018/2019	2019/2020	2018/2019
Salaries and remuneration	44,684	32,431	34,676	21,507
Social security contributions	2,561	9,520	2,071	6,278
Pension costs	2,857	2,668	2,626	2,240
Employee stock options	260	114	192	71
Total	50,361	44,733	39,565	30,096

	Group		Parent	
	2019/2020	2018/2019	2019/2020	2018/2019
Chief Executive Officer				
Salaries and remunerations	1,633	1,714	1,633	1,714
Variable remuneration	256	150	256	150
Social security contributions	606	538	606	538
Pension costs	385	409	385	409
Total	2,881	2,811	2,881	2,811
Other Senior Executives				
Salaries and remunerations	6,909	10,185	7,368	9,652
Variable remuneration	1,550	850	1,550	850
Social security contributions	2,094	3,103	2,365	3,228
Pension costs	1,475	1,039	1,434	997
Employee stock options	197	141	178	122
Total	12,224	15,318	12,894	14,849
Sum salaries and remuneration	65,466	62,862	55,340	47,756

	Group		Parent	
	2019/2020	2018/2019	2019/2020	2018/2019
Fee to Board members				
Chairman of the Board, Birgitta Stymne Göransson	400	267	400	267
Board member, Taina Malén	200	133	200	133
Board member, Andras Vajlok	200	133	200	133
Board member, Teemu Huhtanen	200	200	200	200
Board member, Asbjørn Sødergaard	200	-	200	-
Board member, Daniel Hasselberg	-	-	-	-
Former Board member, Mikael Hjort	-	67	-	67
Total	1,200	800	1,200	800

Average no of employees

	Group				Parent			
	2019/2020		2018/2019		2019/2020		2018/2019	
	Average number of employees	Of which male	Average number of employees	Of which male	Average number of employees	Of which male	Average number of employees	Of which male
Sweden	64	46	54	38	64	46	47	37
UK	19	13	18	13	0	0	0	0
Germany	1	1	1	1	1	1	1	1
Summa	84	60	73	52	65	47	48	38

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

	2019/2020		2018/2019	
	Number on balance sheet date	Of which male	Number on balance sheet date	Of which male
Board members	6	4	5	3
CEO and other senior executives	7	6	7	6

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

NOTE 11 - TANGIBLE ASSETS

	Group		Parent	
	2019/2020	2018/2019	2019/2020	2018/2019
Opening cost of acquisition	8,544	4,527	3,823	3,551
Purchases	4,946	4,367	4,734	272
Sales/retirements	-	-350	-	-
Closing accumulated cost of acquisition	13,490	8,544	8,557	3,823
Opening depreciation	-2,982	-1,705	-1,902	-1,193
Depreciation for the year	-2,069	-1,277	-1,076	-709
Closing accumulated depreciation	-5,051	-2,982	-2,978	-1,902
Closing carrying amount	8,439	5,562	5,579	1,921

NOTE 12 - ADJUSTED PERSONNEL COSTS, EBITDA AND RESULT BEFORE TAX

	Group	
	8/31/2020	8/31/2019
Personnel cost	-73,860	-65,203
Research and development deductible	-7,621	-
Adjusted personnel cost	-81,481	-65,203
EBITDA	21,157	4,949
Research and development deductible	-7,621	-
Acquisition costs	515	-
IFRS 16 effect - depreciation	-8,464	-
Adjusted EBITDA	5,587	4,949
Result before tax	-22,636	-17,216
Research and development deductible	-7,621	-
Acquisition costs	515	-
IFRS 16 effect - interest	1,223	-
Adjusted profit/loss before tax	-28,519	-17,216

NOTE 13 - FINANCIAL ITEMS

	Group		Parent	
	2019/2020	2018/2019	2019/2020	2018/2019
Interest income	-	479	-	-
Exchange rate gain on short term receivables and liabilities	-	3,510	-	63
Other financial income	730	-	1,265	289
Financial income	730	3,989	1,265	352
Interest expenses	-	-654	-	-
Exchange rate loss on short-term receivables and liabilities	-4,550	-1,154	-4,550	-459
Interest bank loan	-130	-	-130	-435
Profit loss from securities	-663	-	-663	-
Interest leasing	-1,223	-	-	-
Other financial liabilities	-188	-	-723	-1,125
Financial expenses	-6,754	-1,808	-6,067	-2,019
Net financial items	-6,024	2,181	-4,802	-1,667

NOTE 14 - APPROPRIATIONS

	Parent	
	2019/2020	2018/2019
Group contributions received	-	57,355
Total	-	57,355

NOTE 15 - INCOME TAX

	Group		Parent	
	2019/2020	2018/2019	2019/2020	2018/2019
Current tax on profit/loss for the year	-274	284	-5,841	-672
Deferred tax	-4,991	-3,750	-102	1,699
Total current tax	-5,265	-3,466	-5,943	1,027

Income tax on the profit before taxation differs from the theoretical amount that would have arisen from the use of the Swedish tax rate:

	2019/2020	2018/2019	2019/2020	2018/2019
Profit/loss before tax	-22,636	-17,216	-39,786	1,660
Income tax calculated according to the tax rate in Sweden 21,4% (22%)	-4,844	-3,787	-8,514	365
Effect of foreign tax rate	60	123	-	-
Tax effects of:				
Non-taxable income	-	-1	-	-1
Non-deductible expenses	4,969	244	3,002	221
Tax effect due to changed tax rate	189	444	318	20
Tax effect of standard rate on tax allocation reserve	-	16	-	-
Change in deferred tax	-4,991	-504	-102	-
Tax effect of carry forward losses	-647	-	-647	-1,277
Tax expense	-5,265	-3,466	-5,944	-672

NOTE 16 - 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 August 31, 2020 (26,454,632). Based on the nature of the preference shares, these have been treated the same way as ordinary shares and are therefore included in the calculation of earnings per share. All preference shares were converted to common shares in December 2017. See note 25 for the number of shares.

NOTE 17 - RIGHTS OF USE ASSETS & LEASE LIABILITIES

January 1, 2019 IFRS 16 entered into force. The standard demands 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. Therefore MAG has applied this standard at the start of this financial year 2019/2020, starting September 1, 2019.

The standard is adopted by the EU. It has primarily affected the Group's accounting of operational leasing agreements, which mostly includes offices and lease cars. Liabilities relating to leasing have been calculated at present value with an average interest rate of 2,5 % and is recorded as a fixed asset with a corresponding interest bearing liability in the balance sheet. At the beginning of the financial year, the recorded right of use assets and leasing liabilities totalled 33,777 KSEK. The previous financial years leasing cost of 6,235 KSEK in the income statement have been replaced with depreciations of 8,464 KSEK and interest costs of 1,223 KSEK. The change have resulted in an increased total assets and operating profits, which have affected various key figures and the Group's cash flow statement.

MAG Interactive have chosen to apply the change to the new standard with use of the modified retrospective approach under which comparative periods are not restated. The fixed asset corresponds to the interest bearing debt with adjusting for any prepaid or accrued leasing fees. The chosen transition method means that comparative periods have not been restated. The effects to the profit and loss statement is considered not to be material. Short-term leasing agreements and leasing agreements for which the underlying asset has smaller value, are excluded and recorded as external operating costs in the income statement. The totalled amount for short-term leasing agreements for the

Effect on IFRS 16 in the income statement	Offices		Lease cars		Total	
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
Depreciation	-8,131	-	-333	-	-8,464	-
Interest	-1,200	-	-23	-	-1,223	-
Total	-9,331	0	-356	0	-9,687	0

Costs for short-term lease agreements and leasing agreements for which the underlying asset has smaller value are recorded as external operating costs in the income statement.

The maturity analysis for leasing debts is presented in note 3

Right of use asset	Offices		Lease cars		Total	
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
Opening balance	0	0	0	0	0	0
Adjustment of opening balance	33,777	-	-	-	33,777	-
New lease contracts	23,650	-	1,452	-	25,102	-
Revaluation of current lease contract	2,337	-	-	-	2,337	-
Closing balance	59,763	0	1,452	0	61,215	0
Opening balance, depreciation	0	0	0	0	0	0
Depreciation	-8,131	-	-333	-	-8,464	-
Closing balance, depreciation	-8,131	0	-333	0	-8,464	0
Closing balance	51,632	0	1,119	0	52,751	0

The leasing agreements run for a period of 3 years with options to extend or terminate the agreement. The terms are for maximising the flexibility in handling the agreements. Options to extend or terminate agreements are included in the asset and liability if it is reasonably certain that they will be exercised.

Obligations in respect of operational leasing

The parent company rents office space and cars according to non-retractable operational leasing agreements. The leasing periods are 3 years and most of the leasing agreements can be extended at the end of the lease period in exchange for a fee that corresponds with a competitive fee.

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

	Group		Parent	
	2019/2020	2018/2019	2019/2020	2018/2019
Within 0-1 year	-	6,115	9,218	4,903
Within 1-5 years	-	11,650	12,296	6,538
After more than 5 years	-	5,112	-	-
Total	0	22,877	21,514	11,441

NOTE 18 - OTHER LONG-TERM RECEIVABLES

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

	Group		Parent	
	8/31/2020	8/31/2019	8/31/2020	8/31/2019
Opening value	2,085	4,300	1,782	1,782
Deposits	1,978	298	1,983	-
Withdrawal	-11	-2,513	-	-
Closing value	4,052	2,085	3,765	1,782

NOTE 19 - FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets measured at amortized cost	Group		Parent	
	8/31/2020	8/31/2019	8/31/2020	8/31/2019
Other long-term receivables	4,052	2,085	9,743	1,844
Receivables from Group companies	-	-	-	59,251
Trade and other receivables	23,015	19,517	23,015	12,896
Other current receivables	979	8,001	2,410	1,870
Prepaid expenses	13,360	3,762	13,213	3,504
Cash and cash equivalents	160,630	185,071	156,668	179,465
Total	202,036	218,436	205,049	258,830

Financial liabilities measured at amortized cost	Group		Parent	
	8/31/2020	8/31/2019	8/31/2020	8/31/2019
Liabilities from Group companies	-	-	2,845	61,803
Trade and other payables	11,919	6,611	11,702	6,374
Other current liabilities (loan to Danske Bank)	-	15,556	-	-
Other current liabilities	3,349	3,109	3,140	18,286
Accrued expenses	15,119	8,011	13,241	6,247
Total	30,387	33,287	30,928	92,710

In addition to the financial instruments listed in the tables (above), the Group has financial liabilities in form of leasing liabilities, which are reported and valued in accordance to IFRS 16. See note 17.

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 capitalized 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-capitalized deficits in the Group.

	Group		Parent	
	8/31/2020	8/31/2019	8/31/2020	8/31/2019
Deferred tax in the balance sheet	5,841	672	5,841	672
Opening balance	672	1,699	672	1,699
Tax effect, tax loss carry forwards utilized	-	-1,027	-	-
Deferred tax on used loss carryforward	-96	-	-774	-1,699
Current tax on profit/loss for the year	5,265	-	5,944	692
Revaluation due to changed tax rate	-	-	-	-20
Closing balance	5,841	672	5,841	672

NOTE 21 - TRADE AND OTHER RECEIVABLES

	8/31/2020	8/31/2019
Trade and other receivables	23,015	19,517
Total	23,015	19,517

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

	8/31/2020	8/31/2019
SEK	6,132	6,044
EUR	54	111
GBP	0	2,034
USD	16,829	11,328
Total	23,015	19,517

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.

As of August 31, 2020, trade and other receivables totalling KSEK 6,584 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:

	8/31/2020	8/31/2019
1-30 days	1,673	554
31 - 60 days	4,011	137
More than 61 days	900	282
Total trade and other receivables due	6,584	973

The Group has no mortgage as security.

NOTE 22 - OTHER CURRENT RECEIVABLES

	Group		Parent	
	8/31/2020	8/31/2019	8/31/2020	8/31/2019
Current receivables, employees	89	101	89	101
Tax receivables	21	-	1,806	1,511
VAT receivables	869	639	515	258
Other items	-	7,261	-	-
Total	979	8,001	2,410	1,870

NOTE 23 - PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent	
	8/31/2020	8/31/2019	8/31/2020	8/31/2019
Accrued income	-	-1	-	-
Prepaid expenses	13,360	3,763	13,213	3,506
Total	13,360	3,762	13,213	3,506

NOTE 24 - CASH AND CASH EQUIVALENTS

	Group		Parent	
	8/31/2020	8/31/2019	8/31/2020	8/31/2019
Bank balances	160,630	185,071	156,668	179,465
Total	160,630	185,071	156,668	179,465

NOTE 25 - EQUITY

	Number of ordinary shares	Share capital
As of August 31, 2019	26,321,393	683,673
As of August 31, 2020	26,454,632	687,133

Share capital as of August 31, 2020 consists of 26,454,632 shares, consisting of ordinary shares with a quota value of SEK 0.026. 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 August 31, 2020, the company has four outstanding option schemes. See note 30.

NOTE 26 - DEFERRED TAX LIABILITY

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

	Acquired intellectual rights to games for platforms		Untaxed reserves	Capitalized expenditure for development works in respect of games for platforms
	Group	Parent	Group	Group
As of September 1, 2018	7,164	0	4,436	6,325
Recorded in the income statement	-775	-	-4,436	434
As of August 31, 2019	6,389	0	0	6,759
As of September 1, 2019	6,389	0	0	6,759
Recorded in the income statement	-774	-774	-	952
As of August 31, 2020	5,615	-774	0	7,711

The parent company's deferred tax liability is attributable to the merger of FEO Media AB. See note 31.

NOTE 27 - OTHER CURRENT LIABILITIES

	Group		Parent	
	8/31/2020	8/31/2019	8/31/2020	8/31/2019
Personnel related liabilities	1,352	3,247	-	-
VAT	-175	-138	-	-
Social security contributions and similar liabilities	1,985	-	3,091	2,614
Short-term liabilities	-	15,556	-	15,556
Other	187	-	50	116
Total	3,349	18,665	3,141	18,286

NOTE 28 - ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent	
	8/31/2020	8/31/2019	8/31/2020	8/31/2019
Accrued expenses	4,368	1,339	4,368	2,891
Accrued salaries, employers contribution, holiday pay and bonuses	8,873	4,255	8,873	3,355
Accrued marketing expenses	-	1,649	-	-
Prepaid income	1,878	768	-	-
Total	15,119	8,011	13,241	6,246

NOTE 29 - ADJUSTMENT FOR ITEMS NOT INCLUDED IN THE CASH FLOW

	Group		Parent	
	8/31/2020	8/31/2019	8/31/2020	8/31/2019
Depreciation of tangible assets	2,069	1,496	3,168	709
Retirements of tangible assets	-	139	-	-
Depreciation of intangible assets	27,235	22,711	17,407	-
Depreciation of right of use assets	8,464	-	-	-
LTIP	457	255	202	193
Group contribution received	-	-	-	57,355
Total	38,225	24,601	20,777	58,257

NOTE 30 - LONG-TERM INCENTIVE PROGRAMS

ABOUT THE LONG-TERM INCENTIVE PROGRAMS 2017/2020:1 AND 2017/2020:2

All options were issued for a competitive premium. For the warrant program 2017/2020:1, 133,239 shares were subscribed, which resulted in an increased share capital of 3,461 SEK. After the balance sheet date, the warrant program 2017/2020:2 ended in September 2020 and it resulted in 40,021 subscribed shares and an increased share capital of 1,040 SEK.

The MAG Interactive warrant program was approved by the AGM on February 28, 2017. The 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 are only earned if certain performance requirements are met. The allocation is determined by the board and no employee has contractual right to participation or allocation.

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 outstanding warrants per balance sheet date are presented in the table below.

Program	Number of warrants	Exercise price	Exercise time	Price
2017/2020:2	144,375	15	September 2020	SEK 3.75
Total/average	144,375	15	September 2020	SEK 3.75

Current value of ongoing warrants

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 warrants at the allotted date was SEK 2.

ABOUT THE LONG-TERM INCENTIVE PROGRAM 2019/2022

In total, the LTIP 2019/2022 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. The long-term incentive program includes an issue of options and transfer of shares and/or options.

As of the closing date, 427,333 options out of the original 490,000 were not utilized. The difference is due to employees who have left.

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 March 1, 2020;
- b) 1/3 of the allotted employee stock options will be vested on March 1, 2021; and
- c) 1/3 of the allotted employee stock options will be vested on March 1, 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 March 2, 2022 up to and including April 2, 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 2019/2020.

In order to enable delivery of shares under the LTIP 2019/2022, an issue of not more than 526,428 warrants, free of charge, has been made to MAG United AB. Each option entitles to subscription for one (1) share in MAG Interactive AB (publ) during the period from the registration of warrants with the Swedish Companies Registration Office up to and including May 15 2022 at an exercise price of SEK 30. If the options are exercised in full the share capital will increase by SEK 11,100. There can be no over-subscription.

MAG United AB has been granted permission to transfer shares to the participants in the LTIP 2019/2022 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
2019/2022	427,333	30	March 2, 2022-April 2, 2022	SEK 0
Total/Average	427,333	30	March 2, 2022-April 2, 2022	SEK 0

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 2019/2022 program was KSEK 200.

ABOUT THE LONG-TERM INCENTIVE PROGRAM 2020/2023

LTIP 2020/2023 consists of two long-term incentive programs; (1) employee stock option program and (2) warrants for the management.

Employee stock option program 2020/2023 (ESOP 2020/2023)

In total, the ESOP 2020/2023 consist of no more than 293,213 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 20.5. The long-term incentive program includes an issue of options and transfer of shares and/or options. As of the closing date, 241,500 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 March 1, 2021;
- b) 1/3 of the allotted employee stock options will be vested on March 1, 2022; and
- c) 1/3 of the allotted employee stock options will be vested on March 1, 2023.

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 March 2, 2023 up to and including April 2, 2023.

MAG Interactive's stock option program for employees was approved by the shareholders at the Annual General Meeting held on January 14, 2020. 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 employees by being involved in and working for a positive value increase of the shares during the period covered by the ESOP 2020/2023.

In order to enable delivery of shares under the ESOP 2020/2023, an issue of not more than 293,213 warrants, free of charge, has been made to MAG United AB. Each option entitles to subscription for one (1) share in MAG Interactive AB (publ) during the period from January 11, 2020, or later date on which the warrants are registered, up to and including July 15, 2023 at an exercise price of SEK 20.5. If the options are exercised in full the share capital will increase by SEK 6,273. There can be no over-subscription.

MAG United AB has been granted permission to transfer shares to the participants in the ESOP 2020/2023 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
ESOP 2020/2023	241,500	20.5	March 2, 2023-April 2, 2023	SEK 0
Total/Average	241,500	20.5	March 2, 2023-April 2, 2023	SEK 0

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 ESOP 2020/2023 program was KSEK 200.

WARRANTPROGRAM 2020/2023:3

In total, the warrant program 2020/2023:3 consist of no more than 233,213 warrants, entitling to subscription for an equal number of shares. Each warrant of series 2020/2023:3 entitles to subscription for one (1) share in MAG Interactive AB (publ) during the period from March 2, 2023 up to and including June 2, 2023. Subscription for new shares by way of exercising warrants of series 2020/2023:3 shall be made at a price per share corresponding to 150 % of the volume-weighted average trading price of MAG Interactive AB (publ)'s share on Nasdaq First North during the period from January 13, 2020 up to and including January 21, 2020. The subscription price may not be less than the quota value of the shares.

If the warrants of series 2020/2023:3 are exercised in full the share capital will increase by SEK 6,057. There can be no over-subscription.

The warrants of series 2020/2023:3 shall be issued at a subscription price corresponding to the market value, calculated in accordance with the Black & Scholes valuation formula by an independent valuation firm appointed by the company, immediately after the expiration of the measurement period on January 21, 2020.

The issuance of warrants entails a dilution effect corresponding to a maximum of approximately 0.88 % of the shares and votes in the company if the proposed warrants are exercised in full.

Program	Number of warrants	Exercise price	Exercise time	Price
2020/2023:3	233,213	15.7	March 2 2023 - April 2 2023	SEK 1.75
Total/Average	233,213	15.7	March 2 2023 - April 2 2023	SEK 1.75

The total costs for administration are estimated to amount to approximately KSEK 200.

NOTE 31 - MERGER OF FEO MEDIA AB

FEO Media AB Has per June 23, 2020 merged with the parent company MAG Interactive AB (publ):

Company name	Company reg. no.	Date of merger
FEO Media AB	556888-6211	6/23/2020

The merger of FEO Media AB with its parent MAG Interactive AB (publ) was completed on June 23, 2020. Net income totalled 28,635 KSEK and EBIT totalled 14,878 KSEK has been included in MAG's profit and loss as of June. Consolidated values of assets and liabilities has been included in MAG's balance sheet as per below.

The subsidiary's assets, liabilities and consolidated revaluations as of the merger date recorded in the parent company summarized to the following:

Balance sheet in summary FEO Media AB	6/23/2020
Goodwill	32,981
IP	27,887
Other receivables	109
Prepaid expenses and accrued income	31
Cash and cash equivalents	40,318
Total assets	101,326
Deferred tax liabilities	5,745
Accounts payables and other liabilities	75
Total liabilities	5,820

NOTE 32 - HOLDINGS AND INVESTMENTS IN SUBSIDIARIES

The Group's 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	UK	Development	100
MAG United AB	Sweden	Warrants	100

MAG Games Ltd 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.

The Parent company's shares in Group companies	8/31/2020	8/31/2019
Opening balance cost of acquisition	181,983	181,933
Acquisition	-	50
Merger	-134,731	-
Closing balance	47,252	181,983

The merger of FEO Media AB with its parent MAG Interactive AB (publ) was completed on June 23, 2020. See note 31.

Name	Country of registration and operation	Business activity	Proportion of ordinary shares owned directly by the Parent (%)	Carrying amount 8/31/2020	Carrying amount 8/31/2019
MAG Games Ltd	UK	Development	100	47,202	47,202
FEO Media AB	Sweden	Development	-	-	134,731
MAG United AB	Sweden	Warrants	100	50	50

NOTE 33 - INTERCOMPANY RECEIVABLES AND LIABILITIES

	Parent	
	8/31/2020	8/31/2019
Intercompany receivables		
Trade and other receivables	-	1,835
Long-term receivables	136	61
Inter company receivables (Group contribution)	-	57,355
Total	136	59,251
Intercompany liabilities		
Trade and other payables	2,845	2,034
Inter company liabilities (Cashpool)	-	59,769
Total	2,845	61,803
Group net	-2,709	-2,552

NOTE 34 - 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 2019/2020 or during the comparative year 2018/2019.

Remuneration to senior executives

For information regarding remuneration to senior executives, see note 10.

Redemption of shares

No associated parties have redeemed shares during the past financial year 2019/2020 or during the comparative year 2018/2019.

Associated company

No transactions were made between associated companies during the past financial year 2019/2020 or during the comparative year 2018/2019.

NOTE 35 - PLEDGED ASSETS

	Group		Parent	
	8/31/2020	8/31/2019	8/31/2020	8/31/2019
Bank account	-	148	-	148
Rental deposit	4,052	2,085	3,766	1,788
Total	4,052	2,233	3,766	1,936

NOTE 36 - SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

On September 1, 2020 the acquisition was closed and Sventertainment AB (company registration number 559155-8464) became a fully owned subsidiary.

APPROVAL OF THE FINANCIAL STATEMENT

The Board of Directors and the CEO confirms 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 December 15 2020

Birgitta Stymne Göransson
Chairman of the Board

Taina Malén
Board Member

Andras Vajlok
Board Member

Asbjørn Søndergaard
Board Member

Teemu Huuhtanen
Board Member

Daniel Hasselberg
CEO and Board Member

Our audit report has been submitted December 17 2020
Öhrlings PricewaterhouseCoopers AB

Niklas Renström
Authorized 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 financial year 1 September 2019 to 31 August 2020. The annual accounts and consolidated accounts of the company are included on pages 46-99 in this document.

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 and the group as of 31 August 2020 and its financial performance and cash flow for the 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 2020 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 Director's 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 intend 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 Director's and the Managing Director of MAG Interactive AB (publ) for the financial year 1 September 2019 to 31 August 2020 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 Director's 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 Director's 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' 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, December 17 2020
Öhrlings PricewaterhouseCoopers AB

Niklas Renström
Authorized Public Accountant