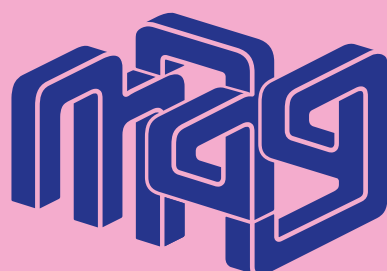


ANNUAL REPORT 2020/2021

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
Acquisitions	13
Wordzee	15
New QuizDuel	16
Word Mansion	17
Word Domination	18
Ruzzle	19
WordBrain	20
The Market	21
Sustainability report	25
Definitions	29
Board of directors, executive management and auditors	31
Ownership structure	37
Corporate governance	38
The annual general meeting	39
The board of directors	41
CEO and executive management	44
Internal control	47
Audit	49
Expected future development, notable risks and uncertainties	50

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 specializes in word games and trivia, with a portfolio of titles including New QuizDuel, Wordzee, Primetime, Word Bubbles, Ruzzle, Word Domination and WordBrain, that have been downloaded over 350 million times. MAG has studios in Stockholm and Brighton and was listed in 2017 on the Nasdaq First North Premier Growth Market with the ticker MAGI.



 **350 M+**
DOWNLOADS

 **388**
MILLION HOURS
PLAYED DURING 2020/2021

117
EMPLOYEES

23
NATIONALITIES
EMPLOYED

28
72

% WOMEN
% MEN

MAG'S GAMES
PLAYED IN
195
COUNTRIES

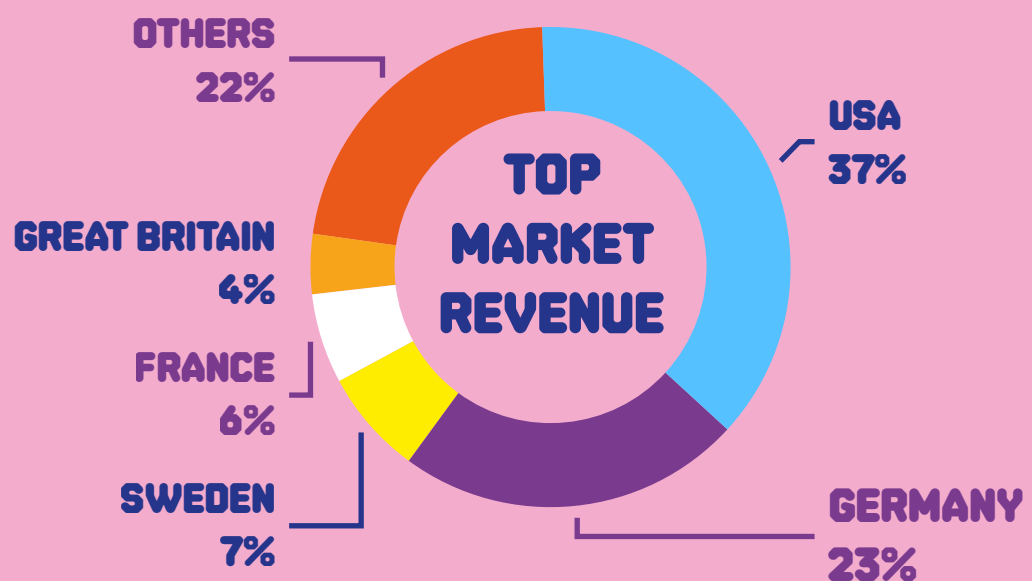
177 M
GAME CONTRIBUTION
2020/2021



287M
NET SALES
2020/2021

MAG IN NUMBERS

10 M+ NEW PLAYERS
DURING THE YEAR
17 M+ UNIQUE PLAYERS
DURING THE YEAR



A YEAR IN BRIEF

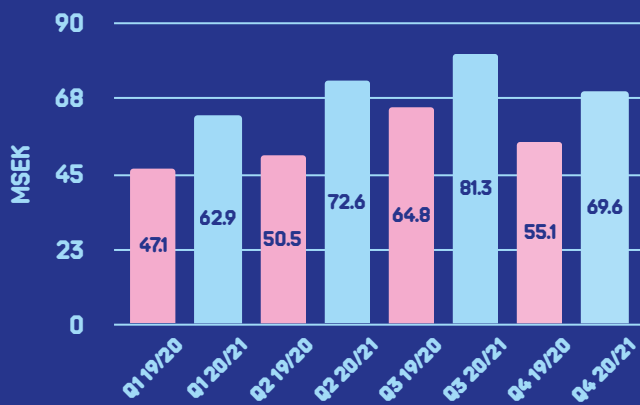
- **Net sales grew by 32%** — Yearly revenues of 287M SEK makes 2020/21 the best year in the company's history
- **Acquisition of Primetime**— On September 1, 2020 the acquisition of live trivia app Primetime completed
- **Players migrate to New QuizDuel** — During the fall of 2020 the migration of users from QuizDuel to New QuizDuel completed
- **Acquisition of Approje** — January 4, 2021 the acquisition of Swedish mobile games studio Approje completed
- **Launch of QuizDuel Live** — March 8, 2021 the live trivia mode is launched in New QuizDuel on the German market



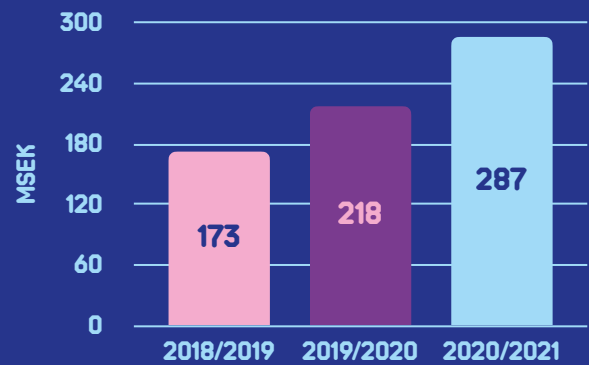
KEY NUMBERS

NET SALES

PER QUARTER 2019/20 - 2020/21

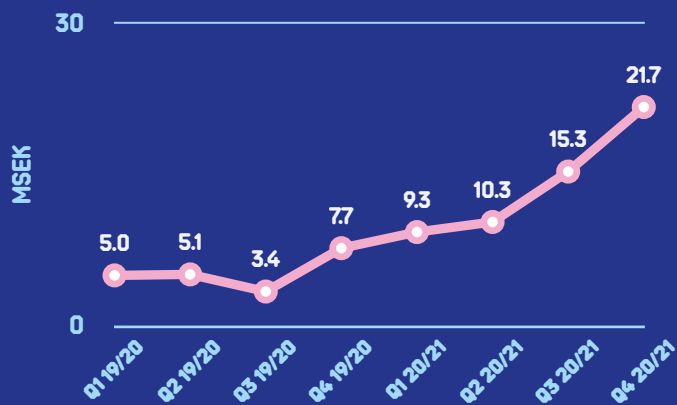


YEAR ON YEAR

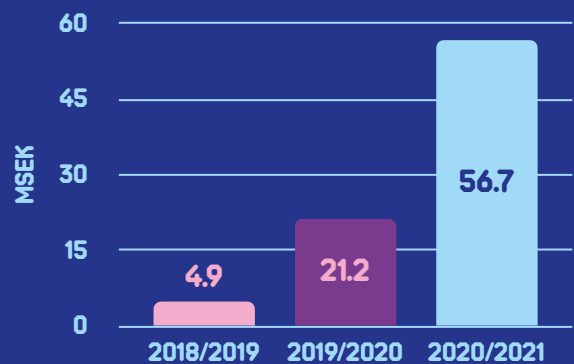


EBITDA

PER QUARTER 2019/20 - 2020/21



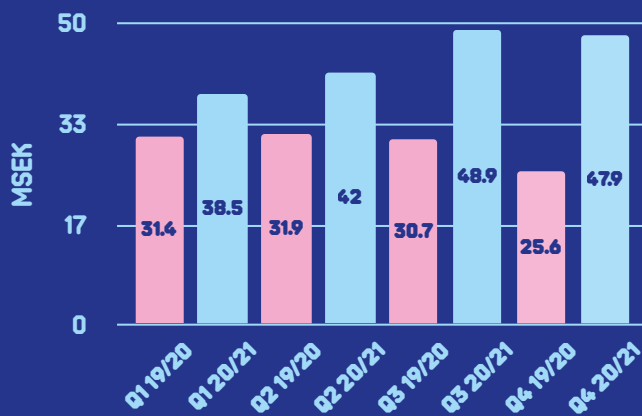
YEAR ON YEAR



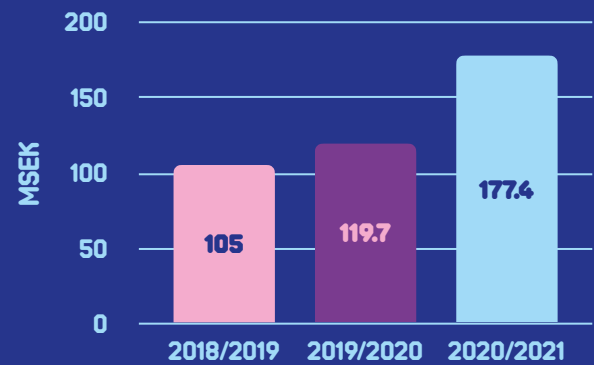
KEY NUMBERS

GAME CONTRIBUTION

PER QUARTER 2019/20 - 2020/21



YEAR ON YEAR

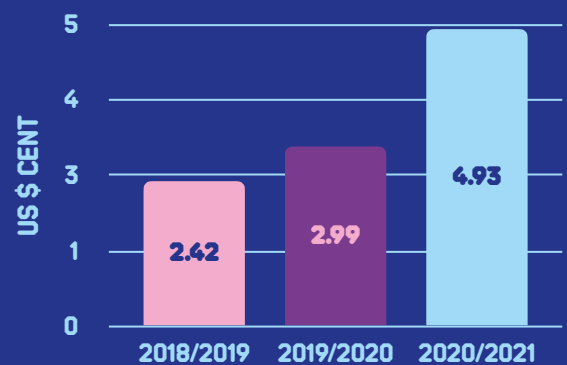


ARPPDAU

PER QUARTER 2019/20 - 2020/21



YEAR ON YEAR

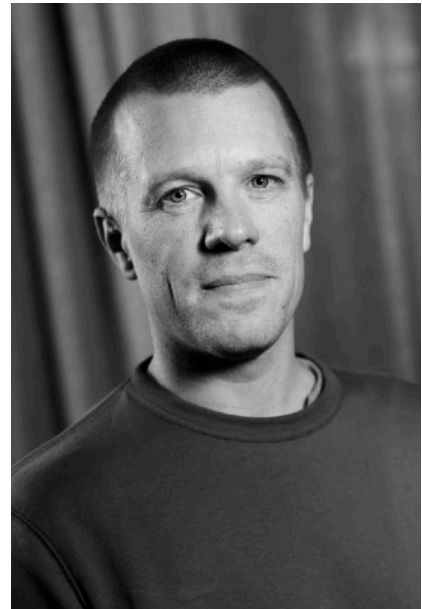


WORD FROM THE CEO

A RECORD BREAKING YEAR

Yearly revenues of 287 MSEK makes this year the best in the company's history. During the last ten years, we have gone from just a few people around a single desk trying to make a game to a publicly listed company with over 100 employees and more than ten games on the market. While we are very proud of this achievement, it is even more exciting to look forward to what we can do in the next ten years.

This year we were able to increase revenues by 32% compared to the previous year while also improving the EBITDA margin from 10% to 20%. The fact that our increasing revenues come with an improved profitability shows that we are operating a scalable business and moving in the right direction to build a growing and profitable company. During the year we faced a headwind in terms of currency exchange rate with the USD, and we were up against some tough comparison numbers from the lock-down boosted numbers from the year before. Despite that we were able to grow significantly and return to profitability after a couple of years with negative results.

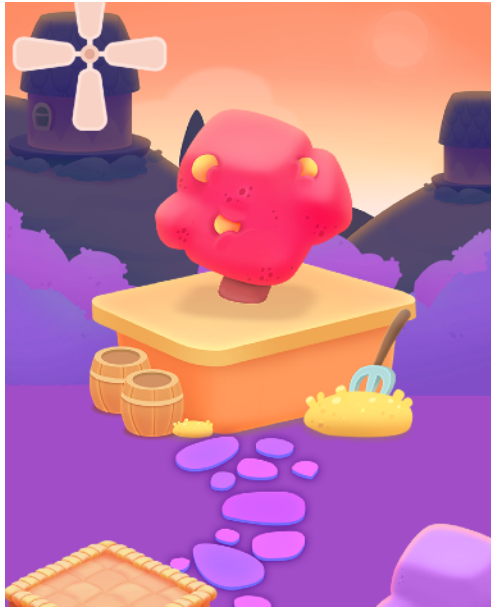


CONTINUED ARPPDAU IMPROVEMENTS

Over the last three years, the average revenue per daily active user (ARPPDAU) has improved across the game portfolio. Better new games in combination with improved Live Operations (Live Ops) and event management across the more mature games are keys to this development. Both ad monetization and in-app purchase (IAP) monetization has improved. ARPPDAU is up 63% compared to the previous year, and this KPI will continue to be a key driver for continued growth.

INDUSTRY-WIDE EVENTS

During the year the entire ecosystem of apps and digital marketing on Apple's iOS operating system and the App Store has been impacted by Apple's decision to improve user privacy. The most significant change has been the introduction of the App Tracking Transparency framework that has reduced the user targeting capabilities of advertising networks on the iOS platform. MAG has seen the effects of this materialize during our fourth financial quarter



(June-August 2021) and negatively impact performance of both ad monetization and user acquisition, especially on Facebook. The industry is currently adapting to the new environment with less granularity, and we expect it to gradually improve over the coming months.

The other big news on the platform side is that both Apple and Google have reduced fees for some part of IAP purchases from 30% to 15%. For Google the fee reduction counts against all IAP purchases up to \$1M USD each year and for Apple the fee reduction is limited to developers with total IAP revenues of less than \$1M USD. We believe that this might be the start of a bigger move over time to lower fees across the app stores as Apple is also currently under pressure to allow developers to promote IAP outside of the App

Store which will allow them to fully avoid the store fees. If such a change of fee structure becomes a reality it would have a significant positive impact on our profit margin.

ACQUISITION OF PRIMETIME

The financial year started with the closing of the acquisition of Sventertainment, the studio behind the hit Nordic trivia game Primetime. We were impressed by the exciting live format with its strong human connection between the game and its players. We also saw clear potential in integrating this live mode into MAG's existing trivia game New QuizDuel. QuizDuel has been played by more than 100 million players over the past decade. It has a strong brand recognition and a loyal player base in the German speaking parts of Europe as well as in Sweden and a couple of other European markets.

Through the addition of a live game show QuizDuel Live within New QuizDuel, we have created a globally unique experience that is very hard for other game studios to compete with. We can also measure the increased ARPDAU after the introduction of QuizDuel Live as a game mode, proving the value add from that perspective as well.

Our Primetime studio is co-located with the MAG Stockholm office, and it is responsible for running the stand-alone Primetime app in the Nordics as well as the live shows within New QuizDuel.

ACQUISITION OF APPROPE

In January we closed the acquisition of Swedish game studio Apprope. They are a small mobile studio that has been around for ten years focusing on casual word and trivia

games. As such, it is a perfect fit with the MAG portfolio, and the integration of the team with MAG has been fast, fun and added a lot of value in both directions. MAG's experience and tools for game analytics and performance marketing create value for Apprope, and they in turn bring in their own fresh air with quick testing of game ideas and an impressive throughput of new game concepts.

Through the acquisition of Apprope, we added a couple of games to our evergreen segment of games that have a loyal user base and steady revenue streams we can count on for years. We also got a new growth title with Word Mansion, which is built in a way that allows for additional titles using the same framework. In the coming year we plan to test multiple games using the Word Mansion framework to explore the opportunities in narrative and decoration meta games that have proven successful on the mobile market over the last few years.

MANAGING THROUGH PANDEMIC AND REMOTE WORKING

The pandemic situation in both Sweden and the UK have impacted our daily operations at MAG in a significant way. We decided back in 2020 that we would adopt any recommendations from the local health authorities, and that is the approach we have taken ever since the start of the pandemic. Throughout this financial year, we have worked according to a principle we dubbed "remote first", meaning that the default work location for all people at MAG has been their home, even though some people have chosen to come into the office from time to time for practical reasons. We have not seen any direct impact on the productivity of our teams during this period.

**"YEARLY REVENUES OF 287 MSEK
MAKES THIS YEAR THE BEST IN THE
COMPANY'S HISTORY."**

EXCITING BUILD-UP OF PIPELINE

During the year we moved two of our main games from active development to what we refer to as Live Ops. The games run by Live Ops use existing frameworks and features to serve players with exciting events and new content without having to develop any significant new features. We have one joint Live Ops team running several of our games using the same tools and analytics solutions making it very efficient from a resource perspective. This frees up developers, artists and game designers to take on new game ideas and concepts and build our future pipeline.

At the end of the financial year, we had more people than ever before working on new games. Our ambition for the coming year is to launch at least one new game and continue to build on the foundation we have created by continuously adding high quality games to our portfolio.

MAG'S BUSINESS MODEL



CASUAL AND SOCIAL GAMES FOR A WIDE AUDIENCE

MAG's ambition as a game developer is to create appealing and easily accessible games for a large audience worldwide. Our expertise lies in word games, puzzles and trivia, three genres that are universally popular with a broad target group commonly referred to as casual players. MAG has also consciously chosen to make these games social: players are encouraged to interact with others, for example by challenging and chatting with each other.

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 portfolio of intricate, social, reasonably challenging, and easily accessible games in the portfolio, we have gotten to know our audience well. We know that games have a longer lifespan if they have strong social elements; if their friends remain in the game, it is more likely that the players will stay.

FREE TO PLAY AS REVENUE MODEL

MAG's games are free to download and play, which puts them in the "free-to-play" segment, the most common revenue model in the mobile market. The free-to-play revenue model makes games available to a wide audience, namely casual players, the target group MAG wants to reach. MAG generates revenue by offering players in-app purchases, the opportunity to purchase products within games, and by serving them ads to watch in order to advance in the game. In 2019, MAG also introduced a subscription model as a third revenue stream, where players get access to exclusive content and an ad-free experience for a monthly fee.

A PORTFOLIO OF PROFITABLE EVERGREENS AND GROWTH GAMES

The strength of MAG's gaming portfolio is its range: evergreens, games that have been around for many years, have a stable player base, low or non-existent marketing costs and high profitability. These are balanced with growth games - games that MAG expects to contribute to growth and where the company actively invests in user acquisition. In addition, we have new games under development that are not included in the balance sheet. By having several games in different phases of development, we mitigate financial risks.

MAG manages the games in its portfolio as active products by updating their content, delivering new features, and improving performance to maintain player engagement. With new content the players' engagement lasts longer, and in this way we can keep our player communities and products active for a long time. This is called offering "games as a service": games that can be kept active for a long time can in the long run become another profitable evergreen.

A SUCCESSFUL BUSINESS MODEL

MAG's business model has proven to be successful. All games MAG has launched have reached over one million downloads and across the entire portfolio, the company has reached over 350 million players. MAG continues to develop new free-to-play games for casual gamers with the aim of increasing the long-term profitable part of the product portfolio over time.



ACQUISITIONS

MAG'S STRATEGY FOR ACQUISITIONS

An important part of MAG's business is acquisitions. Over the years, the company has made several acquisitions of both studios and individual games. For MAG, it is important that acquired companies are a good fit with MAG's company culture and can complement its existing game portfolio.

Several of the games in the company's portfolio are directly or indirectly a result of acquisitions. WordBrain and QuizDuel were directly acquired, and Wordzee was developed by our Brighton studio which MAG acquired in 2015. For the past seven years, we have shown that the acquisitions pay off financially, and that the games are well integrated into our portfolio. Our thorough acquisition process - to identify both people and products that fit within the MAG family - has the potential to create more value in the future. We have continuous ongoing discussions with several game studios regarding acquisitions.

During the financial year 2020/2021, MAG acquired two Swedish companies: Sventertainment AB and Approe AB.

PRIMETIME

MAG's acquisition of Sventertainment, a Swedish media company specializing in live-streamed entertainment, was officially completed on September 1, 2020. The company is the creator of the successful trivia app Primetime which broadcasts live quiz shows with a host seven days a week. Primetime players compete to win cash rewards by correctly answering up to eleven questions live. Primetime was released in Sweden in 2018, has since also been released in localized versions in Norway, Denmark, Finland, and is now the leading player in live trivia in the Nordics.

The app is monetized through sponsorship campaigns, a financing model that differs from other games in MAG's portfolio in general and has worked well for Primetime. The app has a stable user base with a high average revenue per daily active user (ARPDau).

The purpose of the acquisition of Primetime was primarily to create synergies between Primetime and MAG by integrating live quizzes in New QuizDuel. The new game mode *QuizDuel Live* was developed together with Primetime and was released in New QuizDuel on the German market in March 2021. During Q4, cash rewards were also introduced in the game mode.

Sventertainment retains the same management as before the acquisition, acts as an independent company, and operates Primetime as a stand-alone product in the Nordic

markets. The collaboration between MAG and Primetime is mainly focused on continuing to develop *QuizDuel Live*, scaling up the number of players, and, thereby, increasing revenue and ARPDAU for New QuizDuel.

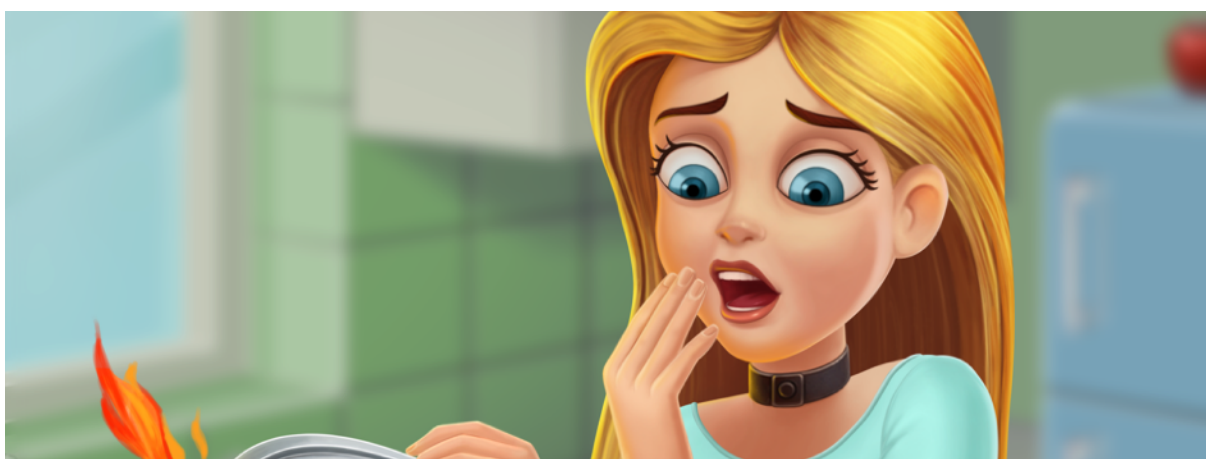
APPROPE

Approje is a Swedish mobile game studio that was started in 2012 and mainly develops games in the word category. MAG acquired the studio in early January 2021. Approje's games have reached over 55 million users, and several of their games have ranked high on the leaderboards in the US. Their most famous word game, Word Bubbles, has been downloaded over 10 million times, had sales of approximately SEK 100 million and reached first place in the word game category in more than 50 countries. In fall 2020, the word puzzle game Word Mansion was launched on iOS and Android and grew rapidly in both downloads and sales; in Q3 the game passed 1 million downloads.

Approje has succeeded in its category of word puzzle games which are framed by an interactive story that revolves around renovation and decoration. MAG saw the potential to accelerate growth in this category of games by acquiring Approje.

In addition to Word Mansion, Approje has a portfolio of word and trivia games that have generated a surplus of more than SEK 10 million per year in recent years. The company has been profitable since the start and had sales in its most recent financial year, which ended in August 2020, of SEK 17.5 million with a profit of SEK 11.4 million.

MAG also saw possible synergies with Approje where MAG can contribute with experience and technology in game analysis and user acquisition. Approje is still an independent company within the MAG Group but has access to the services MAG can offer to create maximum growth and profitability.



GROWTH GAMES

WORDZEE

Wordzee is MAG's unique word game where players challenge each other to form words from letter tiles that are placed on a special game board. The player who fills the entire board takes home "Wordzee" and extra bonus points. The game was released globally in November 2019 and has shown strong key figures since launch.

Wordzee is developed by MAG's studio in Brighton and is one of the company's main growth products. Since its inception the game has shown strong monetization potential with an average revenue per daily active user (ARPDau) at a high and stable level.

In 2021 Wordzee's advertising strategy as well as its user interface and first-time game experience have been optimized. MAG continues to update and improve Wordzee as it is an important component of the game portfolio; the company believes that Wordzee will continue to have growth and increased revenue during the next financial year.



GROWTH GAMES

NEW QUIZDUEL

New QuizDuel was launched globally in May 2020 and is the successor to the classic trivia game QuizDuel. The new game introduced the multiplayer *Arena* where five players compete against each other in time-limited special categories to climb leaderboards. After the end of the financial year, New QuizDuel also passed 10 million downloads.

In 2021, the live trivia mode *QuizDuel Live* was launched in Germany, the game's largest market, and has been developed together with the MAG-acquired studio Primetime. *QuizDuel Live* is a game mode in New QuizDuel with live trivia shows led by a German-speaking host. During the summer the opportunity to win prize money was introduced in *QuizDuel Live*, along with lifesavers and tickets to the *Arena* gaming mode. By the end of Q4, the audience maintained a stable level and followed the app's general user pattern of being most popular on Sundays and Mondays.

Solo event was also introduced in New QuizDuel on the German market, offering players more variety, new challenges and new content. MAG plans to launch Solo as a permanent gaming mode during the beginning of 2021/22.



GROWTH GAMES

WORD MANSION

Word Mansion is a word puzzle game developed by Apprope, a Swedish mobile game studio that MAG acquired in early 2021. The game was launched for iOS and Android in the autumn of 2020 and surpassed 1 million downloads in Q3.

Word Mansion is a puzzle adventure framed by a story that revolves around renovation and decoration. The game has a high average revenue per daily active user (ARPDau) and has quickly become a strong growth product in the portfolio. Word Mansion's game engine has also been expanded to be reused to develop new games using the same framework.

Apprope and MAG have a positive outlook on testing new games developed in Word Mansion's game engine in the coming financial year.



EVERGREENS

WORD DOMINATION

Word Domination is the clever multiplayer game where players compete against each other in real-time in thrilling word battles. Opponents meet in five rounds where they collect points by spelling words on a common board. With “booster cards” players can tactically play out time-limited benefits. Word Domination was released globally in May 2018 and has since been downloaded over 10 million times.

Since Q4, the operation of Word Domination has been moved to the Live Operations team, who will continue to optimize the game and, as before, release a steady stream of the game’s popular collectible events.

Word Domination has grown into one of the company’s finest evergreens. It has one of MAG’s best gaming economies with dedicated VIP players who pay a monthly subscription fee to receive bonuses in the game.



EVERGREENS

RUZZLE

Ruzzle is MAG's first word game success and is a cornerstone of the company's game portfolio. It was released in 2012 and has been downloaded over 60 million times. In Ruzzle, the player is challenged to find as many words as possible from a certain set of letters within two minutes. The game is an important evergreen for MAG, which during its ninth year of existence continues to show stable key figures. Since Q3 20/21, Ruzzle has been run by the Live Operations team.

Thanks to an update of the in-game economy in 2020, monetization of the game has improved significantly, which has resulted in increased total revenue for Ruzzle in 2021. Ruzzle has a very loyal player base, and player engagement continued to be high throughout the year.



EVERGREENS

WORDBRAIN

In word puzzle game WordBrain, the player searches for secret words based on specific letter combinations on special boards. Acquired by MAG in 2014, the game is one of the company's strong evergreens and is run by the Live Operations team. It has been downloaded over 40 million times in total and reached number one in 118 countries in the word game category on the Apple 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. By delivering new events to players, it increases the long-term player engagement in WordBrain, thus creating a predictable revenue stream. At the end of the financial year 20/21, a new event system was launched in the game which made it easier to create more challenging and varied events. The new system increased both player engagement and total revenue in WordBrain.

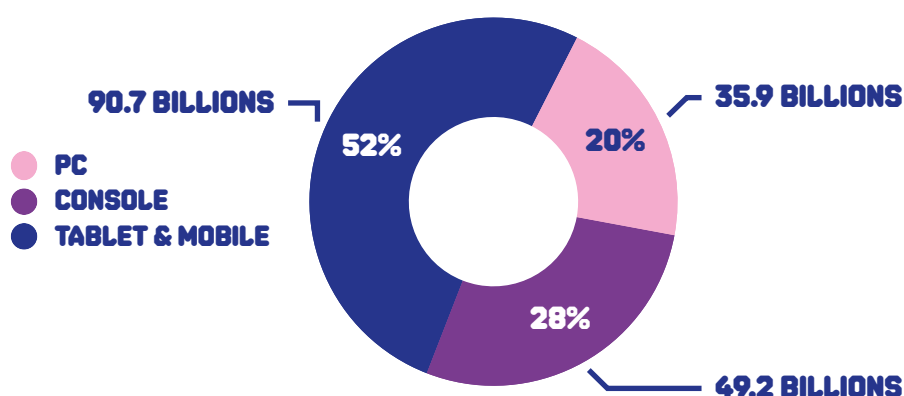


THE MARKET

CONTINUED GROWTH ON THE MOBILE GAMING MARKET

Nearly 3 billion people worldwide played games in 2021, an increase of 5.3% from 2020. These numbers are calculated by Newzoo's annual game index report Game Market Report 2021 which also notes that the global gaming market will generate \$175.8 billion in 2021, a decrease of -1.1% compared to 2020 as a result of the covid-19 pandemic.

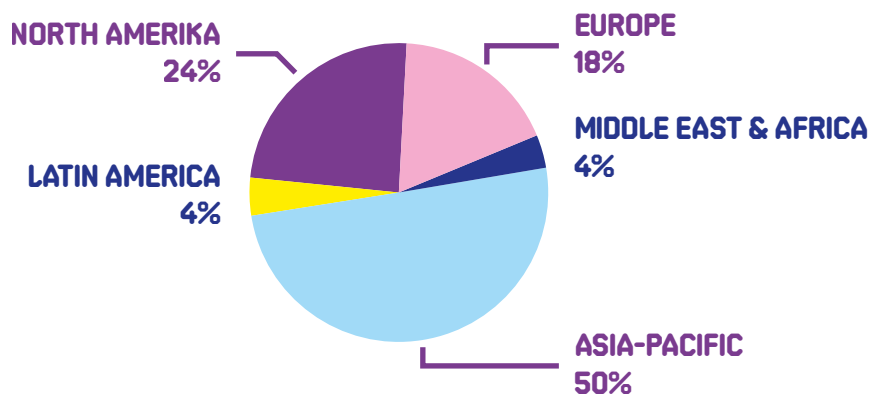
GLOBAL MOBILE GAMES SALES PER SEGMENT 2020



The decrease mainly affected PC and console manufacturers, and it was primarily effects of covid-19 - lower production rates, remote work, disrupted supply lines, etc. - that created challenges to deliver finished games on time. Delays in components for the new generation game consoles PlayStation 5 and Xbox Series X were particularly noticeable. The console market is estimated to decrease by 8.9% in 2021; however, its growth is expected to recover in the coming years.

For the mobile gaming market on the other hand, no significant negative effects were seen from covid-19; however, contrary to the console market, mobile gaming increased its growth by 4.4%. Newzoo estimates that in 2021 mobile games will generate \$90.7 billion and account for more than half of the revenues in the global gaming market. It is a growth that, as in previous years, is driven by an increased

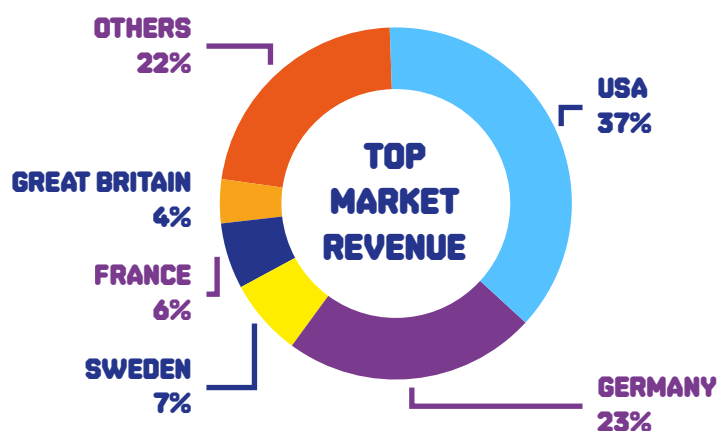
GLOBAL GAMES MARKET PER REGION



online presence, improved internet infrastructure and more people having access to smartphones. This is particularly evident in emerging markets such as the Middle East and Africa. The Asia-Pacific region has the most players in the world, with a total of 55% of the world's playing population, and make up 50% of the global revenue in total.

MOBILE USAGE IS INCREASING - SURPASSES TV VIEWERSHIP

For the first time, mobile usage surpasses TV viewership, at least in the US. Analysis company App Annie writes in its State of Mobile 2021 report that Americans watched TV an average of 3.7 hours a day while spending 4 hours on their mobile (measured in the second part of 2020).





The proportion of smartphones is also continuing to rise steadily in the world. Newzoo's Mobile Market Report 2021 estimates that there will be almost 4 billion smartphones in the world by 2021, an increase of 6.1% from last year. The number of smartphones is expected to increase to 4.5 billion by 2024.

The dominant mobile gaming genre is still casual games, and the primary business model in that category is free-to-play. MAG remains an important player in the casual game space within word, trivia and puzzle games, particularly in the Western European markets and the US, where our highest paying players are found.

CHANGES IN DATA COLLECTION AFFECT THE MARKET

While the mobile market has grown significantly since 2020, there have also been considerable changes that have affected the ecosystem of the entire market. The biggest change is the launch of Apple's App Tracking Transparency (ATT) framework which was released in late April as part of an upgrade to iOS 14. The update changes the management of Apple's identifiers for advertisers (IDFA) which enables the collection of user data on the iOS platform. With iOS 14, companies must request a user's permission to use their IDFA and thereby collect user data. This has changed the landscape for user acquisition (UA) and monetization of products for iOS as it has become more difficult for companies to target advertising directly to a specific target group. According to Newzoo's Global Mobile Market Report 2021, only 17% of iOS users had approved the collection of their mobile data by Mid-September 2021.

Facebook has historically been the most precise network in terms of targeted advertising; accordingly, at the end of the financial year, MAG was able to see some negative effects in terms of UA and advertising revenues on the Facebook Audience Network. However, MAG has not yet seen significant negative effects on overall revenues so far.

EFFECTS OF THE LAWSUIT BETWEEN EPIC GAMES AND APPLE

The conflict between Epic Games and Apple is based on the fact that Epic's game Fortnite offered players in-game purchases outside Apple's own payment solution, something that went against Apple's purchase policy on the App Store. In this way Epic was able to circumvent Apple's fee of 30%, which the company charges on all in-app purchases on the App Store (the percentage has since been adjusted to 15% for certain purchases to certain companies with both Apple and Google).

This conflict resulted in a one-year legal process which in September 2021 received its verdict. The ruling was in Apple's favor on nine out of ten counts, but the judge also announced that Apple prevents sellers from advertising alternative ways to buy goods or services outside their ecosystem, according to Newzoo's Global Mobile Market Report 2021.

It is too early to say what kind of consequences the verdict will have on the mobile market and whether payment methods for third-party solutions will be allowed on the App Store in the future. If other payment options are allowed, it could potentially lead to further major changes in the mobile market.

INCREASE OF 5G PHONES IN THE MARKET

The game industry is also facing another major change: the launch of the new generation of networks, 5G. With 5G, players will experience great differences in speed, download, streaming and response time. Thus 5G can enable a different type of gaming which could redraw the mobile game landscape in the long run. Access to smartphones with 5G compatibility increased significantly during the year, and Newzoo reports in the Global Mobile Report 2021 that there will be 703.5 million 5G-ready smartphones in 2021.

Sources:

[Newzoo Global Games Market Report 2021](#)

[App Annie, The State of Mobile 2021](#)

[Newzoo Global Mobile Market Report 2021](#)

SUSTAINABILITY REPORT

Sustainability for MAG means working long-term both internally and externally to create the best possible conditions for future-proofing the company and minimizing our climate impact. This means, for example, that MAG continuously works with climate impact, diversity and inclusion matters.

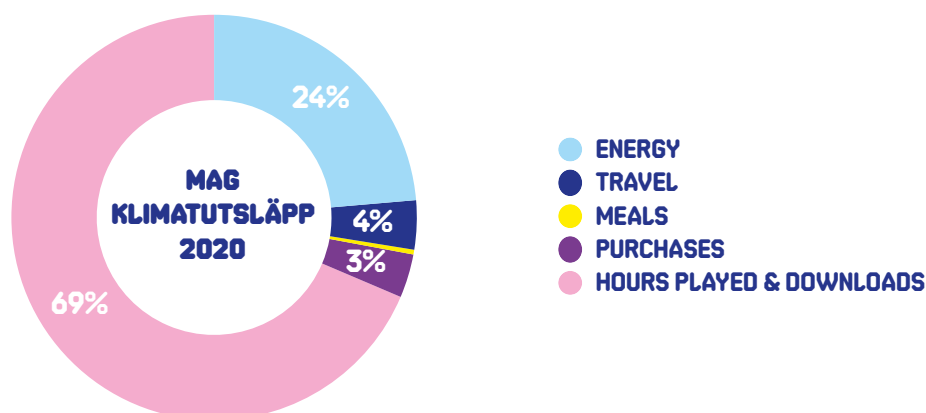
MAG'S CLIMATE IMPACT 2020

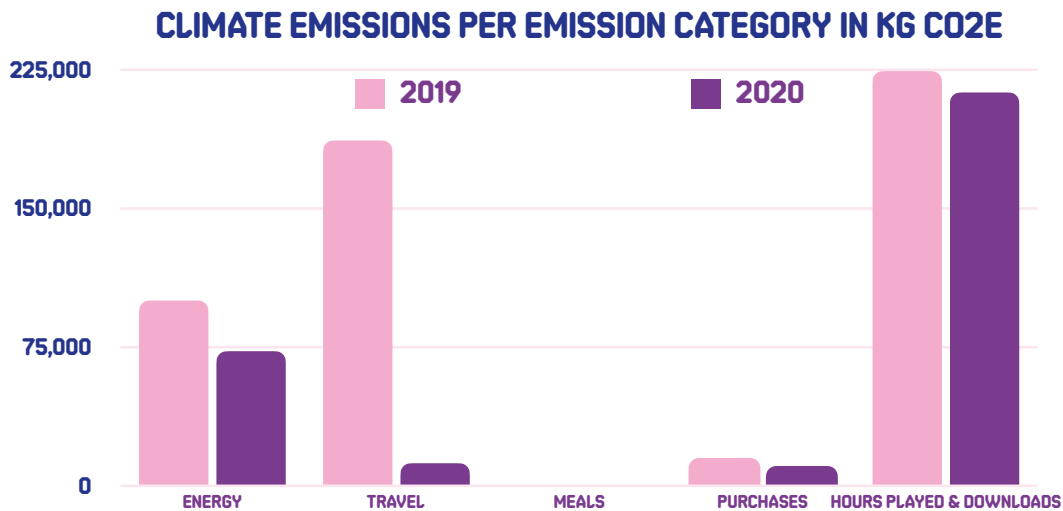
Since 2019, MAG strives to be climate neutral and to compensate for all our carbon emissions. With the help of the company Go Climate, MAG creates a climate report that details how much CO₂ - carbon dioxide - MAG generates through, for example, server operation, flights, electricity use and hardware purchases.

Through Go Climate, MAG compensates for its carbon emissions by donating costs in two parts: one part specifically for flights and the other part to cover remaining emissions. To ensure that they have the best effect, we give our donations directly to the Go Climate Gold Standard Initiatives, special climate initiatives that support three of the UN's global sustainability goals.

MAG's primary sources of emissions have historically been energy, flights and purchases. The majority of our electricity use comes from renewable energy sources. The Stockholm office is powered by green electricity, and our servers in Google Cloud also use green electricity.

As of 2020, we are also compensating for a new category in MAG's climate report: our players' impact on the climate. These CO₂ emissions are calculated from the number of hours played and number of downloads of our games from the internet.





MAG Interactive's climate footprint for the period 2020 is 310.2 tons of carbon dioxide equivalents. This corresponds to 2.9 tons per employee.

In 2020, emissions from flights were reduced due to the global COVID-19 pandemic. We anticipate that this category will increase again in the coming financial year, mainly due to visits between our offices in Stockholm and Brighton. To reduce our impact on the climate, MAG has reviewed our travel policy, clarified the goal of reducing air travel and now only flies when necessary for our business. Time spent playing by MAG users replaced travel as our number one category of carbon dioxide emissions in 2020.

PLAYING FOR THE PLANET

In early 2020, MAG joined the Playing for the Planet Alliance, an initiative under the UN Environment Program that brings together gaming companies around the world with the common goal of improving the world's climate and environment through play. As part of this alliance, MAG has promised to:

- Create inspiring and educational content about the environment in our games
- Work on issues through play that can drive action on specific agendas, such as reforestation
- Strive to have a zero-carbon footprint as a company through compensatory measures and be aware of how we use resources in our business

In 2020, MAG's word game WordBrain carried out a special project aimed at reforestation: We promised to plant one tree for every 2,000 in-game acorns that our players collected. In total, MAG planted 5,000 trees, thus allowing our players to see that their gaming led to something positive for the environment.



After the end of the financial year, MAG expanded its environmental investment through Playing for the Planet, an initiative in which six of our active games participated with various sea-inspired gaming events with the aim of preserving the world's oceans and coral reefs.

DIVERSITY AND INCLUSION

MAG believes that an inclusive, equal and diverse culture is an important part of the company's success. Therefore, we strive for our internal and external efforts to reflect this vision throughout the organization. The diversity and inclusion work at MAG involves:

- Management taking responsibility for and prioritizing diversity work
- Working to attract and retain women
- Increasing the number of women in senior roles and in leadership roles
- Recruiting from various backgrounds
- Creating work methods and initiatives that promote a culture characterized by diversity and inclusion
- Making parental leave policy and benefits clear to encourage employees to take parental leave
- Sharing diversity goals internally and externally

Diversity work is not only about recruiting more women to the company; MAG sees it as an important element of the company as a whole. At the end of the financial year 2019/2020, 25% of MAG employees were women, and we are pleased to have

increased that to 28% by the end of the 2020/2021 financial year within the whole MAG Group, surpassing the average woman employment rate in Sweden's gaming industry of 21%, according to the Swedish Game Trade Association's Game Developer Index Report 2021. This is something we aim to continue to improve further in the coming years.

MAG follows this action plan to work continuously with diversity and inclusion:

AWARENESS DAYS: a yearly event that specifically highlights these matters for proactive and educational purposes; all employees participate in workshops on diversity and inclusion, facilitated by an external partner

TEAM TALKS: MAG has been conducting continuous surveys since 2019 to examine how its employees feel in general; results are discussed within individual teams, with the HR department, or in both settings

REDUCING LANGUAGE BARRIERS: MAG has English as the official language in its offices but also offers three levels of Swedish lessons to all employees at the Stockholm office

PARENTAL LEAVE: MAG encourages all employees to take time off and spend time with their child(ren) and therefore offers a generous parental leave package

ONBOARDING: MAG adapts the introduction of all employees to their specific needs to give them the best possible start at MAG; the goal is for all employees to have the same conditions when they start

DIVERSITY & INCLUSION GROUP: MAG has a dedicated group that works to address diversity and inclusion issues and meets regularly to follow up on the overall goals and upcoming initiatives to promote them. The group is open to all employees to participate

MAG also recruits from different backgrounds and countries. During the previous year, 30% of recruitments were from outside Sweden and Great Britain.

The diversity goals for 2021/2022 are to continue striving for the proportion of women in leading roles to - at a minimum level - reflect the proportion of women in the organization as a whole - which today is about one third - and to increase the number of women in game production roles. We will also develop our recruitment process to counteract prejudices when recruiting.

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)

JONAS ERIKSSON, 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 (AGM) 2021 until the AGM to be held in 2022 for the financial year 2020/2021. The Company's financial year is between 1 September - 31 August.

Share holdings are valid per 30 September 2021.

JONAS ERIKSSON, CHAIRMAN OF THE BOARD

Jonas Eriksson, born in 1967, is a member and Chairman of the board of directors of MAG Interactive since 2021.

Other assignments: Jonas Eriksson has no ongoing or completed assignments.

Previous assignments: Jonas Eriksson has been, but is no longer, CEO and Editor-in-Chief of News agency TT, CEO of Canal Plus (now C More), CEO of Bonnier Tidskrifter, CEO of LNK TV Litauen, chairman of Retraver, chairman of SF Bio, chairman of Bonnier Home Entertainment, a member of the board of directors of TV4 and MTV Media Finland.

Education: Holds a Degree of Master of Science in Business and Economics from Mittuniversitet in Sundsvall.

Shares: Jonas Eriksson owns 21,000 shares in the company.

Jonas Eriksson is independent to large shareholders and to the company and the executive management.



DANIEL HASSELBERG, CEO AND BOARD MEMBER

Daniel Hasselberg, born in 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), NMO Invest AB, Sventertainment AB and Appropo.

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, is a member of the board of directors of MAG Interactive since 2018.

Other assignments: Andras Vajlok is also a board member of Unibap

AB, Paradox Interactive, The Gifted Company, Neon Giant, Pepins and Besedo. 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 480,792 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 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 55,000 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



(from the upper left row)

MAGNUS HOLMSTRÖM, PATRIC BLIXT, MAGNUS WIKLANDER, SARA HJÄRTBERG, DANIEL HASSELBERG, KAJ NYGREN.

DANIEL HASSELBERG, CEO

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, CFO

Magnus Wiklander, born in 1973, is the Chief Financial Officer of MAG Interactive since 2017.

Other assignments: Magnus Wiklander is also a board member of Liphax AB and substitute in the boards of Sventertainment AB and Apprope.

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), 103,213 warrants (warrant option program, 2020) and 80,000 warrants (warrant option program, 2021) in the company.

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

**KAJ NYGREN, CTO**

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.

PATRIC BLIXT, CMO

Patric Blixt is the Chief Marketing Officer, born in 1969, 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), 130,000 warrants (warrant option program, 2020) and 143,949 warrants (warrant option program, 2021) in the company.

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

SARA HJÄRTBERG, HEAD OF PEOPLE AND CULTURE

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

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

Education: Sara Hjärtberg holds a Master's Degree in Human Resources from Linköping University.

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



MAGNUS HOLMSTRÖM, HEAD OF PRODUCTION

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

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

Education: Magnus Holmström 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), one wholly owned subsidiary in the United Kingdom, MAG Games Limited and three wholly owned subsidiaries in Sweden, MAG United AB, Sventertainment AB that is a subsidiary group consisting of six companies and Apprope AB. 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 26,494,653.

As listed on the company website as of September 30, 2021, the major owners are:

OWNERS	NUMBER OF SHARES	%
AVANZA PENSION	3,404,980	12.9
DANIEL HASSELBERG	3,186,666	12.0
KAJ NYGREN	3,100,439	11.7
DIDNER & GERGE	2,215,000	8.4
SWEDBANK ROBUR	2,200,000	8.3
ANDERS LARSSON	1,444,560	5.5
FREDRIK STENH	1,353,256	5.1
JOHAN PERSSON	1,192,560	4.5
CHALEX	952,841	3.6
NORDNET PENSIONS FÖRSÄKRING AB	756,705	2.9

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 chairman while also being a member 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. As one of the larger shareholders Kaj Nygren were appointed member 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 2022 will be held on Wednesday 19 January 2022 in Stockholm at the company headquarter on Drottninggatan 95A.

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: Jonas Eriksson, 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 (13) meetings during the financial year, where and two (2) of the meetings were by correspondence. In twelve of the meeting all members of the board were present, while in one meeting all but one member were 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 20, 2021 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: Jonas Eriksson 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 20, 2021.

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 January 2021, the members of the audit committee are: Jonas Eriksson and Andras Vajlok (chair). The audit committee met four times during the period September 2020 to August 2021. 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 ECO 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 1,500,215 warrants and employee stock options have been issued to employees of the company. This represents a total potential dilution of 5.7%. The outstanding options and warrants are described below.

ESOP 2019

The annual general meeting 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 2 March 2022 to 2 April 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 AND WARRANTS 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 73 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.

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.

ESOP AND WARRANTS 2021

The annual general meeting 2021 resolved to issue up to 264,947 personnel stock options. 256,555 options were issued on March 1, 2021 and subscribed for by 86 employees. Each option entitles the holder to one share, and the exercise price is SEK 50.1 per share. The run time period for the options is March 1, 2021 to March 1, 2024. 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.

The annual general meeting 2021 resolved to issue 264,947 warrants to members of the management teams members within the group. All of the warrants were subscribed to in February 2021. One warrant entitles subscription to one shares and the strike price is SEK 50.1. 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, 2021 to March 1, 2024.

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 2020/2021 amounted to SEK 575,000.

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 2020/2021 (ending August 31, 2021).

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 specializes in word games and trivia, with a portfolio of titles including New QuizDuel, Wordzee, Primetime, Word Bubbles, Ruzzle, Word Domination and WordBrain, that have been downloaded over 350 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), MAG United AB (incorporated in Sweden with registration number 559182-8230 and with its site in Stockholm), Sventertainment AB (incorporated in Sweden with registration number 559155-8464 and with its site in Stockholm) that is a subsidiary group consisting of six companies and Apprope AB (incorporated in Sweden with registration number 556899-3967 and with its site in Stockholm).

The group has 117 employees as of the end of the financial year, of which MAG Games Ltd has 22, MAG United AB has 0, the Sventertainment group has 16 and Apprope AB has 2 employees. Sventertainment is the developer and publisher of the trivia app Primetime. Apprope AB is the developer of mobile casual games like Word Mansion and Wordbubbles. All other major games in the portfolio are published by MAG Interactive AB.

GROUP PERFORMANCE 2020/2021

OPERATING INCOME

The Group's net sales for the period totalled 286,584 KSEK (217,566 KSEK), an increase of 32%. Own work capitalized totalled 35,026 KSEK (28,099 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 New Quizduel, Wordzee, Word Domination, Ruzzle, Word Mansion, WordBrain and Primetime.

OPERATING EXPENSES, EBITDA AND OPERATING PROFIT/LOSS

Operating expenses totalled 268,367 KSEK (226,554 KSEK). Of these, 61,674 KSEK (51,129 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 76,718 KSEK (72,774 KSEK) were costs of user acquisition and 34,171 KSEK (28,791 KSEK) were other external operating expenses. During the year, user acquisition costs are mainly attributable to the games Wordzee, Word Mansion, New Quizduel and Word Domination.

Personnel expenses totalled 95,803 KSEK (73,860 KSEK) an increase of 30%. Adjusted personnel cost (adjusted for research and development deductible previous financial year) totalled 95,803 KSEK (81,481 KSEK). The average number of employees during the period was 105 (84) an increase of 25%. EBITDA for the period was 51,617 KSEK (21,157 KSEK). Adjusted EBITDA for the period was 57,675 KSEK (14,202 KSEK), see note 11.

Depreciation and impairments of tangible and intangible assets totalled 49,259 KSEK (37,768 KSEK), of which 26,914 KSEK (23,476 KSEK) was depreciation of capitalized development expenses.

The Group's operating profit was 7,358 KSEK (-16,611 KSEK) and profit before tax 6,264 KSEK (-22,636 KSEK). Adjusted profit/loss before tax was 7,322 KSEK (-29,591 KSEK), see note 11. Profit after tax totalled 7,027 KSEK (-17,371 KSEK). The profit after tax per share was 0.27 SEK/share (-0.66 SEK/share) and the profit after tax per share fully diluted was 0.25 SEK/share (-0.63 SEK/share). The average number of shares during the period was 26,494,653 (26,343,600) and the average number of shares fully diluted was 27,9734,117 (27,530,821).

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

Intangible non-current assets at the end of the period totalled 269,071 KSEK (141,843 KSEK), of which 160,696 KSEK (77,153 KSEK) relates to intellectual property and 108,376 KSEK (64,690 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 95,515 KSEK (160,630 KSEK). Total assets at the end of the year were 476,568 KSEK (411,985 KSEK). Equity at the end of the period totalled 323,416 KSEK (313,840 KSEK), corresponding to 12.2 SEK/share (11.9 SEK/share). The equity/assets ratio at the same time was 67.9% (76.2%). Other long-term liabilities consist of long term earn out from the acquisitions of the Sventertainment Group and Apprope AB and amount to 43,739 KSEK. The group has interest bearing debt of 45,655 KSEK (54,346 KSEK) of which 137 KSEK is attributable to loan from financial institutes and the rest refers to financial lease.

PARENT COMPANY PERFORMANCE 2020/2021

OPERATING INCOME

The parent company's net sales for the period were 234,101 KSEK (217,566 KSEK), an increase of 8% compared with the same period the previous year. Of the previous year's comparative figure are 28,635 KSEK of the revenues are related to the merger of FEO Media AB.

OPERATING EXPENSES AND OPERATING PROFIT/LOSS

Operating expenses totalled 233 099 KSEK (234,022 KSEK). Of these costs 53,016 KSEK (51,168 KSEK) were sales related costs originating primarily from fees to Apple App Store and Google Play. Costs of user acquisition were 51,245 KSEK (72,774 KSEK) and 59,173 KSEK (35,568 KSEK) was other external operating expenses. Of the previous year's comparative figures 4,593 KSEK of the costs are related to the merger of FEO Media AB.

Depreciation and impairments of tangible and intangible assets totalled 19,494 KSEK (20,575 KSEK). The parent company's operating profit for the period was -14,831 KSEK (-34,985 KSEK). Profit after tax totalled to -13,796 KSEK (-33,843 KSEK).

FINANCIAL POSITION AT THE END OF THE YEAR

The parent company's intangible non-current assets at the end of the financial year totalled 40,559 KSEK (57,967 KSEK). Cash and cash equivalents at the end of the period totalled 80,306 KSEK (156,668 KSEK). Total assets at the end of the year were 351,400 KSEK (315,847 KSEK). Equity at the end of the period totalled 267,628 KSEK (279,304 KSEK). Other long-term liabilities consist of long term earn out from the acquisitions of the Sventertainment Group and Apprope AB and amount to 43,739 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 for example the Apple App Store or Google Play) and in-app advertising. The Group's net sales from in-app purchases for the period were 111,602 KSEK (83,586 KSEK), an increase of 34% compared to the same period the previous year. The Group's net sales from in-app advertising were 174,259 KSEK (133,390 KSEK), an increase of 31% compared with the same period the previous year.

GAME CONTRIBUTION

Games that are marketed by MAG Interactive have different cost levels in their distribution cost (Sales-related costs) and marketing cost (user acquisition), 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 user acquisition. User acquisition includes digital advertising and other advertising associated directly with the company's products, as well as services and charges directly attributable to user acquisition. General marketing of the company and brand is not included in the cost of user acquisition. The Group's game contribution was 177,350 KSEK (119,734 KSEK), an increase of 48% 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. Xignite average exchange rate per month is used for translation into USD.

DAU for the financial year was 1.87 million (2.06 million), a decrease of 9% compared with the previous year. MAU for the financial year was 6.02 million (6.78 million), a decrease of 11% compared to the previous year. MUP for the period was 53 thousand (51 thousand), an increase of 4% compared with the previous year. ARPDau for the financial year was 4.93 dollar cent (3.03 dollar cent), an increase of 63% 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 September 1 2020 the acquisition was completed and Sventertainment AB became a wholly-owned subsidiary
- On January 4 2021 the acquisition was completed and Apprope AB became a wholly-owned subsidiary
- On February 28 2021 the warrant program 2021/2024:3 which was approved by the AGM on January 20 2021, was initiated
- A new long term incentive program for employees started on March 1 2021, which was determined on the annual general meeting on January 20 2021
- On March 8 2021, the new live trivia game mode QuizDuel Live launched in New QuizDuel on the German market

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

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

PROPOSED DISTRIBUTION OF EARNINGS

(SEK)

The Annual General Meeting has at its disposal:

Retained earnings	33,217,677
Profit/loss for the year	7,026,986
Total	40,244,663

The Board of Directors and the Chief Executive Officer proposes appropriation of retained earnings as follows:

Carried forward	40,244,663
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DIVIDEND

The board of directors propose to the annual general meeting on January 19, 2022 that no dividend will be paid out for the financial year 2020/21.

THE GROUPS' FIVE-YEAR OVERVIEW

(KSEK)

	8/31/2021	8/31/2020	8/31/2019	8/31/2018	8/31/2017
Net sales	286,584	217,566	172,953	216,870	260,405
Result after financial items	6,264	-22,636	-17,216	-65,231	3,552
Balance sheet total	476,568	411,985	377,343	417,741	140,111
Equity / asset ratio %	67.86%	76.18 %	87.69 %	82.39 %	70.59 %

ANNUAL GENERAL MEETING

The annual general meeting for MAG Interactive AB (publ) will be held on Wednesday January 19, 2022 in Stockholm. For more details see the section Annual general meeting in Corporate governance.

TABLE OF CONTENTS

Consolidated statement of comprehensive income	59
Consolidated balance sheet	60
Consolidated statement of changes in equity	62
Consolidated cash flow statement	63
Parent company's income statements	64
Parent company's balance sheet	65
Change in equity in the parent company	67
Parent company's cash flow statement	68
Note 1 - General information	69
Note 2 - Summary of important accounting policies	69
Note 3 - Financial risk management	83
Note 4 - Important estimates and judgements for accounting purposes	86
Note 5 - Distribution of net sales	87
Note 6 - Intangible assets	88
Note 7 - Other operating income	90
Note 8 - Sales-related costs	90
Note 9 - Remuneration paid to auditors	91
Note 10 - Personnel costs	91
Note 11 - Adjusted personnel costs, EBITDA and result before tax	94
Note 12 - Tangible assets	95
Note 13 - Financial items	96
Note 14 - Income tax	97
Note 15 - Earnings per share	98
Note 16 - Leases	98
Note 17 - Financial instruments by category	100
Note 18 - Other long-term receivables	101
Note 19 - Deferred tax asset	102
Note 20 - Trade and other receivables	103
Note 21 - Other current receivables	104
Note 22 - Prepaid expenses and accrued income	104
Note 23 - Cash and cash equivalents	104
Note 24 - Equity	104
Note 25 - Other long-term liabilities	105
Note 26 - Deferred tax liability	105
Note 27 - Other current liabilities	106
Note 28 - Accrued expenses and prepaid income	106
Note 29 - Long-term incentive programs	107
Note 30 - Adjustment for items not included in the cash flow	112
Note 31 - Business combinations	113
Note 32 - Changes in liabilities from financing activities	117
Note 33 - Holdings and investments in subsidiaries	118
Note 34 - Intercompany receivables and liabilities	119
Note 35 - Merger of FEO Media AB	119
Note 36 - Associated parties	120
Note 37 - Pledged assets	120
Note 38 - Significant events after the end of the year	120

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in KSEK

	Note	Financial year	
		2020/2021	2019/2020
Operating income			
Net sales	5	286,584	217,566
Own work capitalized	6	35,026	28,099
Other operating income	7	3,373	2,046
Total		324,983	247,711
Operating expenses			
Sales-related costs	8	-138,392	-123,903
Other external expenses	9	-34,171	-28,791
Personnel costs	10, 11	-95,803	-73,860
Depreciation and impairment of tangible and intangible non-current assets	6, 12	-49,259	-37,768
Total operating expenses		-317,626	-264,322
Operating profit/loss		7,358	-16,611
Profit/loss from securities		0	-663
Financial income		495	729
Financial expenses		-1,589	-6,090
Net financial items	13	-1,094	-6,025
Profit/loss before tax	11	6,264	-22,636
Income tax	14	764	5,265
Profit/loss for the year	15	7,027	-17,371
Other comprehensive income		2020/2021	2019/2020
Items that can be transferred to profit/loss for the year			
Exchange rate differences		429	-659
Total other comprehensive income for the year, after tax		429	-659
Total comprehensive income for the year		7,457	-18,029

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

	2020/2021	2019/2020
Earnings per share calculated on basis of profit/loss attributable to the parent company's shareholders (expressed as SEK per share).	0.27	-0.66
Earnings per share fully diluted calculated on basis of profit/loss attributable to the parent company's shareholders (expressed as SEK per share).	0.25	-0.63

CONSOLIDATED BALANCE SHEET

Amounts in KSEK

	Note	8/31/2021	8/31/2020
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	<u>6</u>	160,696	77,153
Other intangible assets	<u>6</u>	108,376	64,690
Total intangible assets		269,071	141,843
Tangible assets			
Right-of-use assets	<u>16</u>	43,341	52,751
Equipment, tools, fixtures and fittings	<u>12</u>	8,157	8,438
Total tangible assets		51,498	61,190
Financial non-current assets	<u>17</u>		
Other long-term receivables	<u>18</u>	4,107	4,052
Deferred tax asset	<u>19</u>	7,615	5,841
Total financial non-current assets		11,722	9,893
Total non-current assets		332,291	212,926
Current assets			
Current receivables			
Trade and other receivables	<u>20</u>	33,153	23,015
Current tax assets	<u>14</u>	8,744	1,075
Other current receivables	<u>21</u>	1,156	979
Prepaid expenses and accrued income	<u>22</u>	5,707	13,360
Total short-term receivables		48,762	38,429
Cash and cash equivalents	<u>17, 23</u>	95,515	160,630
Total current assets		144,277	199,059
TOTAL ASSETS		476,568	411,985

CONSOLIDATED BALANCE SHEET

Amounts in KSEK

	Note	8/31/2021	8/31/2020
Equity and liabilities			
Equity that can be attributed to the parent company's shareholders			
Share capital	<u>24</u>	688	687
Other external capital		284,295	282,176
Reserves		-1,812	-2,241
Retained earnings incl. comprehensive income for the year		40,245	33,218
Total equity		323,416	313,840
LIABILITIES			
Long-term liabilities			
Other long-term liabilities	<u>25</u>	43,739	0
Deferred tax liabilities	<u>26</u>	22,325	13,326
Long-term lease liabilities	<u>16</u>	36,127	45,239
Total long-term liabilities		102,192	58,565
Current liabilities	<u>17</u>		
Trade and other payables		12,528	11,919
Current tax liability	<u>14</u>	392	86
Short-term lease liabilities	<u>16</u>	9,391	9,107
Other current liabilities	<u>27</u>	12,062	3,349
Accrued expenses and prepaid income	<u>28</u>	16,587	15,119
Total current liabilities		50,960	39,581
Total liabilities		153,152	98,146
TOTAL EQUITY AND LIABILITIES		476,568	411,985

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in KSEK

	Note	Share capital	Other external capital	Reserves	Retained earnings and profit/loss for the	Total equity
Opening balance as of 9/1/2019		684	281,219	-1,582	50,588	330,909
Profit/loss for the year					-17,371	-17,371
Exchange rate				-659		-659
Total comprehensive income		684	281,219	-2,241	33,217	312,879
LTIP	<u>29</u>		957			960
Closing balance 8/31/2020		687	282,176	-2,241	33,217	313,840
Opening balance 8/31/2020		687	282,176	-2,241	33,217	313,840
Profit/loss for the year					7,027	7,027
Exchange rate				429		429
Total comprehensive income		687	282,176	-1,812	40,244	321,296
LTIP	<u>29</u>	1	2,119			2,120
Closing balance 8/31/2021		688	284,295	-1,812	40,245	323,416

CONSOLIDATED CASH FLOW STATEMENT

Amounts in KSEK

	Note	8/31/2021	8/31/2020
Cash flow from operating activities			
Profit/loss before financial items		7,358	-16,611
Adjustment for items not included in cash flow	30	49,911	38,225
Interest received		5	729
Interest paid		-19	-318
Interest leasing	16	-1,259	-1,223
Intome tax paid		394	10,656
Cash flow from operating activities before change in working capital		56,390	31,458
Change in current operating receivables		6,427	-6,153
Change in current operating liabilities		-12,797	12,569
Total change in working capital		-6,370	6,416
Cash flow from operating activities		50,020	37,874
Cash flow from investing activities			
Investment in and acquisition of tangible non-current assets	12	-2,231	-5,102
Capitalized work	6	-35,026	-28,099
Payment for acquisition of subsidiary, net of cash acquired	31	-63,091	-
Change in financial investments		-48	-1,978
Change in securities		-	-663
Cash flow from financing activities		-100,397	-35,842
Cash flow from financing activities	32		
Option scheme	29	1,468	504
Amortized short-term loan		-71	-15,556
Amortized long-term loan		-7,190	0
Amortized leasing liabilities	16	-9,123	-6,872
Cash flow from financing activities		-14,917	-21,924
Change in Cash and cash equivalents			
Cash flow for the year		-65,293	-19,892
Exchange rate difference in cash and cash equivalents		178	-4,550
Opening cash and cash equivalents		160,630	185,071
Closing cash and cash equivalents	23	95,515	160,630

PARENT COMPANY'S INCOME STATEMENT

Amounts in KSEK

		Financial year	
	Note	2020/2021	2019/2020
Operating income			
Net sales	<u>5</u>	234,101	217,566
Other operating income	<u>7</u>	3,661	2,046
Total		237,762	219,612
Operating expenses			
Sales-related costs	<u>8</u>	-104,262	-123,942
Other external expenses	<u>9</u>	-59,173	-35,568
Personnel costs	<u>10</u>	-69,664	-74,511
Depreciation and impairments of tangible and intangible non-current assets	<u>6, 12</u>	-19,494	-20,575
Total operating expenses		-252,593	-254,597
Operating profit/loss		-14,831	-34,985
Financial items			
Profit/loss from securities		0	-663
Financial income		275	1,265
Financial expenses		-6	-5,403
Net financial items	<u>13</u>	269	-4,802
Profit/loss after financial items		-14,562	-39,786
Profit/loss before tax		-14,562	-39,786
Taxes			
Tax on profit/loss for the year	<u>14</u>	766	5,944
Profit/loss for the year		-13,796	-33,843

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	8/31/2021	8/31/2020
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	6, 31	17,059	30,707
Other intangible assets	6, 31	23,500	27,260
Total intangible assets		40,559	57,967
Tangible assets			
Equipment, tools, fixtures and fittings	12	5,648	5,579
Total tangible assets		5,648	5,579
Financial non-current assets			
Participation in Group companies	33	176,151	47,252
Deferred tax assets	19	5,833	5,841
Long-term receivables from Group companies	34	166	136
Other long-term receivables	18	3,766	3,766
Total financial non-current assets		185,915	56,995
Total non-current assets		232,122	120,541
Current assets			
Current receivables			
Trade and other receivables		24,795	23,015
Trade and other receivables Group	34	32	0
Other current receivables	21	9,323	2,410
Other current receivables Group	33	128	0
Prepaid expenses and accrued income	22	4,694	13,213
Total current receivables		38,972	38,638
Cash and cash equivalents	23	80,306	156,668
Total current assets		119,278	120,541
TOTAL ASSETS		351,400	315,847

PARENT COMPANY'S BALANCE SHEET

Amounts in KSEK

	Note	8/31/2021	8/31/2020
EQUITY			
Restricted equity			
Share capital (26,494,653 shares 8/31/2021) (26,454,632 shares 8/31/2020)	<u>24</u>	688	687
Non-restricted equity			
Other external capital		315,684	313,565
Retained earnings		-34,949	-1,106
Profit/loss for the year		-13,796	-33,843
Total non-restricted equity		266,940	278,616
TOTAL EQUITY		267,628	279,304
LIABILITIES			
Reserves			
Other reserves	<u>25</u>	43,739	0
Total reserves		43,739	0
Long-term liabilities			
Other long-term liabilities	<u>26</u>	4,841	5,616
Total long-term liabilities		4,841	5,616
Current liabilities			
Trade and other payables		9,001	11,702
Trade and other payables Group companies	<u>34</u>	3,997	2,845
Other liabilities	<u>27</u>	9,335	3,140
Accrued expenses and prepaid income	<u>28</u>	12,858	13,241
Total current liabilities		35,192	30,928
TOTAL LIABILITIES		83,772	36,544
TOTAL EQUITY AND LIABILITIES		351,400	315,847

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 9/1/2019		684	312,608	37,345	350,637
Profit/loss of the year				-33,843	-33,843
Merge reserve	34			-38,451	-38,451
LTIP	29	3	957		960
Closing balance as of 8/31/2020		3	957	-34,949	279,304
Opening balance as of 9/1/2020		3	957	-34,949	279,304
Profit/loss of the year				-13,796	-13,796
LTIP	29	1	2,119		2,120
Closing balance as of 8/31/2021		688	315,684	-48,745	267,628

PARENT COMPANY'S CASH FLOW STATEMENT

Amounts in KSEK

	Note	8/31/2021	8/31/2020
Cash flow from operating activities			
Profit/loss before financial items		-14,831	-34,985
Adjustment for items not included in cash flow	30	20,146	20,777
Interest received	13	5	1,265
Interest paid	13	-6	-853
Income tax paid		-7,608	592
Cash flow from operating activities before change in working capital		-2,294	-13,205
Change in current operating receivables		7,275	120,516
Change in current operating liabilities		48,003	-106,105
Total change in working capital		55,278	14,411
Cash flow from operating activities		52,983	1,207
Cash flow from investing activities			
Investments in tangible non-current assets	12	-2,155	-4,734
Change in securities		-	-663
Change in long-term receivables		-30	-2,057
Change in financial investments		-128,898	-
Effect from merger	35	-	3,055
Cash flow from investing activities		-131,084	-4,400
Cash flow from financing activities			
Option scheme	29	1,468	504
Amortized loan		0	-15,556
Cash flow from financing activities		1,468	-15,051
Decrease/increase in cash and cash equivalents			
Cash flow for the year		-76,633	-18,245
Exchange rate difference in cash and cash equivalents		271	-4,553
Opening balance cash and cash equivalents		156,668	179,465
Closing balance cash and cash equivalents		80,306	156,668

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.

New and changes to accounting policies applied by the Group

Disclosures removed as not relevant for the current reporting period. There are no new or amended accounting standards that required the group to change its accounting policies for the 2020/2021 financial year.

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

Certain new accounting standards and/or interpretations have been published by IASB that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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.

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 2020/2021 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.

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as other current liabilities in the balance sheet.

Leave obligations

The leave obligations cover the group's liabilities for annual leave which are classified short-term benefits

Share-based payments

Share-based compensation benefits are provided to employees via the groups Employee Option Plan, an employee share scheme, the executive short-term incentive scheme and share appreciation rights. Information relating to these schemes is set out in note 29.

Employee options

The options granted under the groups Employee Option Plan is recognised as an employee benefits expense, with a corresponding increase in equity. The options value is based on 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.

The total expense is recognised over the vesting period. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The employee contributions that arise on the allotment of share options are considered an integral part of the allotment. At the end of each reporting period, the Group reassesses its assessments of the value of the options according to the Black & Scholes valuation formula and then re-evaluates the employee contributions.

Bonus plans

The group recognises a liability and an expense for bonuses. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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. The Group has since acquiring Sventertainment AB also sponsorship and advertising income.

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. At the moment a deduction of 15% is also given for revenue up to the first million USD by one of the platforms. 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.

The Group 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. Ad and sponsorship revenue from the Sventertainment Group is treated in the same way.

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

In 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 Group has applied the standard for office rental agreements and car leases.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is the case for leases in the Group, the lessee's incremental borrowing rate is used, which is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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 USER ACQUISITION

User acquisition (direct marketing/performance-based 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 user acquisition.

2.19 SUMMARY OF THE PARENT COMPANY'S SIGNIFICANT ACCOUNTING POLICIES

MAG Interactive AB (publ)'s (the parent company's) set of accounts is 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 comparative financial year, a wholly 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.

Depreciation of goodwill

Goodwill from the merger of FEO media AB is depreciated on a straight-line basis over the estimated useful life, which is estimated to amount to three years. Depreciation of merger goodwill is reported in the income statement in the item "Depreciation and impairments of tangible and intangible non-current assets".

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) Currency risk

Currency risk (transaction 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 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. The Group does not currently hedge any foreign currencies.

Exposure

The Group's primary exposure to foreign currency risk at the end of the reporting period, expressed in thousands of SEK was as follows:

As at August 31	2020/2021			2019/2020		
	SEK/USD	SEK/EUR	SEK/GBP	SEK/USD	SEK/EUR	SEK/GBP
Trade receivables	34,382	103	-	21,426	78	-
Trade payables	-6,594	-606	-3,831	-5,808	-558	-3,568
Total	27,788	-503	-3,831	15,618	-480	-3,568

Sensitivity

The Group is primarily exposed to changes in USD/SEK, EUR/SEK and GBP/SEK exchange rates. The Group's risk exposure in foreign currencies:

For the year ending August 31	Impact on profit/loss before tax	Impact on profit/loss before tax
	2020/2021	2019/2020
USD/SEK exchange rate—increase/ decrease 10 %	+/- 2,779	+/- 1,562
EUR/SEK exchange rate—increase/ decrease 10 %	+/- 50	+/- 48
GBP/SEK exchange rate—increase/ decrease 10 %	+/- 383	+/- 357

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's policy is not to hedge the translation exposure related to net foreign assets to reduce translation risk in the consolidated financial statements.

(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	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	3,349

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
Other long term liabilities	-	-	-	43,739	-	43,739
Trade and other payables	11,850	678	-	-	-	12,528
Leasing liabilities	2,324	7,067	9,291	24,534	2,303	45,518
Other current liabilities	12,062	-	-	-	-	12,062
Accrued expenses and prepaid income	16,155	-	-	-	432	16,587

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 160 696 as of August 31, 2021 (KSEK 77,153 as of 31 August 2020).

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 2021, retained expenses for development expenses totaled KSEK 45 542 (KSEK 37,430 as of August 31, 2020).

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	
	2020/2021	2019/2020	2020/2021	2019/2020
In-app purchases	111,602	83,586	104,288	83,586
Advertising sales	174,259	133,390	129,090	133,390
Other	723	591	723	591
Total	286,584	217,566	234,101	217,566
The Group's distribution by country	2020/2021	2019/2020		
Sweden	281,556	217,566		
Denmark	3,568	-		
Norway	959	-		
Finland	502	-		
Total	286,584	217,566		

The Group's income distributed by registered office and company. Sventertainment is the developer and publisher of the trivia app Primetime and Approe AB publish the games Word Bubbles, WordWizzle Search och Word Wizzle Themes. All other games in the portfolio are published by MAG Interactive AB, with its office registered in Sweden.

NOTE 6 - INTANGIBLE ASSETS

Intellectual property rights to games on platforms

	Group		Parent	
	2020/2021	2019/2020	2020/2021	2019/2020
Opening balance, purchase value	37,600	37,600	37,600	0
Merger of subsidiary	-	-	-	37,600
Acquired intellectual property rights to games for platforms	45,000	-	-	-
Closing balance, purchase value	82,600	37,600	37,600	37,600
Opening balance, depreciation	-10,340	-6,581	-10,340	0
Merger of subsidiary	-	-	-	-6,581
Depreciation	-9,427	-3,759	-3,760	-3,759
Closing balance, depreciation	-19,767	-10,340	-14,100	-10,340
Closing balance	62,833	27,260	23,500	27,260

Capitalized expenditure for development works on mobile platforms

	Group	
	2020/2021	2019/2020
Opening balance	121,497	93,398
Capitalized development costs	35,026	28,099
Closing balance	156,523	121,497
Opening balance, depreciation	-84,067	-60,590
Depreciation	-26,914	-23,477
Closing balance, depreciation	-110,981	-84,067
Closing balance	45,542	37,430

Goodwill	Group		Parent	
	2020/2021	2019/2020	2020/2021	2019/2020
Opening balance	77,153	77,482	68,237	0
Acquisitions	83,276	-	-	-
Merger of subsidiary	-	-	-	68,237
Exchange rate differences	267	-329	-	-
Closing balance	160,696	77,153	68,237	68,237
Opening balance, depreciation	0	0	-37,530	0
Merger of subsidiary	-	-	-	-23,883
Depreciation	-	-	-13,647	-13,647
Closing balance, depreciation	0	0	-51,177	-37,530
Closing balance	160,696	77,153	17,060	30,707

Impairment testing of goodwill for the Group

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 8/31/2021 and as of 8/31/2020. 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 group's goodwill consists of goodwill from the acquisitions of MAG Games Ltd, the Sventertainment group and Approe AB.

MAG Games is fully integrated in MAG Interactive AB (publ), but Wordzee and Live Ops games Ruzzle, Wordbrain, Wordbrain 2, Word Domination and Wordalot are developed and managed by MAG Games and together they are therefore seen as the smallest cash-generating unit whereby the valuation of goodwill from MAG Games can be performed on. Regarding MAG Games, the assessment of future cash flows is based on the budget for the coming year. Cash flows after the forecast period are calculated with an assumption of a growth rate after the forecast period of 10 percent per annum for five years and thereafter 0 percent per annum (August 31, 2020: 2 percent).

Approe AB and the Sventertainment Group are seen as individual smallest cash-generating units.

Regarding Approe, the assessment of future cash flows is based on the budget for the coming year. Cash flows after the forecast period are calculated with an assumption of a growth rate after the forecast period of 10 percent per annum for five years and thereafter 0 percent per annum.

Regarding Sventertainment, the assessment of future cash flows is based on the budget for the coming years. Cash flows after the forecast period are calculated with an assumption of a growth rate after the forecast period of 37 percent for year 1 and thereafter 0 percent per annum.

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, 2021 (August 31, 2020: 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	
	2020/2021	2019/2020	2020/2021	2019/2020
Intercompany revenue	-	-	814	0
Exchange rate gains	3,396	1,930	2,781	1,930
Other	-22	116	66	116
Total other operating income	3,373	2,046	3,661	2,046

NOTE 8 - SALES-RELATED COSTS

	Group		Parent	
	2020/2021	2019/2020	2020/2021	2019/2020
Platform fee	32,516	25,058	30,382	25,058
Performance-based marketing	76,718	72,774	51,245	72,774
Other sales charges	29,158	26,071	22,634	26,111
Total sales-related costs	138,392	123,903	104,261	123,943

NOTE 9 - REMUNERATION PAID TO AUDITORS

Remuneration paid to auditors	Group		Parent	
	2020/2021	2019/2020	2020/2021	2019/2020
PwC				
The audit assignment	575	360	575	360
Tax consultancy	0	90	0	0
Other services	0	77	0	77
Sum PwC	575	527	575	437
Other auditors				
The audit assignment	178	115	0	0
Tax consultancy	0	63	0	0
Other services	398	67	380	0
Sum other auditors	576	245	380	0
Total	1,151	772	955	437

NOTE 10 - PERSONNEL COSTS

	Group		Parent	
	2020/2021	2019/2020	2020/2021	2019/2020
Costs of employee benefits				
Salaries and remuneration	57,095	44,684	39,139	34,676
Social security contributions	10,466	2,561	7,940	2,071
Pension costs	3772	2,857	3,266	2,626
Employee stock options	574	260	416	192
Total	71,906	50,361	50,761	39,565

	Group		Parent	
	2020/2021	2019/2020	2020/2021	2019/2020
Chief Executive Officer				
Salaries and remunerations	1,705	1,633	1,705	1,633
Variable remuneration	333	256	333	256
Social security contributions	640	606	640	606
Pension costs	399	385	399	385
Total	3,077	2,881	3,077	2,881
Other Senior Executives				
Salaries and remunerations*	8342	6,909	5,850	5,562
Variable remuneration	1445	1,550	1,445	1,550
Social security contributions	3180	2,094	2,292	2,365
Pension costs	1565	1,475	1,316	1,434
Employee stock options	78	197	78	178
Total	14,610	12,224	10,981	11,089
Sum salaries and remuneration	89,593	65,466	55,340	55,340

* This sum for the previous year has been updated

	Group		Parent	
	2020/2021	2019/2020	2020/2021	2019/2020
Fee to Board members				
Chairman of the Board, Jonas Eriksson	400	-	400	-
Former Chairman of the Board, Birgitta Stymne Göransson	-	400	-	400
Board member, Taina Malén	200	200	200	200
Board member, Andras Vajlok	200	200	200	200
Board member, Teemu Huhtanen	200	200	200	200
Board member, Asbjørn Sødergaard	200	200	200	200
Board member, Daniel Hasselberg	-	-	-	-
Total	1,200	1,200	1,200	1,200

Average no of employees

	Group				Parent			
	2020/2021		2019/2020		2020/2021		2019/2020	
	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	81	61	64	46	68	49	64	46
UK	22	15	19	13	0	0	0	0
Germany	1	1	1	1	1	1	1	1
Denmark	1	1	0	0	0	0	0	0
Summa	104	77	84	60	69	50	65	47

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

	2020/2021		2019/2020	
	Number on balance sheet date	Of which male	Number on balance sheet date	Of which male
Board members	6	5	6	4
CEO and other senior executives	6	5	7	6

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

NOTE 11 - ADJUSTED PERSONNEL COSTS, EBITDA AND RESULT BEFORE TAX

	Group	
	8/31/2021	8/31/2020
Personnel cost	-95,803	-73,860
Retroaktivt research and development deductible	0	-7,621
Adjusted personnel cost	-95,803	-81,481
EBITDA	21,157	21,157
Retroaktivt research and development deductible	0	-7,621
Acquisition costs	525	515
Social contribution from re-evaluation of option programs	533	151
Adjusted EBITDA	57,675	14,202
Result before tax	6,264	-22,636
Retroaktivt research and development deductible	0	-7,621
Acquisition costs	525	515
Social contribution from re-evaluation of option programs	533	151
Adjusted profit/loss before tax	7,322	-29,591

NOTE 12 - TANGIBLE ASSETS

	Group		Parent	
	2020/2021	2019/2020	2020/2021	2019/2020
Opening cost of acquisition	13,403	8,544	8,557	3,823
From acquisitions	343	-	-	-
Purchases	2,857	5,032	2,155	4,734
Sales/retirements	-15	-	-	-
Exchange rate differences	145	-172	-	-
Closing accumulated cost of acquisition	16,733	13,403	10,712	8,557
Opening depreciation	-4,965	-2,982	-2,978	-1,902
Depreciation for the year	-3,527	-2,069	-2,087	-1,076
Exchange rate differences	-3,527	86	-	-
Closing accumulated depreciation	-8,576	-4,965	-5,065	-2,978
Closing carrying amount	8,157	8,438	5,648	5,579

NOTE 13 - FINANCIAL ITEMS

	Group		Parent	
	2020/2021	2019/2020	2020/2021	2019/2020
Interest income	5	-	5	-
Exchange rate gain on short term receivables and liabilities	490	-	271	-
Other financial income	0	729	-	1,265
Financial income	495	729	275	1,265
Interest expenses	-7	-	-6	-
Exchange rate loss on short-term receivables and liabilities	-312	-4,550	-	-4,550
Interest bank loan	-10	-130	-	-130
Profit loss from securities	-	-663	-	-663
Interest leasing	-1,259	-1,223	-	-
Other financial liabilities	-2	-188	-	-723
Financial expenses	-1,589	-6,754	-6	-6,066
Net financial items	-1,094	-6,025	269	-4,802

NOTE 14 - INCOME TAX

	Group		Parent	
	2020/2021	2019/2020	2020/2021	2019/2020
Current tax:				
Current tax on profit/loss for the year	-1,474	274	-	-
Other taxes	202	0	-	-
Deferred tax:				
Deferred tax	2,035	4,991	766	5,944
Total tax in Group's PnL	764	5,265	766	5,944

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

	2020/2021	2019/2020	2020/2021	2019/2020
Profit/loss before tax	6,264	-22,636	-14,562	-39,786
Income tax calculated according to the tax rate in Sweden (21.4%)	-1,340	4,844	3,116	8,514
Effect of foreign tax rate	223	-60	-	-
Tax effects of:				
Non-deductible expenses	-218	-4,969	-3,008	-3,002
Tax effect due to changed tax rate*	-52	-189	-117	-318
Change in deferred tax	0	4,991	0	102
Deferred tax on deficit	1,757	0	0	0
Tax effect carry forward losses	0	647	0	647
Leasing	-124	-	-	-
Other	516	0	774	0
Tax expense	764	5,265	766	5,944

*Deferred tax is calculated with the tax rate 20,6%

NOTE 15 - 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, 2021 (26,494,653). See note 24 for the number of shares.

	2020/2021	2019/2020
Earnings per share calculated on basis of profit/loss attributable to the parent company's shareholders (expressed as SEK per share).	0.27	-0.66
Earnings per share fully diluted calculated on basis of profit/loss attributable to the parent company's shareholders (expressed as SEK per share).	0.25	-0.63

NOTE 16 - LEASES

Effect on IFRS 16 in the income statement	Offices		Lease cars		Total	
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020
Depreciation	-9,272	-8,131	-484	-333	-9,756	-8,464
Interest	-1,239	-1,200	-23	-23	-1,262	-1,223
Total	-10,511	-9,331	-507	-356	-11,018	-9,687

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 totalled amount for short-term leasing agreements for the financial year is 264 KSEK. The total cash flow for leasing agreements was 8,828 KSEK.

The maturity analysis for leasing debts is presented in note 3.

Right of use asset	Offices		Lease cars		Total	
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020
Opening balance	59,763	0	1,452	0	61,215	0
Adjustment of opening balance	-	33,777	-	-	-	33,777
New lease contracts	0	23,650	0	1,452	0	25,102
Revaluation of current lease contract	0	2,337	0	0	0	2,337
Currency effect	346	0	0	0	346	0
Closing balance	60,109	59,763	1,452	1,452	61,561	61,215
Opening balance, depreciation	-8,131	0	-333	0	-8,464	0
Depreciation	-9,272	-8,131	-484	-333	-9,756	-8,464
Closing balance, depreciation	-17,403	-8,131	-817	-333	-18,220	-8,464
Closing balance	42,706	51,632	635	1,119	43,341	52,751

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	
	2020/2021	2019/2020	2020/2021	2019/2020
Within 0-1 year	-	-	9,241	9,218
Within 1-5 years	-	-	3,062	12,296
After more than 5 years	-	-	0	0
Total	0	0	12,303	21,514

NOTE 17 - FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets measured at amortized cost	Group		Parent	
	8/31/2021	8/31/2020	8/31/2021	8/31/2020
Other long-term receivables	4,107	4,052	9,599	9,743
Receivables from Group companies	-	-	326	0
Trade and other receivables	33,153	23,015	24,795	23,015
Other current receivables	1,156	979	9,323	2,410
Prepaid expenses and accrued income	5,707	13,360	4,694	13,213
Cash and cash equivalents	95,515	160,630	80,306	156,668
Total	139,638	202,036	129,043	205,049

Financial liabilities measured at amortized cost	8/31/2021	8/31/2020	8/31/2021	8/31/2020
Liabilities from Group companies	-	-	3,997	2,845
Trade and other payables	12,528	11,919	9,001	11,702
Other current liabilities (loan from Almi)	137	0	-	-
Other current liabilities	6,013	3,349	3,423	3,140
Accrued expenses	16,587	15,119	12,858	13,241
Total	35,265	30,387	29,279	30,928

Finansiella liabilities measured at real value	Level 1	Level 2	Level 3
Earn out short term	-	-	5,913
Earn out long term	-	-	43,739
Summa	0	0	49,652

There were no transfers between the levels during the year. The changes in level 3 consists of the additional contingent consideration from the acquisition of Approe AB and Sventeratinment AB during the year. It depends upon a prognosis of the EBIT for the respective company. The Group made the assessment that the outcome of the contingent consideration would be 100%, and the fair value recognized is based on the discounted cash flow.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques, which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

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 16.

NOTE 18 - OTHER LONG-TERM RECEIVABLES

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

	Group		Parent	
	8/31/2021	8/31/2020	8/31/2021	8/31/2020
Opening value	4,052	2,085	3,766	1,782
From acquisition	197	0	-	-
Deposits	24	1,978	0	1,983
Withdrawal	-175	0	-	-
Currency effect	9	-11	-	-
Closing value	4,107	4,052	3,766	3,766

NOTE 19 - 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.

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

	Group		Parent	
	8/31/2021	8/31/2020	8/31/2021	8/31/2020
Deferred tax in the balance sheet	7,615	5,841	5,833	5,841
Opening balance	5,841	672	5,841	672
Tax effect, tax loss carry forwards utilized	-	-	0	5,170
Deferred tax on used loss carryforward	1,774	-96	-8	-
Current tax on profit/loss for the year	0	5,265	-	-
Closing balance	7,615	5,841	5,833	5,841

NOTE 20 - TRADE AND OTHER RECEIVABLES

	8/31/2021	8/31/2020
Trade and other receivables	33,153	23,015
Total	33,153	23,015

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

	8/31/2021	8/31/2020
SEK	3,260	6,132
EUR	136	54
GBP	3,830	0
USD	25,599	16,829
NOK	76	0
DKK	252	0
PLN	2	0
Total	33,153	23,015

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, 2021, trade and other receivables totalling KSEK 7,495 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:

	8/31/2021	8/31/2020
1-30 days	4,257	1,673
31 - 60 days	1,345	4,011
More than 61 days	270	900
Total trade and other receivables due	5,872	6,584

The Group has no mortgage as security.

NOTE 21 - OTHER CURRENT RECEIVABLES

	Group		Parent	
	8/31/2021	8/31/2020	8/31/2021	8/31/2020
Current receivables, employees	-11	89	-11	89
Tax receivables	253	21	8,547	1,806
VAT receivables	877	869	753	515
Other items	38	0	34	0
Total	1,156	979	9,323	2,410

NOTE 22 - PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent	
	8/31/2021	8/31/2020	8/31/2021	8/31/2020
Prepaid expenses	5,707	13,360	4,694	13,213
Total	5,707	13,360	4,694	13,213

NOTE 23 - CASH AND CASH EQUIVALENTS

	Group		Parent	
	8/31/2021	8/31/2020	8/31/2021	8/31/2020
Bank balances	95,515	160,630	80,306	156,668
Total	95,515	160,630	80,306	156,668

NOTE 24 - EQUITY

	Number of ordinary shares	Share capital
As of August 31, 2020	26,454,632	687,133
As of August 31, 2021	26,494,653	688,173

Share capital as of August 31, 2021 consists of 26,494,653 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, 2021, the company has five outstanding option schemes. See note 29.

NOTE 25 - OTHER LONG-TERM LIABILITIES

	Group		Parent	
	8/31/2021	8/31/2020	8/31/2021	8/31/2020
Long term earn out Sventertainment	29,250	0	-	-
Long term earn out Approe	14,489	0	-	-
Total	43,738	0	0	0

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	Capitalized expenditure for development works in respect of games for platforms	Total	Acquired intellectual rights to games for platforms
	Group	Group	Group	Parent
As of September 1, 2019	6,389	6,759	13,148	0
From merger	-	-	0	6,390
Recorded in the income statement	-774	952	178	-774
As of August 31, 2020	5,615	7,711	13,326	5,616
As of September 1, 2020	5,615	7,711	13,326	5,616
From acquisitions	9,270	-	9,270	-
Recorded in the income statement	-1,942	1,671	-271	-775
As of August 31, 2021	12,943	9,382	22,325	4,841

The parent company's deferred tax liability is attributable to the merger of FEO Media AB. See note 35.

NOTE 27 - OTHER CURRENT LIABILITIES

	Group		Parent	
	8/31/2021	8/31/2020	8/31/2021	8/31/2020
Personnel related liabilities	1,882	1,352	72	-
VAT	703	-175	-	-
Social security contributions and similar liabilities	2,434	1,985	3,307	3,091
Short-term liability for earn out	5,913	-	5,913	-
Short-term bank loan (Almi)	137	0	-	-
Other	994	187	44	50
Total	12,062	3,349	9,335	3,140

NOTE 28 - ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent	
	8/31/2021	8/31/2020	8/31/2021	8/31/2020
Accrued expenses	4,639	6246	1,152	4,368
Accrued salaries, employers contribution, holiday pay and bonuses	11,948	8,873	11,706	8,873
Total	16,587	15,119	12,858	13,241

NOTE 29 - 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 during the previous year. During the financial year, the warrant program 2017/2020:2 ended 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 was built to give a long-term incentive for employees to deliver on a long-term share holder value. Through the plan each participant acquired warrants that are only earned if certain performance requirements were met. The allocation was determined by the board and no employee had 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 gave the right to subscribe for one share in MAG Interactive Ab (publ).

Subscribed shares are presented in the table below.

Program	Number of warrants	Exercise price	Exercise time	Price
2017/2020:1	133,239	15	June 2020	SEK 3.75
2017/2020:2	40,021	15	September 2020	SEK 3.75
Total/average	173,260	15	June-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 10,580. 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	407,333	30	March 2, 2022-April 2, 2022	SEK 0
Total/Average	407,333	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, 213,500 options out of the original 256,500 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, 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 5,545. 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	213,500	20.5	March 2, 2023-April 2, 2023	SEK 0
Total/Average	213,500	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.

WARRANT PROGRAM 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	20.5	March 2 2023 - April 2 2023	1.53 kr
Total/Average	233,213	20.5	March 2 2023 - April 2 2023	1.53 kr

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

ABOUT THE LONG-TERM INCENTIVE PROGRAM 2021/2024

LTIP 2021/2024 consists of two long-term incentive programs; (1) employee stock option program and (2) warrants for the management.

Employee stock option program 2021/2024 (ESOP 2021/2024)

In total, the ESOP 2021/2024 consist of no more than 264,947 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 50.1. The long-term incentive program includes an issue of options and transfer of shares and/or options. As of the closing date, 250,989 options out of the original 256,555 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, 2022;
- b) 1/3 of the allotted employee stock options will be vested on March 1, 2023; and
- c) 1/3 of the allotted employee stock options will be vested on March 1, 2024.

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 April 1, 2024 up to and including May 1, 2024.

MAG Interactive's stock option program for employees was approved by the shareholders at the Annual General Meeting held on January 20, 2021. 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 2021/2024.

In order to enable delivery of shares under the ESOP 2021/2024, an issue of not more than 264,947 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 February 1, 2021, or later date on which the warrants are registered, up to and including July 22, 2024 at an exercise price of SEK 50.1. If the options are exercised in full the share capital will increase by SEK 6,519. There can be no over-subscription.

MAG United AB has been granted permission to transfer shares to the participants in the ESOP 2021/2024 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 2021/2024	250,989	50.1	April 1, 2024-May 1, 2024	SEK 0
Total/Average	250,989	50.1	April 1, 2024-May 1, 2024	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 2021/2024 program was KSEK 200.

WARRANT PROGRAM 2021/2024:3

In total, the warrant program 2021/2024:3 consist of no more than 233,213 warrants, entitling to subscription for an equal number of shares. Each warrant of series 2021/2024:3 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 2021/2024:3 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 2021/2024:3 are exercised in full the share capital will increase by SEK 6,057. There can be no over-subscription.

The warrants of series 2021/2024:3 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
2021/2024:3	264,947	50.1	April 1, 2024 - June 3, 2024	5.54 kr
Total/Average	264,947	50.1	April 1, 2024 - June 3, 2024	5.54 kr

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

NOTE 30 - ADJUSTMENT FOR ITEMS NOT INCLUDED IN THE CASH FLOW

	Group		Parent	
	8/31/2021	8/31/2020	8/31/2021	8/31/2020
Depreciation of tangible assets	3,197	2,069	2,087	3,168
Retirements of tangible assets	15	-	-	-
Depreciation of intangible assets	36,341	27,235	17,407	17,407
Depreciation of right of use assets	9,705	8,464	-	-
LTIP	652	457	652	202
Total	49,911	38,225	20,146	20,777

NOTE 31 - BUSINESS COMBINATIONS

ACQUISITION OF SVENTERTAINMENT GROUP

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

The acquisition was financed through existing cash and cash equivalents. The upfront payment of the acquisition totalled to 24 MSEK and the contingent consideration, earnout, is subject to a cap of 80 MSEK. Sventertainment is consolidated in MAG's financial reports as of September 1 2020.

The purchase consideration follows:

KSEK

Purchase price

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

Purchase price allocation

Purchase price allocation of Sventertainment is presented below.

KSEK

Property, plant and equipment	492
Current receivables excluding cash and cash equivalents	2,222
Cash and cash equivalents	5,754
Long-term liabilities	-208
Current liabilities	-3,265
Total acquired net assets excl consolidated values	4,994
Intellectual property	20,000
Deferred tax liabilities	-4,120
Goodwill	35,782
Total acquired net assets incl consolidated values	56,657

The goodwill is allocated to synergy effects and global expansion.

Sventertainment has contributed 16,116 KSEK to the Net sales and -1,924 KSEK to EBITDA since acquisition date.

Purchase consideration - cash outflow	2021-08-31
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration	24,407
Less: Balanced acquired	
Cash	-5,754
Net outflow of cash - investing activities	18,653

Acquisition-related costs

Acquisition-related costs of 515 KSEK that were not directly attributable to the issue of shares are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

ACQUISITION OF APPROPE

In Januari 2021 MAG Interactive AB (publ) acquired 100 % of the shares in Apprope AB (corp no 556899-3967) and the company became a wholly-owned subsidiary. Apprope is a Swedish mobile game studio and has developed casual word games like Word Mansion and Word Bubbles.

The acquisition was financed through existing cash and cash equivalents. The upfront payment of the acquisition totalled to 50 MSEK and the contingent consideration, earnout, is subject to a cap of 50 MSEK. Apprope is consolidated in MAG's financial reports as of January 4 2021.

The purchase consideration follows:

KSEK

Purchase price

Cash and cash equivalents	50,000
Contingent consideration	17,402
Total purchase consideration	67,402

Preliminary purchase price allocation

Purchase price allocation of Apprope is presented below.

KSEK

Property, plant and equipment	11
Long-term receivables	7
Current receivables excluding cash and cash equivalents	6,670
Cash and cash equivalents	9,361
Long-term liabilities	-10,990
Current liabilities	-5,001
Total acquired net assets excl consolidated values	58
Intellectual property	25,000
Deferred tax liabilities	-5,150
Goodwill	47,494
Total acquired net assets incl consolidated values	67,402

The goodwill is allocated to synergy effects and the word game Word Mansion.

Apprope has contributed 36 367 KSEK to the Net sales and 6,850 KSEK to EBITDA since acquisition date. If Apprope would have been included from the start of the year, from September 1 2020, the contribution to Net sales would have been 50,648 KSEK and the contribution to EBITDA would have been 6,818 KSEK.

Purchase consideration - cash outflow	2021-08-31
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration	74,407
Less: Balanced acquired	
Cash	-15,116
Redemption of loan to Apprope AB's previous owner in connection with the acquisition	3,800
Net outflow of cash - investing activities	63,091
Redemption of loan to Apprope AB's previous owner in connection with the acquisition	
Shareholder contribution	3,800

Acquisition-related costs

Acquisition-related costs of 525 KSEK that were not directly attributable to the issue of shares are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

NOTE 32 - CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	Liabilities to credit institutions		Liabilities to previous owner of Appropo AB	Leases
	Group	Parent	Group	Group
As of September 1, 2019	15,566	15,566	0	0
Cash flows	-15,566	-15,566	-	-6,872
Items not part of cash flow:				
New leases	-	-	-	61,218
As of August 31, 2020	0	0	0	54,346
As of September 1, 2020	0	0	0	54,346
Cash flows	-71	0	-7,190	-9,123
Items not part of cash flow:				
Additional bank loan from acquisition	208	-	-	-
Additional liability to previous owner from acquisition	-	-	7,190	-
Exchange rate differences	0	-	0	295
As of August 31, 2021	137	0	0	45,518

The parent has no liabilities that are reported in financing activities during the financial year.

NOTE 33 - 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
Sventertainment AB	Sweden	Development	100
Apprope AB	Sweden	Development	100

MAG Games Ltd and MAG United AB, Sventertainment AB and Apprope 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	8/31/2021	8/31/2020
Opening balance cost of acquisition	47,252	181,983
Acquisition	128,898	0
Merger	0	-134,731
Closing balance	176,150	47,252

The merger of FEO Media AB with its parent MAG Interactive AB (publ) was completed on June 23, 2020. See note 35.

Name	Country of registration and operation	Business activity	Proportion of ordinary shares owned directly by the Parent (%)	Carrying amount 8/31/2021	Carrying amount 8/31/2020
MAG Games Ltd	UK	Development	100	47,202	47,202
MAG United AB	Sweden	Warrants	100	50	50
Sventertainment AB	Sweden	Development	100	57,172	-
Apprope AB	Sweden	Development	100	71,727	-

NOTE 34 - INTERCOMPANY RECEIVABLES AND LIABILITIES

	Parent	
	8/31/2021	8/31/2020
Intercompany receivables		
Trade and other receivables	32	0
Long-term receivables (LTIP)	166	136
Inter company receivables	128	0
Total	325	136
Intercompany liabilities		
Trade and other payables	3,997	2,845
Total	3,997	2,845
Group net	-3,672	-2,709

NOTE 35 - MERGER OF FEO MEDIA AB

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

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 36 - 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 2020/2021 or during the comparative year 2019/2020.

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 2020/2021 or during the comparative year 2019/2020.

Associated company

No transactions were made between associated companies during the past financial year 2020/2021 or during the comparative year 2019/2020.

NOTE 37 - PLEDGED ASSETS

	Group		Parent	
	8/31/2021	8/31/2020	8/31/2021	8/31/2020
Rental deposit	4,107	4,052	3,766	3,766
Total	4,107	4,052	3,766	3,766

NOTE 38 - SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

No notable events have occurred after the end of the financial year.

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 13, 2021

Jonas Eriksson
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 14, 2021
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 2020 to 31 August 2021. The annual accounts and consolidated accounts of the company are included on pages 53-121 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 2021 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 2021 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 2020 to 31 August 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the loss dealt with 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

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.

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Stockholm, December 14, 2021
Öhrlings PricewaterhouseCoopers AB

Niklas Renström
Authorized Public Accountant