



MAG INTERACTIVE

INTERIM REPORT SEP—MAY 2019/20

ABOUT

MAG INTERACTIVE AB [PUBL]

MAG INTERACTIVE IS A LEADING MOBILE GAME DEVELOPER FOCUSED ON CASUAL SOCIAL GAMES. WITH PASSIONATE, CREATIVE TEAMS AND A DATA-DRIVEN BUSINESS MODEL, MAG DELIVERS WORLD-CLASS GAMING EXPERIENCES TO MILLIONS OF PLAYERS WORLDWIDE. MAG'S EXPERTISE IN WORD GAMES AND TRIVIA, HAS CREATED A CATALOG OF GAMES, INCLUDING RUZZLE, WORD DOMINATION, WORDBRAIN AND QUIZDUEL, THAT HAVE BEEN DOWNLOADED OVER 250 MILLION TIMES. REVENUE IS MAINLY DERIVED FROM IN-APP PURCHASES AND ADVERTISEMENTS. MAG HAS OFFICES IN STOCKHOLM AND BRIGHTON AND THE COMPANY IS LISTED ON NASDAQ FIRST NORTH PREMIER GROWTH MARKET WITH THE TICKER MAGI. FOR MORE INFORMATION VISIT WWW.MAGINTERACTIVE.COM.



SUMMARY OF THE PERIOD MARCH 2020 UNTIL MAY 2020

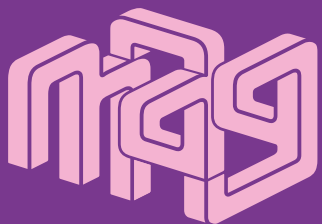
- The Group's net sales for the period were 64,838 KSEK (48,311 KSEK), an increase of 34% compared to the same period the previous year
- EBITDA for the period was 3,404 KSEK (542 KSEK)
- The Group's game contribution for the period was 30,710 KSEK (27,463 KSEK), an increase of 12% compared to the same period the previous year
- Average revenue per daily active user, ARPDau, for the period was 3.0 US cents (2.6 US cents), an increase of 14% compared to the same period the previous year
- The result per share during the quarter was -0.25 SEK/share (-0.14 SEK/share)
- The costs of user acquisition for the period was 26,271 KSEK (15,782 KSEK)
- Daily and monthly active users (DAU and MAU) were 2.4 million and 8.2 million respectively during the quarter, an increase of 12% and 12% compared to the same period the previous year

SUMMARY OF THE PERIOD SEP 2019 UNTIL MAY 2020

- The Group's net sales for the period were 162,467 KSEK (129,844 KSEK), an increase of 25% compared to the same period the previous year
- EBITDA for the period was 13,493 KSEK (-1,037 KSEK)
- The Group's game contribution for the period was 94,073 KSEK (75,714 KSEK), an increase of 24% compared to the same period the previous year
- Adjusted EBITDA for the period was 7,439 KSEK (-1,037 KSEK) (adjustments relate to effects from effects from IFRS16)
- The result per share during the quarter was -0.52 SEK/share (-0.52 SEK/share)

SIGNIFICANT EVENTS DURING AND AFTER THE PERIOD SEP 2019 TO MAY 2020

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



MAG INTERACTIVE

FROM THE CEO THE GROWTH RATE IS INCREASING

2019/20

Established games get an organic boost and new games scale

Q3 revenue amounted to SEK 65 million, an increase of 34% compared to the same quarter the previous year. This is the highest turnover in a quarter for MAG since the company went public. Compared to Q2, revenue grew by 28% with the combination of several positive factors leading to the rapid growth. The EBITDA in Q3 lands at MSEK 3.4 compared to MSEK 0.5 during the same quarter the previous year. All key figures for our games, such as daily active users, average revenue per player and number of unique paying users, have improved compared to Q2.

As noted in connection with the Q2 Interim Report on April 1st, we saw a significant increase in the number of downloads during March, a direct effect of many countries shutting down due to the COVID-19 pandemic. In the last week of March, more than 2.5 million players were active on a daily basis in our games, compared to an average of around 2 million in the period December to February. The large influx of players was mostly evident in our most established games and has continued to yield positive effects in April and May. Organic growth has generated substantial surpluses in that part of the portfolio during Q3.

Increased investment in user acquisition

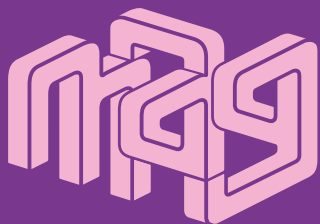
During the quarter, we had the opportunity to increase the investment in user acquisition for our most recently launched games, Wordzee and New QuizDuel, which led to increased turnover in that part of the portfolio as well. The cost of user acquisition amounted to SEK 26 million in the quarter, which is SEK 12 million more than in Q2. Despite this, we report a game contribution, which is what remains after platform fees and user acquisition, of SEK 31 million in Q3. This means that the game contribution reaches the same level as in Q2 and increases by 12% compared to Q3 the previous year.

Most of the investment in user acquisition was for Wordzee, which is the game that clearly shows the strongest average revenue per daily active player, abbreviated ARPDAU, in the entire portfolio. We see increased investment in user acquisition as something fundamentally positive as it lays the foundation for future growth and profits. The investments made are modeled to provide full repayment within 180 days and then generate profits for many months and years to come.

The mix of products looks better and better - ARPDAU remains the focus

Over eight years after our first game release, we now have a well-balanced portfolio of games in all phases of a game's life cycle: Everything from prototypes and early market tests to new globally released games and seven or eight-year-old reliable products. This means that we have a nice mix of profitable games like WordBrain, Ruzzle and QuizDuel, as well as games with large user bases that are still supported by user acquisition such as Word Domination, and new growth engines in Wordzee and New QuizDuel.





MAG INTERACTIVE

FROM THE CEO THE GROWTH RATE IS INCREASING

2019/20



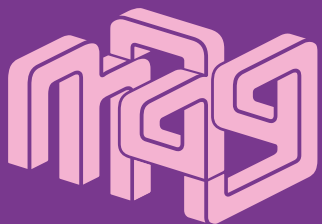
MAG's biggest games - distributed over their respective life cycles

The previously communicated major update of Ruzzle featuring new types of events and tournaments, has now been launched and has significantly increased ARPDAU. Both Ruzzle and QuizDuel are good examples of what is referred to as “games as a service”, meaning that you keep delivering improvements to the player base rather than releasing one game and quickly moving on to developing the next. Ruzzle grew its revenue last year compared to the year before last and based on the result of the new update, we hope for continued growth in the coming years.

During Q3, the gradual launch of New QuizDuel, a game with significantly higher ARPDAU than the original game, also continued. New QuizDuel was released to the global market in early May and we expect to migrate all QuizDuel players to the new version of the game in 2020.

ARPDAU increased for the entire product portfolio by 14% compared to the same period the previous year and our goal is to continue to improve ARPDAU in the future. This is done, among other things, by adding subscriptions which, in addition to Word Domination, are now also available in New QuizDuel. We look forward to continuing to optimize subscription offers in those games and also introduce subscriptions for Wordzee and Ruzzle in the future. Subscriptions accounted for 25% of all in-app revenue in Word Domination during the quarter, compared to 20% in Q2.





MAG INTERACTIVE

FROM THE CEO THE GROWTH RATE IS INCREASING

2019/20

Seasonal variations

As usual in our Q3 report, I would like to point out that Q4 is our seasonally weakest quarter as the advertising market usually softens from mid-June to mid-August. In addition, good summer weather usually results in lower player activity in general. This year we also have a situation where markets that have been in quarantine-like situations are now gradually opening up. In connection with the pandemic, we have closely followed variations in both marketing costs and potential in advertising sales in order to be agile and find opportunities. Looking back over the past few months, we can see that it worked well for us. What a return to a more normal situation in the advertising market would mean for us is difficult to say at present, but we have so far not seen any major changes in player behavior during the month of June relative to the end of Q3.

Great potential ahead

Based on the strong growth we see in Wordzee and New QuizDuel, the ambition is to continue to invest in user acquisition to drive future growth. We have a solid cash position, which means that we do not have to choose between increasing the speed of user acquisition or exploring potential acquisition opportunities - but can actively work with these growth opportunities in parallel.

During the quarter, both New QuizDuel and Wordzee passed a million downloads, more evidence that our proven development process delivers value. As a result, all games we have launched since 2012 have reached over one million players. A strong product portfolio is the key to future growth and we continue to invest in producing new hits according to our development process. Having a joint technical infrastructure and similar audience is a big advantage for us as the portfolio grows.

We are now looking forward with excitement to how New QuizDuel and Wordzee will continue to develop during 2020 and beyond.

DANIEL HASSELBERG, CEO



SUMMARY OF THE BUSINESS' KEY PERFORMANCE INDICATORS

2019/20

		Mar-May 20	Mar-May 19	Y/Y change	Sep-May 19/20	Sep-May 18/19	Y/Y change	FY 18/19
Net sales	KSEK	64,838	48,311	34%	162,467	129,844	25%	172,953
In-app purchases	KSEK	26,200	16,886	55%	57,284	48,476	18%	63,432
Advertising sales	KSEK	38,635	30,877	25%	104,592	80,661	30%	108,659
User acquisition	KSEK	-26,271	-15,782	-66%	-51,209	-39,597	-29%	-48,673
Game contribution	KSEK	30,710	27,463	12%	94,073	75,714	24%	105,260
EBITDA ²	KSEK	3,404	542	528%	13,493	-1,037	1,401%	4,949
EBITDA margin ¹	%	5%	1%	4	8%	-1%	9	3%
Adjusted EBITDA	KSEK	948	542	75%	7,439	-1,037	817%	4,949
Adjusted EBITDA margin ¹	%	1%	1%	0	5%	-1%	5	3%
Operating profit	KSEK	-6,765	-5,660	-20%	-14,370	-19,018	24%	-19,397
Operating profit margin ¹	%	-10%	-12%	1	-9%	-15%	6	-11%
Profit	KSEK	-6,541	-3,576	-83%	-13,693	-13,665	0%	-13,750
Earnings per share	KSEK	-0.25	-0.14	-83%	-0.52	-0.52	0%	-0.52
Cash flow from operating activities	KSEK	6,124	-6,510	194%	37,152	-7,621	587%	-3,819
Average employees		85	74	15%	82	72	14%	73
Daily active users (DAU)	Millions	2.40	2.15	12%	2.09	2.19	-5%	2.11
Monthly active users (MAU)	Millions	8.21	7.33	12%	6.91	8.32	-17%	7.79
Monthly unique payers (MUP)	Thousands	59.75	50.72	18%	51.14	55.05	-7%	52.08
ARPPDAU	US \$ cent	2.98	2.61	14%	2.90	2.37	22%	2.42

¹Y/Y change in percentage points²Not fully comparable due to IFRS16. See note 3

Organic uplift in MAG's tactical word game

Word Domination is a clever multiplayer game where users play against each other in exciting real-time word matches. Players compete against each other attempting to earn the most points on the board by creating words over five rounds. With boosters, players can improve their chances with time-limited benefits. Since launching Word Domination globally in May 2018, the game has ranked top 5 in the word game category across 140 countries and been downloaded over 10 million times.

In March and April, Word Domination gained an influx of organic downloads, a result of the COVID-19 pandemic, although the effects were not as pronounced as they were in MAG's most established games.

In-app revenue for subscriptions continues to increase

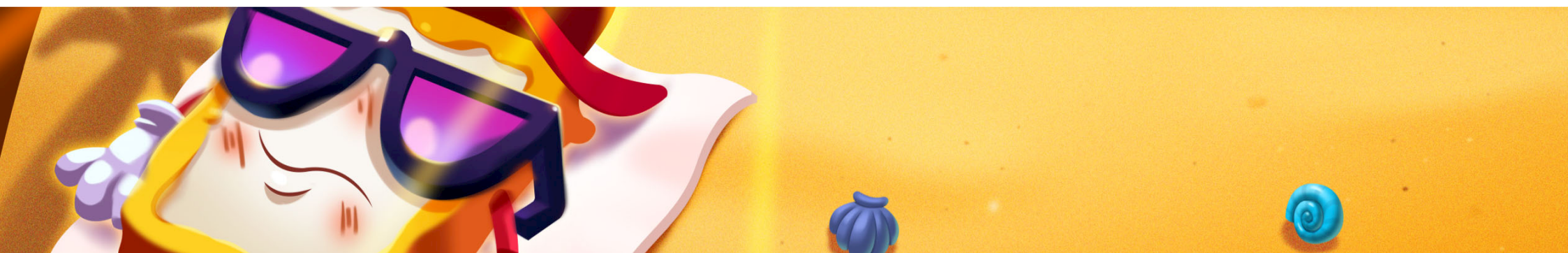
The subscription offer was introduced in Word Domination over a year ago and is a business model that's been continuously adapted and optimized in the game. A subscription offer is a package with a flat monthly cost – where the player becomes a VIP –, thus giving them an ad-free experience, access to exclusive content, events and other bonuses in the game. The revenue from subscriptions doesn't cannibalize the games' revenue, but adds another layer of monetization: the VIP players have the highest engagement and average revenue per daily active user – shortened ARPDAU – of all Word Domination players.

Revenue derived from subscriptions has gradually increased every quarter since launch. Revenue from subscriptions accounted for 25% of all in-app revenue in Word Domination, compared to 20% in Q2.

New content builds long-term engagement

Word Domination has a player base with strong long-term engagement. This is particularly due to the continuous delivery of new events and features that players request. During Q3, several new updates, features, offers and collection events were launched, which had a positive effect on revenue. In addition, a new gameplay reward function - tickets - was also released, which created a new dynamic in the events and increased the value of other rewards. As new functions and events have positive effects on the long-term engagement of the players, developing new content remains an area of focus.

Together with acquiring players through user acquisition and continued optimization of existing functions in the game, the company is working under the premise that Word Domination will continue to grow in the future.



Trivia market leader in Europe

QuizDuel is a social quiz game where users can challenge friends and other players around the world in trivia. With over 100 million downloads and over one million players every day, QuizDuel is the largest quiz game in Europe for iOS and Android.

Significant increase in players due to COVID-19

The effects of the COVID-19 pandemic were very significant in QuizDuel, which experienced a large influx of organic downloads, especially during March and April. This was partly because QuizDuel has a large active user base in Europe, as well as a historically strong presence in most countries that had the most severe restrictions due to the pandemic. New QuizDuel also noted an effect in new downloads during the same period.

The user base is growing and milestones reached for New QuizDuel

During Q3, several milestones were reached for New QuizDuel: the game launched globally in early May and passed one million downloads a few weeks later. New QuizDuel has a higher potential for future monetization than the classic QuizDuel and already clearly shows a higher average revenue per daily active user, shortened ARPDAU. During the quarter, the game has gradually acquired more players through increased investments in user acquisition as well as effective cross-promotion marketing in classic QuizDuel.

Attractive prospects for player migration to New QuizDuel

Cross-promotion of the game in classic QuizDuel has proven to be a very effective tool for moving players to New QuizDuel. Cross-promotion will continue to be optimized during Q4 to further accelerate the transfer of players between games. Another step for migrating players is to offer attractive subscription offers in New QuizDuel. Thanks to learnings from Word Domination, a subscription model has now also been introduced in New QuizDuel.

In addition, the game team continues to expand New QuizDuel with more features, which is necessary to create long-term engagement from the players. In New QuizDuel, new content will also be important for migrating players. We see a bright future ahead for New QuizDuel, and know that with more exciting features it will continue in QuizDuel's track record of delivering a world-class trivia experience.



Ruzzle is a social word game where the player is challenged to find as many words as possible in two minutes within a limited grid of letters. The game was released in 2012 and has been downloaded more than 60 million times.

In May, several key updates were launched that have been in development for a long time; a redesigned in-game economy with an updated in-app purchase system, a new tournament model and event system. These major changes resulted in an increase in daily in-app purchases, as well as the user conversion which aims to increase the percentage of paying players in relation to daily active players. The overall goal of these updates was to increase the profitability of Ruzzle, and the initial figures suggest a sustained increase in revenue.

During both March and April, the number of daily active users increased significantly in Ruzzle, especially in countries with strict restrictions and society lockdowns. The effects of the COVID-19 pandemic was first clearly seen in Italy, where the game has long had a large user base.

With new updates implemented, the focus is on balancing the revamped in-game economy as well as continuing to develop and optimize new and old features. As with MAG's other games in the multiplayer portfolio, there are also plans to launch a subscription model in Ruzzle.

Despite the fact that MAG's classic word game is over eight years old, it's been on the rise for several quarters. Ruzzle demonstrates the strength in continuously updating content and features, thus maintaining both a stable user base and long-term predictable turnover. Ruzzle is an excellent example of "games as a service" and will continue to be a cornerstone of the company's product portfolio for a long time to come.



MAG's new word game achieves strongest ARPDau in the portfolio

Wordzee is MAG's new innovative word game which launched globally in November 2019. In Wordzee players challenge each other by competing head-to-head using letter tiles to form high scoring words on a special board. As an added challenge, filling the entire board earns the player "Wordzee" and major bonus points.

During Q3, Wordzee continued to showcase the strongest average revenue per daily active user – shortened ARPDau – of all games in the portfolio.

Scaling user acquisition and effects of COVID-19

The strong ARPDau that Wordzee exhibits is due to a combination of a gameplay mechanic that enables strong monetization and the acquisition of high quality users. The COVID-19 pandemic also affected how much user acquisition could be scaled. The cost per ad impression decreased, thus creating more space in which to acquire users with good future returns.

In addition, we noted an increase in chatting by 40% during March-April, even though the chat function in Wordzee initially only contained simple standard phrases. Due to the increase, resources were focused on building a fully developed chat. It launched during the middle of the quarter and we expect it to affect long-term player engagement in a positive way.

Continued focus on product optimization

Wordzee leaves a strong quarter, further strengthened by the acquisition of high-quality users. In addition to continuing to increase investment in user acquisition, strengthening the long-term engagement of players is an important KPI to create predictable and long-term turnover. The focus in Q4 is therefore to optimize the long-term retention of players, including optimizing social aspects and new gameplay features. The company has an optimistic view on the game's future contribution to the business.





CONSOLIDATED PROFIT/LOSS AND CASHFLOW FOR THE PERIOD 2019/20 MARCH UNTIL MAY 2020

OPERATING INCOME

The Group's operating income for the period was 73,335 KSEK (55,626 KSEK), an increase of 32% compared to the same period the previous year. The Group's net sales for the period totalled 64,838 KSEK (48,311 KSEK), an increase of 34%.

Own work capitalised totalled 7,388 KSEK (6,835 KSEK). See below for further details of capitalised expenses as well as depreciation of the same.

The group's net sales was primarily attributable to the games QuizDuel, Word Domination, Wordzee, Ruzzle, WordBrain, New QuizDuel, Wordalot and WordBrain2.

OPERATING EXPENSES, EBITDA AND OPERATING PROFIT/LOSS

Operating expenses totalled 69,931 KSEK (55,084 KSEK). Of these, 15,049 KSEK (11,138 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 26,271 KSEK (15,782 KSEK) were costs of user acquisition and 6,627 KSEK (10,552 KSEK) were other external operating expenses.

User acquisition costs in the third quarter are mainly attributable to the games Wordzee and Word Domination.

Personnel expenses totalled 21,984 KSEK (17,612 KSEK) an increase of 25%.

EBITDA for the period was 3,404 KSEK (542 KSEK).

Depreciation of tangible and intangible assets totalled 10,170 KSEK (6,202 KSEK), of which 6,216 KSEK (4,806 KSEK) was depreciation of capitalised development expenses.

The Group's operating profit was -6,765 KSEK (-5,660 KSEK) and profit before tax -8,187 KSEK (-4,547 KSEK).

ADJUSTED RESULT (NOTE 3)

Adjusted EBITDA for the period was 948 KSEK (542 KSEK).

Adjusted profit/loss before tax was -7,833 KSEK (-4,547 KSEK).

PROFIT/LOSS AFTER TAX

Profit after tax totalled -6,541 KSEK (-3,576 KSEK).

The profit after tax per share was -0.25SEK/share (-0.14SEK/share) and the profit after tax per share fully diluted was -0.24 SEK/share (-0.13 SEK/share).

The average number of shares during the period was 26,321,393 (26,321,393) and the average number of shares fully diluted was 27,805,780 (27,317,067).

CASH FLOW FOR THE PERIOD – PERIODEN MARCH UNTIL MAY 2020

The Group's cash flow from operating activities during the quarter was 6,124 KSEK (-6,510 KSEK). Cash flow from investing activities was 69,482 KSEK (-7,281 KSEK), of which 79,337 KSEK relates to a divestment of short-term interest fund. Cashflow from financing activities was -9,728 KSEK (-3,889 KSEK).

CONSOLIDATED PROFIT/LOSS FOR THE PERIOD SEPTEMBER 2019 UNTIL MAY 2020

2019/20



OPERATING INCOME

The Group's operating income for the period was 184,995 KSEK (149,260 KSEK), an increase of 24% compared to the same period the previous year. The Group's net sales for the period totalled 162,467 KSEK (129,844 KSEK), an increase of 25%.

Own work capitalised totalled 21,263 KSEK (18,322 KSEK). See below for further details of capitalised expenses as well as impairments and depreciation of the same.

The group's net sales was primarily attributable to the games QuizDuel, Word Domination, Ruzzle, WordBrain, Wordzee, New QuizDuel, Wordalot, WordBrain2.

OPERATING EXPENSES, EBITDA AND OPERATING PROFIT/LOSS

Operating expenses totalled 171,502 KSEK (150,297 KSEK). Of these, 36,478 KSEK (31,667 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 51,209 KSEK (39,597 KSEK) were costs of user acquisition and 20,746 KSEK (29,042 KSEK) were other external operating expenses.

Personnel expenses totalled 63,069 KSEK (49,990 KSEK) an increase of 26%. The average number of employees during the period was 82 (72) an increase of 14%.

EBITDA for the period was 13,493 KSEK (-1,037 KSEK).

Depreciation and impairments of tangible and intangible assets totalled 27,864 KSEK (17,981 KSEK), of which 17,575 KSEK (14,114 KSEK) was depreciation of capitalised development expenses.

The Group's operating profit was -14,370 KSEK (-19,018 KSEK) and profit before tax -17,878 KSEK (-17,515 KSEK).

ADJUSTED RESULT [NOTE 3]

Adjusted EBITDA for the period was 7,439 KSEK(-1,037 KSEK).

PROFIT/LOSS AFTER TAX

Profit after tax totalled -13,693 KSEK (-13,665 KSEK).

The profit after tax per share was -0.52SEK/share (-0.52SEK/share) and the profit after tax per share fully diluted was -0.50 SEK/share (-0.51 SEK/share).

The average number of share during the period was 26,321,393 (26,321,393) and the average number of shares fully diluted was 27,260,559 (27,020,108).

PARENT COMPANY PROFIT/LOSS FOR THE PERIOD MARCH UNTIL MAY 2020

2019/20

OPERATING INCOME

The parent company's net sales for the period were 62,918 KSEK (32,164 KSEK), an increase of 96% compared with the same period the previous year.

OPERATING EXPENSES AND OPERATING PROFIT/LOSS

Operating expenses totalled 71,165 KSEK (52,937 KSEK).

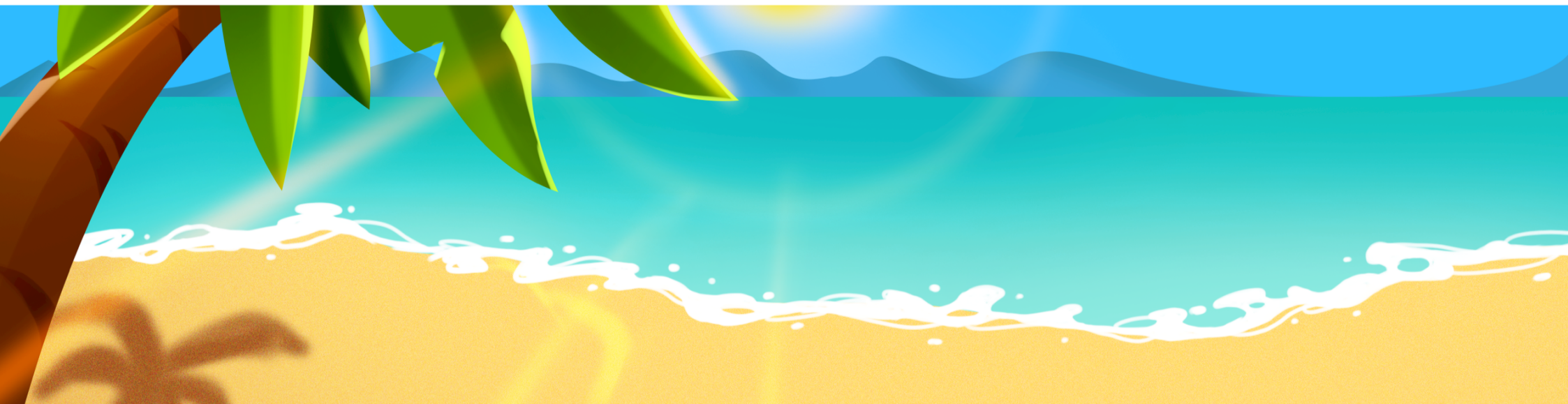
Of these 14,931 KSEK (10,387 KSEK) were sales related costs originating primarily from fees to Apple App Store and Google Play, costs of user acquisition were 26,271 KSEK (15,775 KSEK) and 7,877 KSEK (10,262 KSEK) was other external operating expenses.

Depreciation of tangible and intangible assets totalled 1,604 KSEK (445 KSEK).

The parent company's operating profit for the period was -7,461 KSEK (-16,869 KSEK).

PROFIT AFTER TAX

Profit after tax totalled to -6,542 KSEK (-13,478 KSEK).



PARENT COMPANY PROFIT/LOSS FOR THE PERIOD SEP 2019 UNTIL MAY 2020

2019/20

OPERATING INCOME

The parent company's net sales for the period were 132,213 KSEK (87,702 KSEK), an increase of 51% compared with the same period the previous year.

OPERATING EXPENSES AND OPERATING PROFIT/LOSS

Operating expenses totalled 171,990 KSEK (142,528 KSEK).

Of these 35,881 KSEK (28,802 KSEK) were sales related costs originating primarily from fees to Apple App Store and Google Play, costs of user acquisition were 51,207 KSEK (39,318 KSEK) and 24,437 KSEK (28,123 KSEK) was other external operating expenses.

Depreciation and impairments of tangible and intangible assets totalled 2,503 KSEK (1,011 KSEK).

The parent company's operating profit for the period was -31,851 KSEK (-44,855 KSEK).

PROFIT AFTER TAX

Profit after tax totalled to -28,677 KSEK (-35,657 KSEK).



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

2019/20

Intangible non-current assets at the end of the period totalled 141,956 KSEK (141,833 KSEK), of which 77,262 KSEK (77,574 KSEK) relates to intellectual property and 64,694 KSEK (64,259 KSEK) to other intangible assets. The latter consists primarily of capitalised development expenses on own account and acquired IP.

Cash and cash equivalents at the end of the period totalled 171,683 KSEK (187,555 KSEK).

Equity at the end of the period totalled 317,464 KSEK (330,982 KSEK), corresponding to 12.1 SEK/share (12.6 SEK/share).

The equity/assets ratio at the same time was 75.0% (84.9%).

The group has interest bearing debt of 56,709 KSEK (19,475 KSEK) and these arises from leasing liabilities current year and to bank loan in the comparison period.

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

Cash and cash equivalents at the end of the period totalled 168,190 KSEK (134,001 KSEK).

Equity at the end of the period totalled 322,677 KSEK (314,297 KSEK).





KEY INDICATORS FOR THE BUSINESS PERIOD MARCH UNTIL MAY 2020

2019/20

DISTRIBUTION OF REVENUES BY BUSINESS MODEL

The Group's net sales are distributed primarily between in app purchases (purchases made inside games via the Apple App Store or Google Play) and in-app advertising.

The Group's net sales from In-app purchases for the period were 26,200 KSEK (16,886 KSEK), an increase of 55% compared to the same period the previous year.

The Group's net sales from in-app advertising were 38,635 KSEK (30,877 KSEK), an increase of 25% 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 (performance based marketing), not least relating to which phase the games are in. The Group therefore reports the total contribution from games activities according to the following model: net sales minus platform-fees and performance-based marketing. Performance based marketing includes digital advertising and other advertising associated directly with the company's products, as well as services and charges directly attributable to performance-based marketing. General marketing of the company and brand is not included in the cost of direct marketing.

The Group's contribution from sales activities for the period was 30,710 KSEK (27,463 TSEK), an increase of 12% compared to the same period the previous year.

COMMENTS ON THE DISTRIBUTION OF INCOME AND CONTRIBUTIONS FROM SALES ACTIVITIES

All KPIs involved in the contribution grows significantly. Both costs for user acquisition and net sales are higher than the same period the previous year, with the net effect of a higher contribution. In-app sales drives the growth in net sales and the increase can be traced back to a broad portfolio effect from improved in-app ARPDAU with the strongest contribution from Wordzee.

KEY INDICATORS FOR THE BUSINESS CONTO.

2019/20

OTHER KEY INDICATORS

The company monitors its operations according to a number of key performance indicators that reflect how the games industry in general measures its business activities. These indicators are defined as follows;

DAU and MAU are defined as the number of unique daily and monthly users respectively that use one of the company's products, presented as an average over the period, adjusted for the number of days in the months in the period. Each individual game's unique users are summed up to present the company's total unique users.

MUP is the number of unique users who made a purchase in one of the company's products. A purchase is defined as a purchase in accordance with the above definition of in app purchases and to a value greater than zero. The value is reported as an average value over the three months in the period.

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

THE BUSINESS'S KEY INDICATORS DURING THE PERIOD

DAU for the period 2.4 million (2.1 million), an increase of 12% compared with the same period the previous year.

MAU for the period 8.2 million (7.3 million), an increase of 12% compared with the same period the previous year.

MUP for the period 60 thousand (51 thousand), an increase of 18% compared with the same period the previous year.

ARPDau for the period 3.0 US \$ cent (2.6 US \$ cent), an increase of 14% compared with the same period the previous year.

COMMENTS TO THE KPIs

The increase in DAU, MAU and MUP can be traced back to partly the global pandemic situation and partly to the newly released Wordzee. The increase in ARPDau can be traced to a broad portfolio improvement as well as to Wordzee with an ARPDau that is higher than the rest of the portfolio combined with its growing user base.



OTHER DISCLOSURES

2019/20

PARENT COMPANY

The parent company MAG Interactive AB (publ), corporate ID number 556804-3524, has its registered office in Stockholm. A big part of the Group's business activity is in the parent company, with employees, agreements, intangible assets (incl. IP) and revenues. There are three fully owned subsidiaries in the group. MAG Games Ltd, with 20 employees, has only Group internal invoicing and carries out development and other functions in the company's operations. FEO Media AB is in process of being merged into MAG Interactive AB (publ) (the merger completed on June 23rd, 2020). MAG United AB, with its base in Stockholm, has no employees.

ACCOUNTING PRINCIPLES

The consolidated accounts for the MAG Interactive AB Group ("MAG Interactive") have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU as well as RFR 1 Complementary Accounting Rules for Groups and the Swedish Annual Accounts Act. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, the Swedish Annual Accounts Act and RFR 1 Complementary Accounting Rules for Groups. The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Annual Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The application of RFR 2 means that the parent company, in the interim report for the legal entity, applies all of the EU-adopted IFRS and statements as far as is possible within the framework of the Swedish Annual Accounts Act, the Swedish Act on Safeguarding Pension Commitments and with due reference to the relationship between accounting and taxation. For a more detailed description of the accounting policies applied for the Group and the parent company in this interim report, see Note 2 for the Group and Note 2 for the parent company respectively in the annual accounts for 2018/2019.

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

MAG Interactive have chosen to apply the change to the new standard with use of the modified retrospective approach under which comparative periods are not restated. The fixed asset corresponds to the interest-bearing debt with adjusting for any prepaid or accrued leasing fees. The chosen transition method means that comparative periods have not been restated. The effects to the Profit and loss statement is considered not to be material.



RISKS AND UNCERTAINTIES

Like all other companies, MAG Interactive is exposed to risks in its business activities. To name some of these risks: dependence on key persons, exchange rate fluctuations, delays in launches, unsuccessful launches, changes in external sales partners when such changes are entirely beyond the company's control. The company's Board of Directors and management work on an ongoing basis on risk management in order to minimize these effects. For more information regarding the risks and uncertainties, please refer to the annual report of 2018/2019.

CURRENCY EFFECTS

MAG Interactive is exposed to a large number of currencies based on the way that Google Play and Apple App Store operate. The most important market for the company is USA. In addition most of the advertising income is realized in USD, and the majority of the direct marketing is purchased in USD. The most important currency is thus USD.

CERTIFIED ADVISER

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

PERSONNEL

The average number of employees during the quarter was 85, compared to 74 the same period the previous year.

CONTACT

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

Or contact

Daniel Hasselberg, CEO, at daniel@maginteractive.se

Magnus Wiklander, CFO, at magnus.wiklander@maginteractive.se

MAG INTERACTIVE AB [PUBL]

Drottninggatan 95A
113 60 Stockholm
Sweden

OTHER DISCLOSURES CONTO.

2019/20

FURTHER REPORTING DATES

Interim Report Q4 September 2019 - August 2020

21 October 2020

AGM Financial year 2019/2020

20 January 2021

Interim Report Q1 September 2020 - December 2020

20 January 2021

AUDIT

This report has not been reviewed by auditors.

TWITCH STREAM

On June 30th, 2020 at 10:00 CET, CEO Daniel Hasselberg and CFO Magnus Wiklander will present the Interim Report live on Twitch. The presentation will be held in English. Link to the Twitch feed www.twitch.com/maginteractive

Daniel Hasselberg will also take questions on Twitter during the course of the day, write to @d_hasselberg or @maginteractive.

More information is available at maginteractive.se/investors

STATEMENTS ABOUT THE FUTURE

Certain formulations can be, or interpreted to be, forecasts about the future. In cases where such statements are made, MAG Interactive's management and Board of Directors have assessed the assumptions behind these statements as being reasonable. There are, however, risks in all statements about the future, and the actual outcome with regard to the external environment and the company may deviate significantly from what has been stated. What is stated with reference to the future is made in the light of the information that the company has at the time of the statement, and the company assumes no obligation to update such statements if new information arrives at a later date that in any way changes the conditions relating to the statement.



ASSURANCE BY THE BOARD OF DIRECTORS

Stockholm 30 June 2020

BIRGITTA STYMNE GÖRANSSON

Chairman of the Board

DANIEL HASSELBERG

CEO, Board member

TAINA MALÉN

Board member

ANDRAS VAJLOK

Board member

ASBJOERN SOENDERGAARD

Board member

TEEMU HUUHTANEN

Board member

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

2019/20

Amounts in KSEK	Note	Mar-May 20	Mar-May 19	Sep-May 19/20	Sep-May 18/19	FY 18/19
Operating income						
Net sales	1	64,838	48,311	162,467	129,844	172,953
Own work capitalised		7,388	6,835	21,263	18,322	23,667
Other operating income		1,110	480	1,266	1,094	2,050
Total		73,335	55,626	184,995	149,260	198,670
Operating expenses						
Sales related costs	2	-15,049	-11,138	-36,478	-31,667	-41,854
User acquisition		-26,271	-15,782	-51,209	-39,597	-48,673
Other external expenses		-6,627	-10,552	-20,746	-29,042	-37,992
Personnel costs		-21,984	-17,612	-63,069	-49,990	-65,203
Total operating expenses		-69,931	-55,084	-171,502	-150,297	-193,721
EBITDA		3,404	542	13,493	-1,037	4,949
Depreciation and write downs of tangible and intangible non-current assets		-10,170	-6,202	-27,864	-17,981	-24,345
Operating profit/loss (EBIT)		-6,765	-5,660	-14,370	-19,018	-19,397
Financial items						
Profit/loss from securities		-599	0	-663	0	0
Interest income and similar		102	1,593	-966	2,195	3,847
Interest expense and similar		-924	-480	-1,879	-692	-1,666
Total financial items		-1,422	1,113	-3,508	1,503	2,181
Profit/loss after financial items		-8,187	-4,547	-17,878	-17,515	-17,216
Taxes		1,646	971	4,185	3,850	3,466
Profit/loss for the period		-6,541	-3,576	-13,693	-13,665	-13,750
Other comprehensive result						
Exchange rate differences		-986	-282	-468	341	301
Total comprehensive income for the period		-7,528	-3,857	-14,161	-13,324	-13,449

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

Earnings per share (based on average number of shares)	-0.25	-0.14	-0.52	-0.52	-0.52
Earnings per share fully diluted (based on average number of shares)	-0.24	-0.13	-0.50	-0.51	-0.51
Average number of shares during the period	26,321,393	26,321,393	26,321,393	26,321,393	26,321,393
Average number of shares during the period fully diluted	27,805,780	27,317,067	27,260,559	27,020,108	27,094,958
Number of shares at the end of the period	26,321,393	26,321,393	26,321,393	26,321,393	26,321,393
Number of shares at the end of the period fully diluted	27,805,780	27,317,067	27,805,780	27,317,067	27,317,067

CONSOLIDATED BALANCE SHEET

ASSETS

2019/20

Amounts in KSEK	Note	31/5 2020	31/5 2019	31/8 2019
ASSETS				
Goodwill		77,262	77,574	77,482
Other intangible assets		64,694	64,259	63,827
Total intangible assets		141,956	141,833	141,309
Right-of-use assets		55,294	0	0
Equipment, tools, fixtures and fittings		8,328	6,090	5,562
Total tangible assets		63,622	6,090	5,562
Other long-term receivables		4,061	4,619	2,085
Total financial non-current assets		4,061	4,619	2,085
Deferred tax assets		5,036	11,475	672
Total non-current assets		214,675	164,017	149,629
Current assets				
Trade and other receivables		28,281	21,449	19,517
Current tax assets		2,110	10,643	11,364
Other current receivables		1,202	1,941	8,001
Prepaid expenses and accrued income		5,548	4,217	3,762
Cash and cash equivalents		171,683	187,555	185,071
Total current assets		208,824	225,805	227,715
TOTAL ASSETS		423,499	389,822	377,344

CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY

2019/20

Amounts in KSEK	Not	31/5 2020	31/5 2019	31/8 2019
EQUITY AND LIABILITIES				
Equity				
Share capital		684	684	684
Other contributed capital		281,935	281,168	281,219
Reserves		-2,050	-1,542	-1,583
Retained earnings incl. comprehensive income for the period		36,895	50,673	50,588
Total equity		317,464	330,982	330,908
Deferred tax liabilities		13,327	18,097	13,148
Long-term lease liabilities		48,908	0	0
Other long-term liabilities		0	3,919	0
Total long-term liabilities		62,235	22,016	13,148
Current liabilities				
Trade and other payables		15,870	8,420	6,611
Current tax liability		364	90	0
Short-term bank loans		0	15,556	15,556
Accrued expenses and prepaid income		15,962	8,606	8,011
Short-term lease liabilities		7,801	0	0
Other current liabilities		3,804	4,152	3,109
Total current liabilities		43,800	36,824	33,287
TOTAL EQUITY AND LIABILITIES		423,499	389,822	377,344

CONSOLIDATED CASH FLOW STATEMENT**2019/20**

Amounts in KSEK	Notes	Mar-May 20	Mar-May 19	Sep-May 19/20	Sep-May 18/19	FY 18/19
Cash flow from operating activities						
Profit/loss before financial items		-6,765	-5,660	-14,370	-19,018	-19,397
Adjustments for items not part of cashflow						
LTIP		110	127	360	127	255
Depreciations and write-downs		7,714	6,205	21,809	17,984	24,346
Depreciations and write-downs lease		2,456	0	6,054	0	0
Interest received		101	347	553	347	478
Interest paid		-3	-111	-235	-381	-464
Interest leasing		-354	0	-876	0	0
Income tax paid ¹		-171	-5,488	9,623	-8,644	-6,698
Cash flow from operating activities before change in working capital		3,088	-4,579	22,918	-9,585	-1,480
Change in current operating receivables		-5,679	-2,408	-3,726	2,330	3,448
Change in current operating liabilities		8,715	478	17,960	-367	-5,787
Change in working capital		3,036	-1,931	14,234	1,963	-2,339
Cash flow from operating activities		6,124	-6,510	37,152	-7,621	-3,819
Cash flow from investing activities						
Investments in tangible non-current assets		-2,466	-252	-4,150	-4,318	-4,373
Capitalized work		-7,388	-6,835	-21,263	-18,322	-23,667
Investment in intangible assets		0	-199	0	0	0
Increase / decrease in financial investments		0	5	-1,982	0	2,216
Change in securities		79,337	0	-663	0	0
Cash flow from investing activities		69,482	-7,281	-28,058	-22,639	-25,824
Cash flow from financing activities						
Option scheme		0	0	0	0	-77
Amortized long-term loans		0	-3,889	0	-11,667	-15,556
Amortized short-term loans		-7,778	0	-15,556	0	0
Amortized leasing liabilities		-1,950	0	-4,640	0	0
Cash flow from financing activities		-9,728	-3,889	-20,195	-11,667	-15,633
Reduction/increase in cash and cash equivalents						
Cash flow for the period		65,878	-17,680	-11,102	-41,927	-45,276
Effects of exchange rate changes		-567	808	-2,286	1,399	2,208
Opening cash and cash equivalents		106,372	204,426	185,071	228,083	228,083
Closing cash and cash equivalents		171,683	187,555	171,683	187,555	185,015

¹The increased tax during the period Sep-May 19/20 relates mainly to a tax payment from our tax account. The payment refers to an adjusted preliminary tax of 10 927 KSEK that has been adjusted due to the Group contribution between the subsidiary and the parent company.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2019/20

KSEK	Share capital	Other external capital	Reserves	Retained earnings	Total equity
Starting balance 1/9 2019	684	281,219	-1,583	50,588	330,908
Profit/loss for the period				-13,693	-13,693
Exchange rate differences			-468		-468
Total comprehensive income			-468	-13,693	-14,161
LTIP		716			716
Ending balance 31/5 2020	684	281,935	-2,050	36,895	317,464

KSEK	Share capital	Other external capital	Reserves	Retained earnings	Total equity
Starting balance 1/9 2018	684	281,041	-1,883	64,338	344,179
Profit/loss for the period				-13,665	-13,665
Exchange rate differences			341		341
Total comprehensive income			341	-13,665	-13,324
LTIP		127			127
Ending balance 31/5 2019	684	281,168	-1,542	50,673	330,982

PARENT COMPANY'S INCOME STATEMENT

2019/20

Amounts in KSEK	Mar-May 20	Mar-May 19	Sep-May 19/20	Sep-May 18/19	FY 18/19
Operating income					
Net sales	62,918	32,164	132,213	87,702	116,547
Other operating income	2,389	4,349	10,429	10,982	15,724
Total operating income	65,307	36,513	142,643	98,684	132,272
Operating expenses					
Sales related costs	-14,931	-10,387	-35,881	-28,802	-38,682
User acquisition	-26,271	-15,775	-51,207	-39,318	-48,393
Other external expenses	-7,877	-10,262	-24,437	-28,123	-36,848
Personnel costs	-22,086	-16,514	-60,465	-46,285	-60,926
Total operating expenses	-71,165	-52,937	-171,990	-142,528	-184,850
EBITDA	-5,858	-16,424	-29,348	-43,844	-52,578
Depreciation of tangible and intangible non-current assets	-1,604	-445	-2,503	-1,011	-1,450
Operating profit/loss	-7,461	-16,869	-31,851	-44,855	-54,028
Financial items					
Profit/loss from securities	-663	0	-663	0	0
Financial income	-37	172	415	221	352
Financial expenses	-74	-480	-942	-799	-2,019
Total financial items	-774	-308	-1,190	-577	-1,667
Profit/loss after financial items	-8,235	-17,178	-33,041	-45,432	-55,695
Tax allocation reserve	0	0	0	0	57,355
Taxes	1,694	3,699	4,364	9,776	-1,027
Profit/loss for the period	-6,542	-13,478	-28,677	-35,657	633

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

PARENT COMPANY'S BALANCE SHEET

ASSETS

2019/20

Amounts in KSEK	31/5 2020	31/5 2019	31/8 2019
Equipment, tools, fixtures and fittings	5,281	2,052	1,921
Total tangible non-current assets	5,281	2,052	1,921
Participation in Group companies	181,983	181,983	181,983
Other long-term receivables	8,802	13,257	2,455
Long-term receivables from Group companies	121	31	61
Total financial non-current assets	190,906	195,271	184,499
Total non-current assets	196,187	197,323	186,420
Current assets			
Trade and other receivables	26,745	13,255	12,896
Short-term receivable from Group companies	4	1,911	59,190
Other receivables	1,177	1,721	1,870
Prepaid expenses and accrued income	5,405	3,810	3,504
Total current assets	33,331	20,697	77,461
Cash and cash equivalents	168,190	134,001	179,465
TOTAL ASSETS	397,708	352,021	443,346

PARENT COMPANY'S BALANCE SHEET

LIABILITIES AND EQUITY

2019/20

Amounts in KSEK	31/5 2020	31/5 2019	31/8 2019
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	684	684	684
Non-restricted equity			
Other contributed capital	313,324	312,557	312,608
Retained earnings incl. comprehensive income for the period	8,668	1,055	37,345
Total equity	322,677	314,297	350,637
Other long-term liabilities	0	3,889	0
Total long-term liabilities	0	3,889	0
Current liabilities			
Trade and other payables	15,699	7,889	6,374
Liabilities to Group companies	42,251	1,441	61,803
Other liabilities	1,606	17,640	18,286
Accrued expenses and prepaid income	15,475	6,866	6,247
Total current liabilities	75,031	33,835	92,709
TOTAL EQUITY AND LIABILITIES	397,708	352,021	443,346

Term	Description
Net sales	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).
In-app purchases	The value of purchases made in an app through Google Play or Apple App Store or other such store.
Advertising sales	Net sales from ads in the games.
Activated costs for own account	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 was public.
Platform fee	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.
User acquisition	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 nine months, and longer periods can be relevant in situations with strong retention and long term monetization.
Game contribution	Net sales minus platform fees (primarily to Google and Apple) minus direct marketing.
EBITDA	Profit/loss before financial items, taxes and depreciation.
Equity/asset ratio	Equity as a percentage of total assets.
DAU	Average number of Daily Active Users for the days during the period. Calculated as the sum of DAU for the individual games in such a way so that a player that plays more than one game in one day is counted once per game.
MAU	Average number of Monthly Active Users over the months during the period. Calculated as the sum of MAU for the individual games in such a way so that a player that plays more than one game in one month is counted once per game. An average over the months in the period is calculated.
MUP	Average Monthly Unique during the period is the total number of unique users that makes an In-app purchase in a game. Counted in such a way that a user that makes purchases in more than one game during the month is counted once per game. An average over the months in the period is calculated.
ARPPDAU	Daily average Net sales per daily active user (DAU). If nothing else is stated this is measured in US cents.

NOTES TO THE INTERIM REPORT

2019/20

	Mar-May 20	Mar-May 19	Sep-May 19/20	Sep-May 18/19	FY 18/19
Amounts in KSEK					
NOTE 1: DISTRIBUTION OF NET SALES					
In-app purchases	26,200	16,886	57,284	48,476	63,432
Advertising income	38,635	30,877	104,592	80,661	108,659
Other	3	549	591	707	863
Total	64,838	48,312	162,467	129,844	172,954
NOTE 2: SALES RELATED COSTS					
Platform fee	-7,857	-5,066	-17,185	-14,533	-19,020
Server costs	-5,124	-3,968	-12,881	-11,645	-14,917
Other sales related costs	-2,068	-2,104	-6,413	-5,488	-7,917
Total sales related costs	-15,049	-11,138	-36,479	-31,666	-41,854
NOTE 3: ADJUSTED EBITDA AND PROFIT BEFORE TAX					
EBITDA	3,404	542	13,493	-1,037	4,949
IFRS 16 effect - depreciation	-2,456	0	-6,054	0	0
Adjusted EBITDA	948	542	7,439	-1,037	4,949
Profit/loss before tax	-8,187	-4,547	-17,878	-17,515	-17,216
IFRS 16 effect - interest	354	0	876	0	0
Adjusted profit/loss before tax	-7,833	-4,547	-17,002	-17,515	-17,216

GOOD TIMES