

Year-End Report 2014
Interim Report 4th quarter



Summary of fourth quarter, 2014

(Last year's figures in brackets)

- Net sales for the period amounted to SEK 15.6million (SEK 2.1 million)
- Operating profit for the period amounted to SEK - 5.0 million (-6.4 million)
- Profit after tax amounted to SEK - 6.1 million (-6.3 million)
- Earnings per share amounted to SEK - 0.17 (-0.24)

Key figures

	Q4 2014	Q4 2013	FY 2014	FY 2013	FY 2012
Net sales (KSEK)	15 623	2 052	50 871	5 081	5 276
Net result (KSEK)	- 6 097	- 6 311	- 33 889	- 14 021	- 7 278
Total assets (KSEK)	64 842	15 393	64 842	15 393	8 827
Solidity (%)	37	77	36	77	16
Net earnings per share (SEK)	- 0,17	- 0,24	- 0,96	- 0,53	- 0,42
Number of shares outstanding (share register)	35 458 545	26 383 864	35 458 545	26 383 864	17 402 460

Fellow shareholders,

Looking back at 2014 I feel proud of all the great things that we have accomplished during a very eventful year. Mavshack has seen an impressive increase in sales and for the first time in the company's history we reported a quarterly profit. We now enjoy the benefit of having entered our markets early since we have gained experience of local consumer habits.

Mavshack's media platform has seen a heavy increase in traffic during 2014. In the past year, Mavshack has grown from strictly offering Filipino content to being a Pan-Asian entertainment service with a vast media library. Today Mavshack offers approximately 10 000 titles in sixteen languages and is now the largest Internet-TV service provider of Indian entertainment. I am very pleased with what we have accomplished in such a short period of time.

The high goals we set up for 2014 have been met. We have however encountered a few bumps along the way, as can be expected. For instance we have misjudged the long payment practices in the different markets. It should be noted that we have not suffered any significant losses because of this.

Mavshack continues to grow aggressively and to manage our expansion we need both capital and competent resources. We have therefore signed several partnership agreements during the year, most of which we entered into during the fourth quarter. The most significant agreements going forward for Mavshack are our new partnerships with Hub Media and IMainstream.

When it comes to increasing our content the partnership with Hub Media is the most significant so far. With their extensive Asian library of over 220 000 hours of entertainment, including Chinese content, we now have access to one of the world's largest content supplies. Thus, our partnership with Hub Media means we now can start working on attracting Chinese audiences. Even though restrictions prevents us from entering mainland China, the market is under no circumstances small and goes well with our philosophy of offering local content to a global audience. Today Mavshack has viewers in 81 countries and we continuously work to strengthen our position amongst our main target market, which is Asian viewers residing outside of their native country.

During the second quarter of 2015, Mavshack will disclose further details surrounding the co-production plan being worked out together with Hub Media. Having the ability to offer exclusive content to Mavshack viewers will be a great opportunity for us to strengthen our position and moving ahead of our current competitors. By co-producing content with an experienced Asian production company we limit the risks involved when taking on such an endeavor.

Our agreement with IMainstream will enable Mavshack to quickly integrate on devices available to 50 million households around the world. Such devices include Microsoft Xbox, Sony Playstation, Smart TVs from Samsung and popular TV-boxes such as Sky powered Now and Roku.

There is no doubt that our investment in Indian content has been a success. For 2014 India stood for more than half of Mavshack's sales. In the Philippines, Mavshack was actively involved in the preparation of the highly anticipated visit by His Holiness Pope Francis. Over all I am positive to Mavshack taking part in such an event, and do not rule out participating in similar high-profile events in the future.

The biggest challenges I see for Mavshack in 2015 is to increase our online sales and converting our offline customers to recurring online subscribers. Today's sales are dominated by selling pre-paid cards. The sales of these cards generally work well and are adapted to current local consumer habits. Even if these sales generate huge volumes, it should not be underestimated that payment periods are long and thus, put a burden on the working capital. However, these volumes give us a huge potential in conversion of pre-paid users to recurring subscribers. In future our offline sales will continue to dominate in markets with

developing online payments while we will focus on online sales for Diasporas in mature markets. We have noted that the world's biggest online TV network, Netflix, has recently adopted a similar strategy now when they are entering the Latin American market.

During 2014, 5 percent of Mavshack's revenue came from online sales predominantly deriving from mature markets. We are continuously working to be in the forefront as consumer habits evolve while more online payments options become available. Just recently the virtual currency Cherry Credits was added as a payment option for Mavshack subscribers. Worth noting is that a shift in user behavior occurred during the fourth quarter as viewers are starting to use iOS and Android apps. We see this as a positive shift in consumer behavior and a recognition that we are succeeding with reaching our viewers on multiple platforms.

Together with my team I am enthusiastic about the future and strongly believe that 2015 will be a game-changing year. We are convinced that Mavshack in the next couple of years will come closer to our goal of become a household name and the obvious choice for high quality Asian entertainment for viewers around the world.

We are currently establishing a strategic platform for Mavshack's future growth potential. This might include a plan for a potential move of the trading of the Mavshack share. For this reason we have chosen not to quantify our goals for 2015 for now, even though I know it has been requested.

Finally I would like to thank all of Mavshack's shareholders for your confidence during 2014. We became 200 more shareholders during the fourth quarter and I hope you, like I, will take part in this springs new shares issue!

Stockholm February 20, 2015

Jonas Litborn
President & CEO

About Mavshack

Mavshack is a global internet-TV service provider bringing quality Asian entertainment to viewers around the world. The service is available via subscription and prepaid cards used in offline sales, campaigns and promotions. Mavshack's viewers can use our service on all online devices such as tablets, smartphones and computers. In the near future Mavshack will also be integrated with Smart TVs, game consoles and digital TV boxes.

Mavshack offers a wide variety of Asian entertainment including high quality movies, concerts and music videos. Currently a vast amount of our content is from India and the Philippines but we are continuously adding content from other Asian countries. With global licensing agreements we offer a truly global service.

Content

We are constantly looking at new ways to improve the user experience through exclusive quality content. During the third quarter we offered for the first time access to a movie playing in Indian theatres. The movie was the now Oscar nominated movie **Jal**, and it was available on Mavshack exclusively outside of India while it was still playing in theatres. In the fourth quarter we took that concept further and provided exclusively the two Indian movies **Tamanchey** and **Trips to Bhangarh** as well as the Filipino movie **The Gifted** while they were still in theatres.

Marketing

Mavshack continues to successfully generate new traffic to the site primarily from advertising through channels such as Google and Facebook. Campaigns in cooperation with strategic partners and distributors are also an important part of our marketing strategy to reach a wider customer base. Going forward we will also start targeting partnerships with companies and organizations with either a large customer base or affiliation to Asian communities living outside their home country, which is an important market for us.

Significant events during the period

- Mavshack entered into an agreement with Hub Media Group which gave Mavshack access to over 220 000 hours of new content. The partnership with Hub Media also includes starting co-production of original content for Mavshack viewers.
- Mavshack has established a fully own subsidiary in India, Mavshack Entertainment India Pvt. Ltd.

Significant future events

- Mavshack Internet TV will soon be available on several online devices including Microsoft Xbox, Sony Playstation, Smart TVs from Samsung and popular TV-boxes such as Sky powered Now and Roku. This is made possible thanks to our new partnership with I Mainstream Inc, a leading online distribution company which last year debuted on Gartner Group's *Cool Company* list.
- Mavshack will strengthen its capital with approximately SEK 32 million through a new share issue which is guaranteed by the company's main shareholders and external guarantors. The new capital will enable Mavshack to quickly adapt to changing consumer habits in Asia where new technology and new online payments methods maturing. It will also speed-up Mavshack's market expansion which is primarily focused on regions such as Dubai, India and Chinese speaking communities around the world.

Outlook

Mavshack still sees great potential to strengthen its position to become a leading Internet TV service for Asian entertainment for a global audience. Asian communities residing outside their home countries are still the company's main target market, but even domestic consumer sales have shown great growth. Future growth will come from strengthening brand recognition amongst our target market, providing the best possible content of Asian entertainment and through effective strategic marketing and sales online.

Report from the Board and CEO

The Board and CEO certify that this report gives a true and fair view of Mavshack's financial position and results, and describes the significant risks and safety factors that Mavshack face.

The auditor's examination

This interim report has not been subject to auditor review.

Accounting and valuation principles

The Company applies Accounting Standards Board's pronouncements. If general counsel from Accounting Standards Board is missing, guidance has been obtained from the Accounting Council's recommendations. Accounting and valuation principles are consistent with those applied in the Annual Report for 2013.

Risks and uncertainties

Mavshack's significant risks and uncertainties have been described in the company description drawn up in conjunction with the company's listing on Nasdaq First North in June 2014. No new material risks or uncertainties are considered to have arisen.

Next report

First quarter interim report will be published on 29 April 2015. Annual shareholders meeting for the 2014 fiscal year will be held on 29 April 2015. The Fiscal report will be available on the company's website on April 15.

Stockholm February 20th 2015

Mavshack AB (publ)

The Board

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All reports are available after publication on Mavshack's corporate website www.mavshack.se.

Quarterly and Annual Summary - Group

(Ksek)	Three months ending					Twelve months ending	
	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Revenues	18 181	21 712	9 549	5 359	2 393	54 801	5 432
Operating expenses	- 23 161	- 19 599	- 24 521	- 18 449	- 8 754	- 85 730	- 19 276
Operating result	- 4 980	2 113	- 14 972	- 13 090	- 6 361	- 30 929	- 13 844
Financials, net	- 1 117	- 1 582	- 236	- 25	50	- 2 960	- 177
Net result	- 6 097	531	- 15 208	- 13 115	- 6 311	- 33 889	- 14 021
Fixed assets	4 170	4 361	4 781	4 976	5 028	4 170	5 028
Working capital	60 672	41 753	26 586	29 381	10 365	60 672	10 365
Equity	23 507	27 805	8 075	21 003	11 775	23 507	11 775
Long term liabilities	12 124	-	-	-	-	12 124	-
Current liabilities	29 211	18 309	23 292	13 354	3 618	29 211	3 618
Balance sheet total	64 842	46 114	31 367	34 357	15 393	64 842	15 393
Cash flow							
-operating activities	- 6 159	1 076	- 14 367	- 12 214	- 5 619	- 31 664	- 11 290
-working capital	13 355	- 23 211	987	4 244	- 2 660	- 4 625	- 8 688
-investments	- 17 154	- 123	-	- 1 494	- 419	- 18 771	- 868
-financing	12 127	19 197	1 620	23 002	10 674	55 946	24 404
Cash flow for the period	2 169	- 3 061	- 11 760	13 538	1 976	886	3 558
Cash beginning of period	2 276	5 337	17 097	3 559	1 583	3 559	1
Cash end of period	4 445	2 276	5 337	17 097	3 559	4 445	3 559
Number of shares	35 458 545	35 068 545	31 458 545	31 111 323	26 383 864	35 458 545	26 383 864
Net result per share	- 0,17	0,02	- 0,48	- 0,42	- 0,24	- 0,96	- 0,53
Solidity	36%	60%	26%	61%	76%	36%	76%

Comments

Sales for the fourth quarter 2014 (Oct-Dec) amounted to SEK 18.2million (SEK 2.4 million). The revenue is mainly a result of cooperation with local partners and distributors that purchase pre-paid subscription vouchers. For the entire year sales amount to SEK 54.8 million (SEK 5.4 million) which is ten times as much as previous year. We are happy about the response from the Indian market, which we recently entered. After about a year on the market, India now amounts to more than half of Mavshack's revenue.

Operating profit for the fourth quarter 2014 amounted to SEK -5 million (-6.4 million). The results include two large-scale marketing investments in conjunction with the premier of two Indian and one Filipino movie. It should also be noted that SEK 2.5 million has been reserved for doubtful receivables since a Philippian distributor has not come through on a payment commitment, which has previously been agreed. For the entire year the result amounted to SEK -30.9 million (-13.8 Million), which is in line with company expectation.

Since a significant portion of Mavshack's revenue comes via local partners and distributors, in markets with long payment terms, the company has borrowed capital with high interest to fund the working capital required. Consequently net financials account for SEK -1.1 million in the period (-0.1 million). Including the write-off of receivables on dormant group companies (see third quarter report for 2014), the net financials was negative of SEK 3.0 million (-0.2 million) for the full year.

During this period the company has examined its commitments regarding acquisitions of content IPR. As per balance sheet date 31 December 2014, the company holds global rights to approximately 10 000 titles in sixteen languages including English. The acquired rights are valid as far as to 2019 depending on distributor and content title. The commitments that exist in the agreements are reported as assets as well as short and long-term debts depending on if payments are due within or after twelve months.

The commitments in the agreements are periodically accounted for on a linear basis in accordance to the length of time the rights are valid for each title. This is in contrast to how we have previously accounted in quarterly reports, which is why total assets have increased with a corresponding value and long-term debts account for the portions that are due later than twelve months from the balance sheet date. The rights valuation is accounted as an advanced payment, which is included as a current asset.

The second quarter's sales growth via local partners and distributors with long payment terms strained working capital during that period. The company therefore obtained an overdraft credit of SEK 5 million to balance peaks in working capital. To compensate for late payments of local distributors in the Philippines a short-term loan of SEK 10 million was obtained. The company's liquid assets at the end of the period amounted to SEK 4.4 million (SEK 3.6 million).

During the annual general meeting on April 11 2014 the board was authorized to make a decision of a new share issue up to a maximum of 5 million shares. 4 million of these have been issued, 390 000 of them have been registered during this period. Total amount of shares at the end of this period amounted to 35 458 545. Profit per share during this period amounted to -0.17 (-0.24).

At an extraordinary general meeting in December 2013 it was decided to issue employee stock option, which would entitle an employee with 20 call options to purchase 1 share issued by Mavshack AB at a price of SEK 13.20. No option holders exercised their rights prior to the deadline, which was set for 31 December 2014. No new employee stock option program is available at this time. For more information, please find financial data below.

**Income statement - Group and Parent company
(SEK)**

	Group 2014	Group 2013	Parent company 2014	Parent company 2013
<i>Revenues</i>				
Net revenues	50 871 244	5 081 117	52 065	566 191
Other income	3 929 724	351 348	339 503	82 438
Total revenues	54 800 968	5 432 465	391 568	648 629
<i>Operating expenses</i>				
Direct cost of goods sold	- 18 512 499	- 4 251 532	- 2 028 167	- 529 218
Other external costs	- 55 137 355	- 8 460 159	- 9 061 883	- 3 872 677
Personnel costs	- 8 240 874	- 3 466 892	- 6 384 952	- 3 055 203
Depreciation	- 2 215 964	- 2 730 705	- 1 245 673	- 1 035 892
Other operating expenses	- <u>1 859 144</u>	- <u>367 225</u>	- <u>58 018</u>	- <u>7 822</u>
Operating profit/loss	- 31 164 868	-13 844 048	- 18 387 125	- 7 852 183
<i>Results from financial investments</i>				
Result from shares in group companies	- 1 315 542	-	- 1 315 542	- 4 850 000
Other interest income and similar profit/loss	69	17 603	5	33
Other interest expenses and similar profit/loss	- <u>1 407 961</u>	- <u>195 084</u>	- <u>1 245 058</u>	- <u>47 381</u>
Profit/loss after financial investments	- 33 888 302	-14 021 529	- 20 947 730	- 12 749 531
Profit before tax	- <u>33 888 302</u>	- <u>14 021 529</u>	- <u>20 947 730</u>	- <u>12 749 531</u>
Results of the period	- <u>33 888 302</u>	- <u>14 021 529</u>	- <u>20 947 730</u>	- <u>12 749 531</u>

**Consolidated balance sheet - Group and Parent company
(SEK)**

ASSETS	Group 31/12 2014	Group 31/12 2013	Parent company 2014	Parent company 2013
Fixed assets				
<i>Intangible fixed assets</i>				
Balanced expenses for research and development	3 237 610	3 221 822	3 127 393	3 465 453
Patent	-	18 557	-	-
Goodwill	-	879 594	-	-
Total intangible fixed assets	<u>3 237 610</u>	<u>4 119 973</u>	<u>3 127 393</u>	<u>3 465 453</u>
<i>Tangible fixed assets</i>				
Inventories	332 196	308 085	206 090	186 979
Total tangible fixed assets	<u>332 196</u>	<u>308 085</u>	<u>206 090</u>	<u>186 979</u>
<i>Financial fixed assets</i>				
Shares in group companies	-	-	20 710 400	8 723 944
Other long term interests	600 000	600 000	600 000	600 000
Total financial fixed assets	<u>4 169 806</u>	<u>5 028 058</u>	<u>24 643 883</u>	<u>4 252 432</u>
<i>Current receivables</i>				
Trade receivables	37 404 123	4 019 505	41 009	62 500
Receivables from group companies	-	-	30 928 164	5 436 894
Tax receivables	6 996	6 994	-	-
Other receivables	687 969	1 945 792	614 996	1 015 637
Prepaid cost and accrued income	18 128 075	834 573	312 443	333 059
Total current receivables	<u>56 227 163</u>	<u>6 806 864</u>	<u>31 896 612</u>	<u>6 848 090</u>
<i>Cash and bank balances</i>				
Total current assets	<u>4 444 875</u>	<u>10 365 094</u>	<u>34 251 258</u>	<u>3 491 491</u>
TOTAL ASSETS	<u>-</u>	<u>15 393 152</u>	<u>58 895 141</u>	<u>-</u>

**Consolidated balance sheet - Group and Parent company
(SEK)**

EQUITY AND LIABILITIES	Group 31/12 2014	Group 31/12 2013	Parent company 2014	Parent company 2013
Equity				
<i>Fixed Equity</i>				
Issued and paid-up-share capital	17 729 273	13 191 932	17 729 273	13 191 932
Ongoing rights issue	-	733 784	-	733 784
Sum fixed equity	<u>17 729 273</u>	<u>13 925 716</u>	<u>17 729 273</u>	<u>13 925 716</u>
<i>Unrestricted equity</i>				
Share premium reserve	79 528 774	36 107 830	79 528 774	37 209 131
Free reserves	-39 863 054	- 24 236 658	-32 745 036	- 17 682 086
Net profit/loss of the period	-33 888 302	- 14 021 529	-20 947 730	- 12 749 531
Sum unrestricted equity	<u>5 777 418</u>	<u>- 2 150 357</u>	<u>25 836 008</u>	<u>6 777 514</u>
Total equity	<u>23 506 691</u>	<u>11 775 359</u>	<u>43 565 281</u>	<u>20 703 230</u>
Long term debts				
Revolving credits	5 000 000	-	-	-
Other long term debts	7 124 270	-	-	-
Total long term debts	<u>12 124 270</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Current liabilities</i>				
Trade creditors	5 500 356	1 624 571	1 513 054	762 388
Liabilities to group companies	-	-	293 498	561 040
Other current liabilities	18 449 816	478 970	11 179 501	252 744
Accrued expenses and deferred income	5 260 711	1 514 252	2 343 807	1 036 555
Total current liabilities	<u>29 210 883</u>	<u>3 617 793</u>	<u>15 329 860</u>	<u>2 612 727</u>
TOTAL EQUITY AND LIABILITIES	<u>64 841 844</u>	<u>15 393 152</u>	<u>58 895 141</u>	<u>23 315 957</u>

**Group consolidated statement of changes in equity
(SEK)**

	Share capital	Paid non- registered Sharecapital	Free reserves	Net profit/loss of the period	Sum Equity
Opening balance as per 2014-01-01	13 191 932	733 784	11 871 172	- 14 021 529	11 775 359
Transfer of annual result	-	-	-14 021 529	14 021 529	-
Share issue	2 537 341	- 733 784	22 900 633	-	24 704 190
Results of the period	-	-	-	- 28 322 615	- 28 322 615
Ending balance as per 2014-06-30	15 729 273	-	20 750 276	- 28 322 615	8 156 934
Share issue	1 652 500	347 500	17 199 476	-	19 199 476
Results of the period	-	-	-	531 050	531 050
Ending balance as per 2014-09-30	17 381 773	347 500	37 949 752	- 27 791 565	27 887 460
Results of the period	347 500	- 347 500	-	- 6 096 737	- 6 096 737
Adjustment negative equity from dormant subsidiaries	-	-	1 715 968	-	1 715 968
Ending balance as per 2014-12-31	17 729 273	-	39 665 720	- 33 888 302	23 506 691

**Consolidated statement of cash flow -
Group and Parent company
(SEK)**

	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Cash flows from operating activities				
Results of the period	- 33 888 302	- 14 021 529	- 20 947 730	- 12 749 531
Adjustments to reconcile result of the period to net cash	2 224 095	2 730 705	1 245 673	1 035 892
Cash flow from current operations before changes in working capital	- 31 664 207	<u>- 11 290 824</u>	- 19 702 057	<u>- 11 713 639</u>
Cash flow from changes in working capital				
Changes in working capital	- 4 624 437	- 8 687 757	- 12 361 816	- 8 507 205
Cash flows from operating activities	<u>- 36 288 644</u>	<u>- 19 978 581</u>	- 32 063 873	<u>- 20 220 844</u>
Investing activities				
Shareholder contribution	-	-	- 12 000 000	-
Adjustment of subsidiary	- 12 010	-	- 12 010	-
Investments in intangible assets	- 18 642 422	- 702 160	- 850 223	- 567 100
Investments in tangible assets	- 116 340	- 165 970	- 20 520	- 124 980
Cash flow som investing activities	<u>- 18 770 772</u>	<u>- 868 130</u>	- 12 882 753	<u>- 692 080</u>
Financing activities				
Share issue	46 135 210	25 237 707	46 123 200	25 237 707
Share issue costs	- 2 313 419	- 833 314	- 2 313 419	- 833 314
Loans	12 124 270	-	-	-
Cash flow from financing activities	<u>55 946 061</u>	<u>24 404 391</u>	<u>43 809 781</u>	<u>24 404 393</u>
Cash flow for the period	<u>886 645</u>	<u>3 557 680</u>	- 1 136 845	<u>3 491 469</u>
Cash and cash equivalents, beginning of period	3 558 230	550	3 491 491	22
Cash and cash equivalents, end of period	<u>4 444 875</u>	<u>3 558 230</u>	<u>2 354 646</u>	<u>3 491 491</u>

