

Interim Report

Period: July – September 2014



mavshack
LOCAL CONTENT ONLINE

Summary of third quarter, 2014

(Last year's figures in brackets)

- Net sales for the period amounted to SEK 20.9 million (SEK 0.8 million)
- Operating profit for the period amounted to SEK 2.1 million (-3.3 million)
- Profit after tax amounted to SEK 0.5 million (-3.3 million)
- Earnings per share amounted to SEK 0.01 (-0.12)

Key figures

	Q3 2014	Q3 2013	FY 2013	FY 2012
Net sales (KSEK)	20 874	813	5 081	5 276
Total assets (KSEK)	46 114	13 798	15 393	8 827
Solidity (%)	60	58	77	16
Earnings per share before dilution (SEK)	0,02	-0,13	-0,53	-0,42
Net earnings per share after dilution (SEK)	0,01	-0,12	-0,45	-0,39
Number of shares outstanding	35 068 545	26 383 864	26 383 864	17 402 460
Number of shares after dilution	37 568 545	28 883 864	31 383 864	18 902 460

About Mavshack AB

Mavshack runs one of the world's fastest growing Internet TV service with Asian movies in HD, music videos and TV shows without commercials. The service is accessible from any Internet-connected device at a low monthly fee and based on streaming technology. Already today Mavshack has the largest library of Filipino and Indian titles and has signed agreements with Asia's leading content providers. Mavshack is a Swedish company listed on Nasdaq First North under the ticker MAV. Certified Adviser is Erik Penser Bankaktiebolag. More information about the company is available at www.mavshack.se.

CEO's Comment

During the third quarter, we have signed several contracts resulting in successful offline sales in India and the Philippines. This had a beneficial effect on Mavshack's turnover, which doubled from the second quarter. Thanks to this Mavshack shows a positive result, thus making it the first quarter in the company's history we report a profit.

Among our most recent contracts we would like to highlight the one with Coca Cola in India and the one with the Catholic Church in the Philippines. The latter collaboration includes sales of vouchers associated to the Pope's visit to the Philippines in early 2015th.

Offline operations are essentially about agreements that give us efficient distribution of Mavshack vouchers and thereby an increased number of registered users and subscribers, i.e. both increased sales and exposure to key audiences. It is essential for Mavshack to get a good exposure in the upcoming Christmas season, which Mavshack's partners are preparing for.

Alongside the offline sales, intensive efforts are made to increase the online business aiming to reach consumers directly online for long-term subscriptions. These have tripled in the third quarter showing a very important and positive development for Mavshack where we currently see the Asian diaspora in the United States and Great Britain as our main target. As a consequence, increased marketing efforts are made to reach the target audience online effectively.

The company's China venture has taken off in the past quarter and the forms of the Chinese operations remains and business running according to plans. The new Chinese-language site is about to get launched and acquisition of quality content is proceeding satisfactory.

During the past quarter, we also made a minor reorganization aimed at streamlining sales operations and a new chairman was appointed, Christer Enqvist. With his sales background and international network, he will give Mavshack's sales organization valuable support and new contacts. We close the quarter with over 1.3 million registered users and maintain the previously announced goal of reaching 2 million registered users by end of 2014.

Overall, we are proud of the past quarter's work and pleased with the increased sales contributing to the positive result for the third quarter.

Stockholm, October 17, 2014

Jonas Litborn

CEO

Revenue and earnings from July to September

Sales for the period from July to September was SEK 21.7 million compared with SEK 0.8 million for the corresponding period last year. Revenues consist of a mix of online sales, vouchers to end customers and direct sales of prepaid vouchers to distributors and other companies.

Operating income amounted to SEK 2.1 million compared to SEK -3.3 million for the corresponding period last year. Operating income includes mainly the acquisition of content rights for SEK 11.4 million, relating to the content made available to subscribers, and Mavshacks investments in marketing for SEK 4.8 million. Personnel expenses amounted to SEK 2.1 million, which was slightly more than double the same period last year and is a result of the fact that average number of employees has increased by 8 people. Staff costs include costs for subcontractors.

In the period, the value of a claim on two dormant subsidiaries was written down in its entirety, which represents a total cost of SEK 1.3 million. The impairment loss has been recognized as a financial expense as neither company carries on business.

Parent company engages in group management and administration and finance for the entire group. Sales for the period from July to September was SEK 54 thousand and the profit before tax amounted to SEK -3.7 million.

Sales and income from January to September

Turnover for the Group during the period January - September amounted to SEK 36.6 million (3.0 m), the significant increase is a result of investment in content rights, in functionality of the service and marketing, thus attracting both new distributors (offline) and subscribers (online).

Operating profit amounted to SEK -26.2 million compared to SEK -7.5 million for the corresponding period last year. Operating profit includes mainly the acquisition of content rights for SEK 18.3 million, relating to the content made available for Mavshacks' subscribers, and mainly marketing investments for SEK 35.8 million. Personnel expenses amounted to SEK 5.9 million, which was slightly more than double the same period last year and is a result of the average number of employees has increased by 8 people. Staff costs include costs for subcontractors.

In the period, the claim on two dormant subsidiaries written off in full, representing a total cost of 1.3 million, which was recognized as a financial expense as neither company carries on business.

Parent company engages in group management and administration and finance for the entire group. Sales for the period January to September amounted to SEK 161 thousand and profit before tax was SEK -12.0 million.

Cash flow and financing

During the period January - September, the Group's cash flow from operating activities was SEK -26.3 million (-5.7 m). The Company remains under construction with large investments in the rights of the displayed content, marketing and technology, which mean that the owners continuously add substantial amount of money. In the period, close to 10 million shares were issued and the Company has received an additional SEK 43.8 million in new issues. Mavshack's liquid assets at the end of the period amounted to SEK 2.3 million, representing an increase of SEK 0.7 million compared to the same period last year.

Number of shares

Number of registered shares at the end of the period amounted to 34,763,545 and 695 000 were under registration. During the quarter 4 000 000 shares out of the Board of directors authorization of 5 000 000 shares has been issued and are included in the number of shares. There is a decision on the award of stock options to key employees. The total number of warrants representing an issuance of 2.5 million shares. These shares represent the difference between basic and diluted in the above table.

Earnings per share

Earnings per share for the July - September 2014 amounted to SEK 0.02 (-0.13).

Employees

The average number of employees in Mavshack during the period amounted to 13 (5).

Significant events during the period

- Mavshack has, through the partner Lozatech, signed a cooperation agreement with DZRV Radio Veritas Foundation (Catholic Church)
- Mavshack has issued 4 million new shares
- Mavshack has appointed a new chairman, appointed a new Head of China and a new CFO
- Mavshack reports a doubling of sales in Q3 compared to Q2
- Mavshack reported its first quarterly profit.

Outlook

Mavshack continue to see great opportunities to strengthen the company's position as a leading provider of Internet TV with Asian content. The Asian diaspora, i.e. Asians living outside their home countries, remains the company's main target group but at the same time the domestic Asian user groups are growing steadily as well. The continued growth will be achieved by strengthening the brand in our core segments, providing the best range of Asian films, music and TV shows as well as by working with sophisticated marketing and intensive sales efforts online.

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

Fourth quarter interim report will be published jointly with the Year-End Report 2014 on February 20, 2015.

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.

Stockholm October 17, 2014

Mavshack AB
Board of Directors

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After publication, all reports are available on the Company's website: www.mavshack.se

Group income statement (SEK)

	3 months 2014-07-01	3 months 2013-07-01	9 months 2014-01-01	9 months 2013-01-01	Full Year 2013-01-01
Not	-2014-09-30	-2013-09-30	-2014-09-30	-2013-09-30	-2013-12-31
<i>Revenues</i>					
Net revenues	20 873 909	812 715	35 248 706	3 028 831	5 081 117
Other income	838 255	2 197	1 371 666	10 959	351 348
Total revenues	21 712 164	814 912	36 620 372	3 039 789	5 432 465
<i>Operating expenses</i>					
Direct cost of goods sold	-11 423 979	-770 577	-18 256 798	-2 296 315	-4 251 532
Other external costs	-4 848 240	-1 857 017	-35 437 033	-3 848 380	-8 460 159
Personnel costs	-2 053 440	-792 631	-5 872 864	-2 244 048	-3 466 892
Depreciation	-542 179	-688 830	-1 869 773	-2 038 091	-2 730 705
Other operating expenses	-731 079	-47 974	-1 368 468	-95 631	-367 225
Total operating expenses	-19 598 917	-4 157 029	-62 804 936	-10 522 465	-19 276 513
Operating profit/loss	2 113 247	-3 342 117	-26 184 564	-7 482 676	-13 844 048
<i>Result from financial investments</i>					
Other interest income and similar profit/loss	5	54	2	76	17 603
Other interest expenses and similar profit/loss	-1 582 202	-5 521	-1 607 003	-227 541	-195 084
Result from financial investments	-1 582 197	-5 467	-1 607 001	-227 465	-177 481
Profit/loss after financial investments	531 050	-3 347 585	-27 791 565	-7 710 141	-14 021 529
Tax on the results of the period	0	0	0	0	0
Results of the period	531 050	-3 347 585	-27 791 565	-7 710 141	-14 021 529

Group consolidated balance sheet (SEK)

	Not	2014-09-30	2013-12-31
ASSETS			
<i>Fixed assets</i>			
<i>Intangible fixed assets</i>			
Balanced expenses for research and development		3 385 674	3 221 822
Patent		4 643	18 557
Goodwill		0	879 594
Total intangible fixed assets		3 390 317	4 119 973
<i>Tangible fixed assets</i>			
Inventories		370 973	308 085
Total tangible fixed assets		370 973	308 085
<i>Financial fixed assets</i>			
Other long term interests		600 000	600 000
Total financial fixed assets		4 361 290	5 028 058
<i>Current receivables</i>			
Trade receivables		25 486 788	4 019 505
Other receivables		5 178 464	1 952 786
Prepaid cost and accrued income		8 812 634	834 573
Total current receivables		39 477 886	6 806 864
<i>Cash and bank balances</i>			
		2 275 049	3 558 230
Total current assets		41 752 936	10 365 094
TOTAL ASSETS		46 114 225	15 393 152

Group consolidated balance sheet (SEK)

Not	2014-09-30	2013-12-31
EQUITY AND LIABILITIES		
<i>Equity</i>		
<i>Fixed Equity</i>		
Issued and paid-up-share capital	17 381 773	13 191 932
Ongoing rights issue	347 500	733 784
Sum fixed equity	17 729 273	13 925 716
<i>Unrestricted equity</i>		
Share premium reserve	75 289 839	36 107 830
Free reserves	-37 422 387	-24 236 658
Net profit/loss of the period	-27 791 565	-14 021 529
Sum unrestricted equity	10 075 887	-2 150 357
Total equity	27 805 160	11 775 359
<i>Current liabilities</i>		
Trade creditors	8 749 743	1 624 571
Other current liabilities	2 070 560	478 970
Accrued expenses and deferred income	7 488 762	1 514 252
Total current liabilities	18 309 065	3 617 793
TOTAL EQUITY AND LIABILITIES	46 114 225	15 393 152
ITEMS		
Pledges	None	None
Liabilities	None	None

Group consolidated statement of cash flow (SEK)

	3 months	9 months	9 months	Full Year
	2014-07-01	2014-01-01	2013-01-01	2013-01-01
Not	- 2014-09-30	- 2014-09-30	- 2013-09-30	- 2013-12-31
Operating activities				
Result from financial investments	531 050	-27 791 565	-7 710 141	-14 021 529
Adjustments to reconcile net income to cash	544 661	1 484 329	2 038 091	2 730 705
	1 075 712	-26 307 236	-5 672 050	-11 290 824
Tax paid	0	-14 558		0
Cash flow from current operations before changes in working capital	1 075 712	-26 321 794	-5 672 050	-11 290 824
Cash flow from changes in working capital				
Changes in working capital	-23 211 435	-17 979 750	-6 027 406	-8 687 757
Cash flows from operating activities	-22 135 723	-44 301 545	-11 699 456	-19 978 581
Investing activities				
Investments in intangible assets	-122 819	-680 003	-294 640	-702 160
Investments in tangible assets	0	-123 000	-154 620	-165 970
Cash flow som investing activities	-122 819	-803 003	-449 260	-868 130
Financing activities				
Share issue	19 196 987	43 821 366	13 730 420	24 404 391
Cash flow from financing activities	19 196 987	43 821 366	13 730 420	24 404 391
Cash flow for the period	-3 061 555	-1 283 182	1 581 704	3 557 680
Cash and cash equivalents, beginning of period	5 336 603	3 558 230	550	550
Cash and cash equivalents, end of period	2 275 048	2 275 048	1 582 254	3 558 230

Group consolidated statement of changes in equity (SEK)

	Not	Share capital	Paid non-registered Sharecapital	Free reserves	Net profit/loss of the period
Balance as per 2014-01-01		13 191 932	733 784	11 871 172	-14 021 529
Registration of Share capital / Retained earnings		733 784	-733 784	-14 021 529	14 021 529
Share issue		3 456 057	347 500	40 017 809	
Net profit/loss of the period					-27 791 565
Balance as per 2014-09-30		17 381 773	347 500	37 867 452	-27 791 565

Parent income statement (SEK)

	3 months 2014-07-01	3 months 2013-07-01	9 months 2014-01-01	9 months 2013-01-01	Full Year 2013-01-01
Not	-2014-09-30	-2013-09-30	-2014-09-30	-2013-09-30	-2013-12-31
<i>Revenues</i>					
Net revenues	36 058	157 247	40 521	482 824	566 191
Other income	18 382	1 193	120 871	9 955	82 438
Total revenues	54 440	158 441	161 391	492 779	648 629
<i>Operating expenses</i>					
Direct cost of goods sold	-474 553	-144 355	-1 249 198	-513 362	-783 656
Other external costs	-1 306 952	-1 007 949	-4 944 316	-2 066 412	-3 618 238
Personnel costs	-1 457 195	-718 236	-4 808 800	-1 884 428	-3 055 203
Depreciation	-319 529	-263 160	-923 367	-770 649	-1 035 892
Other operating expenses	-16 466	0	-30 129	-4 744	-7 822
Total operating revenues	-3 574 696	-2 133 700	-11 955 811	-5 239 595	-8 500 811
Operating profit/loss	-3 520 255	-1 975 259	-11 794 419	-4 746 816	-7 852 182
<i>Result from financial investments</i>					
Depreciation of shares in group companies	0	0	0	0	-4 850 000
Other interest income and similar profit/loss items	3	24	-11	33	17 454
Other interest expenses and similar profit/loss items	-200 204	-4 968	-224 926	-97 044	-64 803
Result from financial investments	-200 201	-4 944	-224 937	-97 011	-4 897 349
Profit/loss after financial investments	-3 720 456	-1 980 204	-12 019 356	-4 843 826	-12 749 530

Parent company balance sheet

(SEK)

	2014-09-30	2013-12-31
ASSETS		
<i>Fixed assets</i>		
<i>Intangible fixed assets</i>		
Balance expenses for research and development	3 263 919	3 465 453
Total intangible fixed assets	3 263 919	3 465 453
<i>Tangible fixed assets</i>		
Inventories	201 130	186 979
Total tangible fixed assets	201 130	186 979
<i>Financial fixed assets</i>		
Subsidiary shares	8 723 944	8 723 944
Other long term assets	600 000	600 000
Total financial fixed assets	9 323 944	9 323 944
Total fixed assets	12 788 992	12 976 376
<i>Current receivables</i>		
Trade receivables	32 947	62 500
Receivables from group companies	38 437 718	5 436 894
Other receivables	1 896 727	1 015 637
Prepaid cost and accrued income	280 839	333 059
Total current receivables	40 648 231	6 848 090
<i>Cash and bank balances</i>		
	1 358 886	3 491 491
Total current assets	42 007 117	10 339 581
TOTAL ASSETS	54 796 110	23 315 957

Parent company balance sheet

(SEK)

	Not	2014-09-30	2013-12-31
EQUITY AND LIABILITIES			
<i>Equity</i>			
<i>Fixed Equity</i>			
Issued and paid-up-share capital (34.763.545 shares)		17 381 773	13 191 932
Ongoing rights issue (695.000 shares)		347 500	733 784
Sum fixed equity		17 729 273	13 925 716
<i>Unrestricted equity</i>			
Share premium reserve		75 289 839	36 107 830
Retained earnings		-28 497 000	-16 580 785
Net profit/loss of the period		-12 019 355	-12 749 530
Sum unrestricted equity		34 773 484	6 777 515
Total equity		52 502 757	20 703 231
<i>Current liabilities</i>			
Trade creditors		1 309 784	762 388
Liabilities to group companies		2 480	561 040
Other current liabilities		357 317	252 744
Accrued expenses and deferred income		623 771	1 036 554
Total current liabilities		2 293 352	2 612 726
TOTAL EQUITY AND LIABILITIES		54 796 110	23 315 957
ITEMS			
Pledges		None	None
Liabilities		None	None