



**G5 ENTERTAINMENT AB**

YEAR-END REPORT

JANUARY – DECEMBER 2015

## YEAR-END REPORT JANUARY – DECEMBER 2015

### OCTOBER–DECEMBER

- Consolidated revenue for the period was SEK 101.3 M (82.2), an increase of 23 per cent compared to the same period in 2014
- EBIT for the period was SEK 8.4 M (2.4), an increase of 256 per cent compared to the same period in 2014. EBIT was affected by write-downs of SEK 2.7 M (0.0), EBIT adjusted for write-downs amounted to SEK 11.1 M (2.4)
- Net result for the period was SEK 9.6 M (3.3)
- Earnings per share for the period before and after dilution was SEK 1.09 (0.37)
- Cash flow before financing activities during the period was SEK 3.1 M (-0.3)
- For the free-to-play games the average Monthly Active Users (MAU) was 2.9 million, an increase of 29 per cent compared to the same period in 2014. Average Monthly Unique Payers (MUP) was 103.8 thousands, an increase of 18 per cent and average Monthly Average Gross Revenue Per Paying User (MAGRPPU) was USD 34.2, a decrease of 1 per cent compared to the same period in 2014
- Revenue from free-to-play games grew by 36 per cent compared to the same period in 2014 and accounted for 91 per cent (82) of the total revenue

### FINANCIAL KEY RATIOS

KSEK	Oct-Dec 2015	Oct-Dec 2014	Change %	2015	2014	Change %
Revenue	101,277	82,152	23%	384,369	259,836	48%
Commission to distributors <sup>1</sup>	-30,416	-24,646	23%	-115,469	-77,951	48%
Royalty to external developers <sup>2</sup>	-21,621	-17,759	22%	-85,625	-65,737	30%
<b>Gross profit</b>	<b>49,240</b>	<b>39,747</b>	<b>24%</b>	<b>183,274</b>	<b>116,148</b>	<b>58%</b>
Gross margin	49%	48%		48%	45%	
Operating costs excluding costs for user acquisition	-24,390	-22,165	10%	-88,917	-69,410	28%
<b>EBIT excluding costs for user acquisition</b>	<b>24,850</b>	<b>17,582</b>	<b>41%</b>	<b>94,358</b>	<b>46,739</b>	<b>102%</b>
EBIT margin before costs for user acquisition	25%	21%		25%	18%	
Costs for User acquisition <sup>3</sup>	-16,485	-15,230	8%	-74,570	-37,724	98%
<b>EBIT</b>	<b>8,365</b>	<b>2,352</b>	<b>256%</b>	<b>19,788</b>	<b>9,015</b>	<b>120%</b>
EBIT-margin (%)	8%	3%		5%	3%	
<b>Earnings per share</b>	<b>1.09</b>	<b>0.37</b>	<b>194%</b>	<b>1.74</b>	<b>0.77</b>	<b>125%</b>
Cash Flow before financing activities	3,052	-260		689	5,090	
Cash and cash equivalents	33,870	32,864		33,870	32,864	

<sup>1</sup>Variable costs paid to distributors (Apple App Store, Google Play, Amazon Appstore etc.), which is almost exclusively 30 per cent of the revenue.

<sup>2</sup>Royalties to external developers are costs to third party developers when there is a contractual obligation to pay royalty.

<sup>3</sup>User acquisition is a marketing cost for acquiring new users. The costs are fully variable and spent on short term campaigns that can be stopped at a very short notice.

## COMMENT FROM THE CEO:

# INTENSE FOURTH QUARTER



### G5 DELIVERS HIGHER EARNINGS IN Q4

G5 has delivered the best quarter of the year, both in terms of revenue and earnings. Even with reduced top line growth and with marginal growth in marketing spending, we have more than tripled EBIT and almost tripled the EBIT-margin compared to Q4 2014.

Revenue growth in Q4 was somewhat lower than earlier in the year affected by the continued deterioration of revenue from unlockable games, slower performance of some of the older F2P games, and the fact that the company did not release new games until late in the year. The high increase in earnings despite the lower top-line growth shows the strength of our business model, which is scalable and has inherent high leverage.

### NEW OWN GAMES ARE LAUNCHED

In the fourth quarter, G5 released a number of new games. *Mahjong Journey*, G5's own successful F2P game that was already released on iOS and Amazon, was also made available on Google Play.

*Supermarket Mania Journey*, G5's new own F2P game built on the company's most popular franchise in the so called "Time Management" genre, was released on Apple App Store for iPad.

*Special Enquiry Detail*, G5's new own F2P game in the "Hidden Object/Adventure" genre, was also released on Apple App Store for iPad during the period. *Special Enquiry Detail* is based on the company's best-selling franchise in the Hidden Object genre, and is the company's first own F2P game in this genre.

These new games were released quite late in the quarter and did not contribute substantially to the revenue or earnings in Q4. They also did not affect marketing spending in the quarter in a substantial way. There is going to be more effort and focus to promote the growth of these new games in 2016.

### MORE GAMES IN THE PIPELINE, ALSO FOR FACEBOOK

G5 still has more F2P games in the development pipeline, including G5's own games that we plan to release during 2016. Some of these games are coming out already in the first half of the year. We are also going to be bringing our newly released games to all mobile platforms where G5 usually makes its games available. Additionally, a number of G5's games will be coming to Facebook during 2016. With this, the management aims to establish and maintain a presence on the Facebook platform, and turn it into a substantial source of incremental revenue for the company.

### FOCUS ON EARNINGS AND GROWTH CONTINUES

In Q4, we have continued to show that the company can deliver increasing earnings. We have just released a number of new games at the end of the quarter. New games, when launched, require support with extra marketing spending and therefore may have negative effect on margins and earnings in the short term. Such temporary negative effect from new games may or may not be offset by the growth of earnings from the rest of the games portfolio. Going forward, the management will keep its focus on profitability and growth, with the goal to continue increasing the top-line and provide gradual improvement of earnings year-on-year and, ideally, quarter-to-quarter.

Stockholm, February 22, 2016

**Vlad Suglobov,**  
CEO, co-founder

**OCTOBER-DECEMBER**

**REVENUE AND GROSS PROFIT**

Revenue amounted to SEK 101.3 M (82.2). Revenue grew by 23 per cent compared to the same period in 2014. The growth for free-to-play games was 36 per cent. The portfolio of unlockable games is still giving a contribution to the group but its absolute and relative size is shrinking.

Cost of revenue increased by 23 per cent to SEK 52.0,M (42.4). Cost of revenue consists of commission to the distributors (Apple App Store, Google Play, Amazon App-store, etc.). All relevant parties charge up to 30 per cent of gross revenue. Cost of revenue also includes royalties payable to external developers which increased by 22,per cent compared to 2014.

Gross margin for the period was 49 per cent (48). Gross profit for the quarter increased by 24 per cent and was SEK 49,2 M (39.7).

**OPERATIONAL COSTS**

Costs for research & development were SEK 14.5 M (10.0) during the period. The increase in costs for research and development is driven by higher amortization and write-downs. The company has also made a general increase in costs in line with the strategy of strengthening the Product development, Platform, Analytics and Marketing teams. As a large part of the spending for research and development is capitalized, this has not increased the costs during the quarter.

Sales and marketing increased to SEK,18.5,M (15.7). Sales and marketing is primarily affected by the costs for user acquisition. During the quarter the cost for user acquisition was SEK 16.5 M (15.2). The Analytics platform used and developed by G5 makes it possible to accurately

measure the return on investment for the spend on user acquisition. As a step to focus more on profitability, cost for user acquisition as a percentage of sales decreased from 19 per cent in 2014 to 16 per cent in 2015. Sales and marketing, excluding user acquisition, increased to SEK 2.0 M (0.4). The largest part of the increase is due to a reclassification of costs from general and administrative costs. A smaller part is related to the general increase from strengthening the marketing team.

General and administrative costs amounted to SEK,7,9,M (11.1). Other operating income amounted to SEK 0.5 M (0.2) and other operating expenses amounted to SEK -0.3 M (-0.8). Together they amounted to SEK -0.1 M (-0.6), primarily driven by currency effects on operational assets and liabilities.

**EBIT**

Depreciation and amortization have increased significantly compared to 2014 mainly due to the increased size of the game portfolio and amounted to SEK 8.1 M (4.9). Write-downs during the quarter amounted to SEK 2.7 M (0.0).

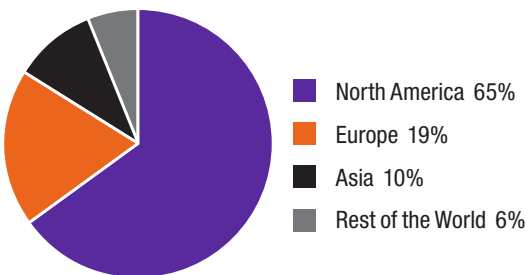
Earnings before interest and taxes (EBIT) were SEK 8.4,M (2.4), corresponding to an EBIT-margin of 8 per cent (3).

**NET PROFIT**

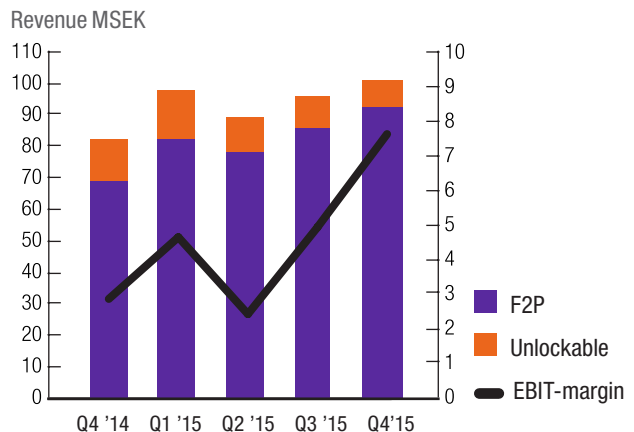
Net profit was marginally affected by financial items. Tax affected the result positively with SEK 1,2 M (0.9).

Net profit amounted to SEK 9.6 M (3.3) which is corresponding to earnings per share of SEK 1.09 (0.37).

**REVENUE BREAKDOWN BY GEOGRAPHY**



**REVENUE BREAKDOWN BY GAME TYPE | EBIT-MARGIN**



## OPERATIONAL METRICS

### ADJUSTMENT OF OPERATIONAL METRICS

The reported operational metrics in the interim report for January-September 2015 were missing the figures for two regions. The correct worldwide figures are consequently somewhat higher than the figures reported previously. As a result of the adjustment, the growth is slightly lower.

### FOURTH QUARTER

In the fourth quarter the average Monthly Active Users (MAU) increased by 29 per cent compared to the same period last year.

Average Monthly Unique Payers (MUP) increased by 18 per cent compared to the same period last year and their average monthly spend, Monthly Average Gross Revenue Per Paying User (MAGRPPU) decreased marginally.

F2P	2015			
	Q1	Q2	Q3	Q4
Average MAU (mn)	2.8	2.9	3.2	2.9
Average MUP (thousands)	102.5	106.6	110.6	103.8
Average MAGRPPU (USD)	31.5	29.1	29.7	34.2

F2P	2014			
	Q1	Q2	Q3	Q4
Average MAU (mn)	2.2	1.9	2.0	2.3
Average MUP (thousands)	72.1	70.7	81.4	87.8
Average MAGRPPU (USD)	25.6	29.2	28.2	34.6

For detailed definitions of the operational metrics see the glossary on page 13 of the report.

## JANUARY-DECEMBER

### REVENUE AND GROSS PROFIT

Year-on-year revenue grew by 48 per cent, driven by the strong growth of the group's free-to-play-games. Revenue amounted to SEK 384.4 M (259.8). Revenue from free-to-play-games grew by 76 per cent compared to 2014.

The group's cost of revenue was SEK 201.1 M (143.7). Gross profit amounted to SEK 183.3 M (116.1), an increase of 58 per cent compared to 2014. Gross margin increased to 48 per cent (45), due to a relative increase in sales from games owned by G5.

### OPERATING COSTS

Operating costs increased compared to 2014. The increase is primarily driven by the costs for user acquisition, which amounted to SEK 74.6 M (37.7). Excluding costs for user acquisition the operating costs amounted to SEK 88.9 M (69.4). The operational costs were also impacted by depreciation and amortization of SEK 29.6 M (19.0) and write-downs of SEK 8.2 M (1.6). The remaining increase in costs is in accordance with the strategy of strengthening Product development, Platform, Analytics and Marketing teams to manage the current and future portfolio of free-to-play games. In addition, exchange rate differences on operational assets and liabilities have impacted the period negatively compared to the same period last year.

### EBIT

Depreciation and amortization amounted to SEK 29.6 M (19.0) and write-downs affected the year with SEK 8.2 M (1.6).

EBIT was SEK 19.8 M (9.0) and the EBIT-margin was 5 per cent (3) for the year.

### NET PROFIT

Net profit was marginally affected by financial items. Tax affected the result with SEK -4.4 M (-1.8) corresponding to a tax rate of 22 per cent (21).

Net profit amounted to SEK 15.3 M (6.8) which is corresponding to earnings per share of SEK 1.74 (0.77).

### CASH FLOW

During the fourth quarter, the group had an operating cash flow before changes in working capital of SEK 19.6 M (13.6). Changes in working capital impacted the cash flow positively with SEK 0.1 M (-4.2). Capitalized development expenses increased partly due to one-time payments to developers in connection with the completion of a number of games released during the fourth quarter. Capitalized development expenses impacted the cash flow negatively with SEK -15.7 M (-8.9).

Cash flow for the fourth quarter amounted to SEK 3.1 M (-0.3).

For the full year 2015 cash flow before changes in working capital amounted to SEK 56.2 M (38.6). Cash flow amounted to SEK 0.9 M (5.1).

Available cash on December 31, 2015 amounted to SEK 33.9 M (32.9).

## FINANCIAL POSITION

The company's publishing strategy is based on having a certain number of different games in the portfolio, in order to maximize potential and reduce risk. Some of these games become very successful and profitable, while a few other games may fail in the market. Capitalized development expenses for unsuccessful games will then have to be written down. Over time, the company expects such write-downs to be more than compensated for by the revenue and profits produced by very successful games in the portfolio.

Capitalized development expenses amounted to SEK 94.3 M (71.7) of which SEK 82.6 M is related to free-to-play games and SEK 7.2 M is related to Unlockable games. The company separates released and not released games where not released games include games that have been active in the app stores for less than 6 months as this initial period is needed for optimization of the game. During the initial 6 month period after launch the company does not amortize the games.

MSEK	DEC 31, 2015	DEC 31, 2014
Released games F2P	49,6	21,7
Released games Unlockable	4,6	8,9
Not released games F2P	37,4	35,8
Not released games Unlockable	2,6	5,4
Net value of games portfolio	94,3	71,7

Impairment need in the portfolio is tested on a quarterly basis. A thorough review of the input parameters is done on a yearly basis. During the quarter, write-downs of the portfolio was made with SEK 2.7 M (0.0). SEK 1.9 M was related to released free-to-play games and SEK 0.8 M related to released Unlockable games.

Consolidated equity amounted to SEK 123.3 M (104.4), which equals SEK 14.0 per share (11.9) and the equity/asset ratio is 70 per cent (71).

Cash on hand amounted to SEK 33.9 M (32.9).

The group has no interest bearing debt.

## PARENT COMPANY

The parent company revenue increased in line with the group. The parent company is the counterpart for almost all revenue from the application stores where G5 sells its products. The costs consist mainly of payments to one of the subsidiaries in Malta, that holds the rights for the games in the portfolio. Over time, the transactions should

generate a surplus for the parent company, but during shorter periods some imbalances may occur.

As for the group, the financial position of the parent company is solid.

## OTHER DISCLOSURES

### NEW REPORTING FORMAT

From the first quarter 2015, G5 Entertainment AB (publ) started reporting revenue including commission to distributors and is subsequently reporting commission to distributors as cost of revenue. The change in revenue recognition is in line with how most other public companies in this industry report.

In addition, G5 Entertainment started reporting its income statement in a functional income statement format. Operational costs are classified as Cost of revenue, Research & Development, Sales & Marketing, and General & Administrative expenses. This change was made as a functionally divided lineup is expected to provide a more transparent picture of G5's profit developments, and to get a better comparability with other public companies in the industry in which the company operates. A number of such companies are using functional income statements.

Comparison figures for 2014 have been adjusted to reflect the changes. More information regarding the changes in reporting format can be found in the Interim report January-March 2015.

## OUTLOOK

G5 Entertainment does not publish forecasts.

## RISK ASSESSMENT

G5 Entertainment is, like all companies, exposed to various kinds of risks in its operations. Among the most notable are risks related to the dependency on certain strategic partners, delays in the release of new games, currency exchange risks, changes in technology, dependency on key employees, and tax as well as political risks due to the multinational nature of the group's operations. Risk management is an integral part of G5 Entertainment's management. The risks are described in greater detail in the 2014 annual report.

The risks described for the group can also have an indirect effect on the parent company.

## RELATED-PARTY TRANSACTIONS

During the period no significant related-party transactions have taken place.

#### UPCOMING REPORT DATES

Interim report Jan-Mar 2016	May 5, 2016
Interim report Jan-Jun 2016	July 27, 2016
Interim report Jan-Sep 2016	November 3, 2016

#### ANNUAL REPORT

The annual report will be made available on our website [www.g5e.com](http://www.g5e.com) in the last weeks of April.

#### ANNUAL GENERAL MEETING 2016

The annual general meeting 2016 will be held on Thursday May 19, 2016 at 7A Conference Centre, Strandvägen 7, Stockholm.

#### DIVIDEND

The Board of Directors will propose to the Annual General Meeting that no dividend is paid for 2015.

#### FORWARD-LOOKING STATEMENTS

This report may contain statements concerning, among other things, G5 Entertainment's financial position and performance as well as statements on market conditions that may be forward-looking. G5 Entertainment believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions. However, forward-looking statements involve inherent risks and uncertainties and actual results or outcomes may differ materially from those expressed. Forward-looking statements relate only to the date they were made and, other than as required by applicable law, G5 Entertainment undertakes no obligation to update any of them in light of new information or future events.

#### INQUIRIES

Vlad Suglobov, CEO	<a href="mailto:investor@g5e.com">investor@g5e.com</a>
Stefan Wikstrand, CFO	+46 76 0011115

#### ASSURANCE

The Board of Directors and the CEO declare that the interim report provides a true and fair overview of the Parent Company's and the Group's operations, financial position and results of operations as well as describing the material risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm February 22, 2015

Petter Nylander  
Chairman of the Board

Annika Andersson  
Board member

Jeffrey Rose  
Board member

Vlad Suglobov  
CEO & Board member

Pär Sundberg  
Board member

Note: G5 Entertainment AB (publ) is required to make the information in this interim report public in compliance with the Swedish Securities Market Act. The information was submitted for publication on February 23, 2016 at 08.35.

This interim report has not been subject to review by the company's auditors.

This report is published in Swedish and English. In the event of any difference between the English version and the Swedish original, the Swedish version shall prevail.

## INCOME STATEMENT - GROUP

KSEK	Oct-Dec 2015	Oct-Dec 2014	2015	2014
Net turnover	101,277	82,152	384,369	259,836
Cost of revenue	-52,037	-42,405	-201,094	-143,688
<b>Gross profit</b>	<b>49,240</b>	<b>39,747</b>	<b>183,274</b>	<b>116,148</b>
Research & Development expenses	-14,535	-10,010	-49,840	-34,971
Sales & Marketing expenses	-18,531	-15,654	-82,737	-38,533
General and Administrative expenses	-7,949	-11,120	-28,113	-32,202
Other operating income	451	192	2,549	1,803
Other operating expenses	-311	-804	-5,346	-3,231
<b>Operating result</b>	<b>8,365</b>	<b>2,352</b>	<b>19,788</b>	<b>9,015</b>
Financial income	21	42	38	42
Financial expenses	0	0	-48	-439
<b>Operating result after financial items</b>	<b>8,386</b>	<b>2,394</b>	<b>19,778</b>	<b>8,618</b>
Taxes (Note 3)	1,173	861	-4,448	-1,804
<b>Net result for the period</b>	<b>9,560</b>	<b>3,255</b>	<b>15,330</b>	<b>6,814</b>
<b>Attributed to:</b>				
Parent company's shareholders	9,560	3,255	15,330	6,814
Non-controlling interest	-	-	-	-
<b>Earnings per share</b>				
Weighted average number of shares (thousands)	8,800	8,800	8,800	8,800
Earnings per share (SEK), before and after dilution	1.09	0.37	1.74	0.77

## STATEMENT OF COMPREHENSIVE INCOME - GROUP

KSEK	Oct-Dec 2015	Oct-Dec 2014	2015	2014
<b>Net result for the period</b>	<b>9,560</b>	<b>3,255</b>	<b>15,330</b>	<b>6,814</b>
<b>Items that later can be reversed in profit</b>				
Foreign currency translation differences	-829	4,548	3,485	8,553
<b>Total other comprehensive income for the period</b>	<b>-829</b>	<b>4,548</b>	<b>3,485</b>	<b>8,553</b>
<b>Total comprehensive income for the period</b>	<b>8,731</b>	<b>7,803</b>	<b>18,815</b>	<b>15,367</b>
<b>Attributed to:</b>				
Parent company's shareholders	8,731	7,803	18,815	15,367
Non-controlling interest	-	-	-	-



## BALANCE SHEET - GROUP

KSEK	Dec 31 2015,	Dec 31, 2014
<b>Fixed assets</b>		
<b>Intangible fixed assets</b>		
Capitalized development expenses (Note 2)	94,269	71,680
Goodwill	2,293	2,302
	<b>96,562</b>	<b>73,982</b>
<b>Tangible fixed assets</b>		
Equipment	4,634	2,892
	<b>4,634</b>	<b>2,892</b>
Deferred tax receivable (Note 3)	2,310	1,025
<b>Total non-current assets</b>	<b>103,506</b>	<b>77,899</b>
<b>Current assets (Note 4, 6)</b>		
Accounts receivable	9,881	7,569
Tax receivable	175	0
Other receivables	3,952	7,327
Prepaid expenses and accrued income	25,197	21,536
Cash and cash equivalents	33,870	32,864
<b>Total current assets</b>	<b>73,075</b>	<b>69,297</b>
<b>TOTAL ASSETS</b>	<b>176,581</b>	<b>147,195</b>
<b>Equity</b>	<b>123,345</b>	<b>104,359</b>
<b>Current liabilities (Note 6)</b>		
Accounts payable	12,320	12,893
Other liabilities	1,225	1,593
Tax liabilities	6,438	2,326
Accrued expenses	33,253	26,025
<b>Total current liabilities</b>	<b>53,236</b>	<b>42,837</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>176,581</b>	<b>147,195</b>

## STATEMENT OF CHANGES IN SHAREHOLDER EQUITY - GROUP

KSEK	Share capital	Other capital contribution	Other reserves	Profit/ loss brought forward	Share- holders' equity
<b>Shareholders' equity as of 2014-01-01</b>	880	54,032	22	34,058	88,992
Net result for the period				6,814	6,814
Total other comprehensive income			8,553		8,553
<b>Total comprehensive income for the period</b>			<b>8,553</b>	<b>6,814</b>	<b>15,367</b>
<b>Shareholders' equity as of 2014-12-31</b>	<b>880</b>	<b>54,032</b>	<b>8,575</b>	<b>40,872</b>	<b>104,359</b>
<b>Shareholders' equity as of 2015-01-01</b>	<b>880</b>	<b>54,032</b>	<b>8,575</b>	<b>40,872</b>	<b>104,359</b>
Premium for warrant program		171			171
Net result for the period				15,330	15,330
Total other comprehensive income			3,485		3,485
<b>Total comprehensive income for the period</b>		<b>171</b>	<b>3,485</b>	<b>15,330</b>	<b>18,986</b>
<b>Shareholders' equity as of 2015-12-31</b>	<b>880</b>	<b>54,203</b>	<b>12,060</b>	<b>56,202</b>	<b>123,345</b>

## CASH FLOW STATEMENT - GROUP

KSEK	Oct-Dec 2015	Oct-Dec 2014	2015	2014
<b>Cash flow from operating activities</b>				
Profit after financial items	8,386	2,394	19,778	8,618
Adjusting items not included in cash flow	10,882	10,312	38,710	31,286
	19,268	12,706	58,488	39,904
Taxes paid	308	871	-2,273	-1,345
<b>Cash flow before changes in working capital</b>	<b>19,576</b>	<b>13,577</b>	<b>56,215</b>	<b>38,559</b>
<b>Cash flow from changes in working capital</b>				
Change in operating receivables	69	-10,082	-6,064	-19,216
Change in operating liabilities	17	5,872	4,627	20,478
<b>Cash flow from operating activities</b>	<b>19,662</b>	<b>9,367</b>	<b>54,778</b>	<b>39,821</b>
<b>Investing activities</b>				
Investment in fixed assets	-919	-754	-3,854	-2,373
Capitalized development costs	-15,691	-8,873	-50,235	-32,358
<b>Cash flow from investing activities</b>	<b>-16,610</b>	<b>-9,627</b>	<b>-54,089</b>	<b>-34,731</b>
<b>Financing activities</b>				
Premium for issued warrants	-	-	171	-
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>171</b>	<b>-</b>
<b>CASH FLOW</b>	<b>3,052</b>	<b>-260</b>	<b>860</b>	<b>5,090</b>
<b>Cash at the beginning of the period</b>	<b>30,999</b>	<b>33,162</b>	<b>32,864</b>	<b>27,433</b>
Cash flow	3,052	-260	860	5,090
Exchange rate differences	-181	-37	146	342
<b>CASH AT THE END OF THE PERIOD</b>	<b>33,870</b>	<b>32,864</b>	<b>33,870</b>	<b>32,864</b>

#### NOTE 1 – ACCOUNTING PRINCIPLES

G5 Entertainment's consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS). This report was prepared for the group in accordance with the IAS 34 Interim Financial Reporting and the Annual Accounts Act. From the first quarter 2015, G5 Entertainment AB started reporting revenues including commission to distributors and is subsequently reporting commission to distributors as cost of revenue. Other accounting and calculation principles used in the report for the group are identical to those used in the Annual Report 2014. None of the new and changed standards from IASB, applicable from 1st of January 2015, has had any material effect on the Financial Statements. For detailed information on the accounting principles, see Annual Report 2014.

#### NOTE 2 – CAPITALIZED DEVELOPMENT EXPENSES

KSEK	Oct-Dec 2015	Oct-Dec 2014	2015	2014
<b>At the beginning of the period</b>	<b>89,820</b>	<b>62,537</b>	<b>71,680</b>	<b>48,299</b>
Investments	15,691	8,873	50,235	32,358
Write-downs	-2,701	0	-8,177	-1,591
Amortization	-8,075	-4,866	-28,045	-17,890
Currency exchange differences	-466	5,137	8,575	10,504
<b>At the end of the period</b>	<b>94,269</b>	<b>71,680</b>	<b>94,269</b>	<b>71,680</b>

#### NOTE 3 – TAX

G5 Entertainment is active in a number of different jurisdictions, with different tax rates. The group's effective tax rate consequently varies between periods depending on the distribution of revenues and costs, and the group's profit level. In the first half of the year the effective tax rate was higher than usual due to specific combination of profit distribution among subsidiaries and temporary differences between the carrying amount and the tax base of some of the group's intangible assets.

In 2014, the effective tax rate was influenced by a revaluation of deferred tax assets related to temporary differences.

#### NOTE 4 – OTHER RECEIVABLES

Other receivables include SEK 3.1 M [6.7] for prepaid royalties to third party developers. G5 publishes both proprietary games and games licensed from third-party developers. In connection with the conclusion of agreements with third party developers, G5 sometimes pays an advance on royalties to fund game development. These advances are usually offset against the third party developer's contractual share of the revenue that each game generates.

The parent company prepares its accounts in accordance with Swedish Annual Accounts Act (1995:1554) and Swedish Financial Reporting Board; RFR 2. Due to a change in RFR 2 the parent company will change its reporting of currency effects relating to receivables on group companies that are to be considered as increased net investments. From January 1, 2016 the currency effects will be reported in the income statement instead of other comprehensive income as it has been done previously. The change will be done retroactively, meaning that the income statement for 2015 will be affected through a transfer of currency effects from other comprehensive income to the income statement by SEK 3.1 M. Remaining fair value reserve of SEK 8.4 M will be transferred to profit/loss carried forward. The change will not impact the consolidated accounts.

#### NOTE 5 – PLEDGED ASSETS AND CONTINGENT LIABILITIES

Floating charge SEK 3 M [3], pledged for cheque account with overdraft facility (USD 0.4 M). The overdraft facility was unused as of December 31, 2015.

Bank account 50 [50] KSEK, pledged for bank guarantee.

Different advisors consulted by the company have different views on a tax matter relating to payment of compensation to developers during previous years. The issue includes among others the interpretation of the applicable tax laws in countries where G5 operates. G5 considers the risk of additional tax to be small, but a certain risk exposure exists, with a maximum amount estimated to SEK 3.5 M.

#### NOTE 6 – FAIR VALUE

G5 group has no financial instruments that are accounted for at fair value. The carrying amount for financial instruments correspond to fair value.

#### INCOME STATEMENT - PARENT COMPANY

KSEK	Oct-Dec 2015	Oct-Dec 2014	2015	2014
Net turnover	100,364	82,377	383,496	259,728
Cost of revenue	-68,270	-65,622	-286,692	-192,735
<b>Gross profit</b>	<b>32,094</b>	<b>16,755</b>	<b>96,804</b>	<b>66,994</b>
Research & development expenses	-90	1,750	-351	-715
Sales & Marketing expenses	-1,706	-79	-2,100	-94
General and administrative expenses	-19,243	-19,142	-92,670	-58,216
Other operating income	-	1,509	-	4,123
Other operating expenses	-59	-1,871	-2,856	-3,198
<b>Operating result</b>	<b>10,995</b>	<b>-1,078</b>	<b>-1,172</b>	<b>8,894</b>
Financial income	1,319	1,381	5,615	2,495
Financial expenses	0	-220	-49	-267
<b>Operating result after financial items</b>	<b>12,314</b>	<b>83</b>	<b>4,394</b>	<b>11,122</b>
Taxes (Note 3)	-2,709	137	-652	-2,346
<b>Net result for the period</b>	<b>9,605</b>	<b>220</b>	<b>3,742</b>	<b>8,776</b>

#### STATEMENT OF COMPREHENSIVE INCOME - PARENT COMPANY

KSEK	Oct-Dec 2015	Oct-Dec 2014	2015	2014
<b>Net result for the period</b>	<b>9,605</b>	<b>220</b>	<b>3,742</b>	<b>8,776</b>
<b>Items that later can be reversed in profit</b>				
Foreign currency translation differences	-944	4,527	3,099	7,771
<b>Total other comprehensive income for the period</b>	<b>8,661</b>	<b>4,747</b>	<b>6,841</b>	<b>7,771</b>
<b>Total comprehensive income for the period</b>	<b>8,661</b>	<b>4,747</b>	<b>6,841</b>	<b>16,547</b>

## BALANCE SHEET - PARENT COMPANY

KSEK	Dec 31 2015,	Dec 31, 2014
<b>Fixed assets</b>		
<b>Financial fixed assets</b>		
Shares in group companies	70	570
Receivables from group companies	100,084	91,845
	<b>100,154</b>	<b>92,415</b>
<b>Current assets</b>		
Account receivables	9,874	8,015
Receivables from group companies	137	0
Other receivables	521	285
Prepaid expenses and accrued income	24,856	21,295
Cash and cash equivalents	25,605	27,817
	<b>60,993</b>	<b>57,412</b>
<b>TOTAL ASSETS</b>	<b>161,148</b>	<b>149,826</b>
<b>Restricted equity</b>		
Share capital	880	880
<b>Non-restricted equity</b>		
Share premium reserve	54,160	53,989
Fair value reserve	11,519	8,420
Profit/Loss carried forward	38,819	30,044
Net result for the period	3,742	8,776
<b>Total equity</b>	<b>109,120</b>	<b>102,109</b>
<b>Current liabilities</b>		
Accounts payable	131	4,064
Liability to group companies	49,338	39,543
Other liability	150	1 265
Accrued expenses	2,408	2,843
<b>Total current liabilities</b>	<b>52,026</b>	<b>47,716</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>161,148</b>	<b>149,825</b>
<b>Memorandum items (Note 5)</b>		
Pledged assets	3,050	3,050
Contingent liabilities	3,500	3,500

## GLOSSARY

### FINANCIAL STATEMENT

**Cost of revenue** consists of direct expenses incurred in order to generate revenue from the company's games. This primarily includes commission to distributors and royalties to external developers.

**Research & Development** expenses primarily consist of salaries, bonuses and benefits for the company's developers. In addition, research and development expenses include outside services, as well as allocated facilities and other overhead costs. Costs associated with maintaining the company's computer software and associated infrastructure are expensed as incurred. Development costs up to soft release of the company's games that are directly attributable to the design and testing of the company's identifiable and unique games are recognized as intangible assets, and amortized within research and development expense over a 24-month period.

**Sales & Marketing** expenses primarily consist of user acquisition expenses and related software. Sales and marketing also includes salaries, bonuses, and benefits for the company's sales and marketing staff, as well as consulting fees. In addition, sales and marketing expenses include general marketing, branding, advertising and public relations costs.

**General & Administrative** expenses primarily consist of salaries, bonuses, and benefits for the company's executive, finance, legal, information technology, human resources and other administrative employees, as well as support staff. It also includes outside consulting, legal and accounting services, insurance as well as facilities and other overhead costs not allocated to other areas across the business. In addition, general and administrative expenses include all of the company's depreciation expenses.

### OPERATIONAL TERMS

**Monthly Active Users (MAU)** is the number of individuals who played a G5 game in a calendar month, an individual who plays two different games in the same month is counted as two MAUs. Numbers presented in the report are the average of the three months in any given quarter.

**Monthly Unique Payers (MUP)** is the number of individuals who made a payment in a G5 game at least once during a calendar month. An individual who pays in two G5 games is counted as one MUP. Numbers presented in the report are the average of the three months in any given quarter.

**Monthly Average Gross Revenue Per Paying User (MAGRPPU)** is the average gross revenue received from a Monthly Unique Payer during a calendar month. MAGRPPU is calculated by dividing the gross revenue during the calendar month by the number of Monthly Unique Payers in the same calendar month. The numbers presented in the report are the average of the three months in any given quarter.

## ABOUT G5 ENTERTAINMENT

G5 Entertainment AB (publ) (G5) is a developer and publisher of high quality free-to-play mobile games for iOS, Android, Kindle Fire, and Windows-powered devices. G5 develops and publishes games that are family-friendly, easy to learn, and targeted at the widest audience of experienced and novice players. G5's portfolio includes a number of popular games like Mahjong Journey®, Supermarket Mania® Journey, Farm Life™, Virtual City®, Special Enquiry Detail®, Hidden City®, and The Secret Society®. G5 Entertainment AB (publ) is listed on Nasdaq Stockholm since 2014.

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