

The logo features the number '5' inside a blue circle, with the '5' itself being a large, white, 3D-style number. Below the circle, the word 'GAMES' is written in white, bold, sans-serif capital letters. A registered trademark symbol (®) is located to the right of the '5'.

# G5<sup>®</sup> GAMES

**G5 ENTERTAINMENT AB**

INTERIM REPORT

JANUARY - SEPTEMBER 2019

## INTERIM REPORT JANUARY – SEPTEMBER 2019

### JULY – SEPTEMBER

- Revenue for the period was SEK 301.5 M [341.9], a decrease of 12 per cent compared to 2018.
- Gross margin increased to 64% [52%], partly due to an increasing share of revenue from own games.
- EBIT for the period was SEK -2.7 M [25.3], The year over year decline was primarily due to lower turnover and increased investments in development and user acquisition..
- Net result for the period was SEK -3.4 M [22.7].
- Earnings per share for the period, before dilution, was SEK -0.38 [2.54].
- Cash flow amounted to SEK 3.9 M [-9.9].
- For the free-to-play games the average Monthly Active Users (MAU) was 6.2 million, a decrease of 23 per cent compared to the same period in 2018. Average Monthly Unique Payers (MUP) was 222.7 thousand, a decrease of 22 per cent and average Daily Active Users (DAU) was 1.6 million, a decrease of 18 per cent compared to the same period in 2018. Average Monthly Average Gross Revenue Per Paying User (MAGRPPU) was USD 45.8, an increase of 4 percent compared to the same period last year.

### FINANCIAL KEY RATIOS

KSEK	Jul-Sep 2019	Jul-Sep 2018	Change %	Jan-Sep 2019	Jan-Sep 2018	Change %	Oct-Sep 18/19	2018	Change %
Revenue	301,542	341,867	-12%	904,946	1,109,335	-18%	1,245,636	1,450,025	-14%
Commission to distributors <sup>1</sup>	-92,170	-103,806	-11%	-276,156	-336,388	-18%	-380,146	-440,378	-14%
Royalty to external developers <sup>2</sup>	-16,202	-60,493	-73%	-111,352	-205,225	-46%	-169,898	-262,671	-35%
<b>Gross profit</b>	<b>193,171</b>	<b>177,568</b>	<b>9%</b>	<b>517,438</b>	<b>567,721</b>	<b>-9%</b>	<b>695,593</b>	<b>746,976</b>	<b>-7%</b>
Gross margin	64%	52%		57%	51%		56%	52%	
Operating costs excluding costs for user acquisition	-70,441	-61,959	14%	-201,001	-161,523	24%	-264,329	-225,952	17%
EBIT excluding costs for user acquisition	122,730	115,608	6%	316,438	406,198	-22%	431,263	521,024	-17%
<b>EBIT margin before costs for user acquisition</b>	<b>41%</b>	<b>34%</b>		<b>35%</b>	<b>37%</b>		<b>35%</b>	<b>36%</b>	
Costs for user acquisition <sup>3</sup>	-125,396	-90,346	39%	-260,551	-281,380	-7%	-356,747	-377,576	-6%
Costs for user acquisition as percentage of revenue	-42%	-26%		-29%	-25%		-29%	-26%	
<b>EBIT</b>	<b>-2,666</b>	<b>25,262</b>	<b>-111%</b>	<b>55,886</b>	<b>124,818</b>	<b>-55%</b>	<b>74,517</b>	<b>143,448</b>	<b>-48%</b>
EBIT margin (%)	-0.9%	7.4%		6.2%	11.3%		6.0%	9.9%	
<b>Earnings per share before dilution</b>	<b>-0.38</b>	<b>2.54</b>	<b>-115%</b>	<b>5.50</b>	<b>12.58</b>	<b>-56%</b>	<b>7.40</b>	<b>14.45</b>	<b>-49%</b>
Cash flow before financing activities	6,063	-14,288		17,976	33,985		58,694	74,703	
Cash and cash equivalents	128,493	97,486		128,493	97,486		128,493	138,531	

<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 are spent on advertising campaigns that are targeted at acquiring loyal players. The campaigns can be stopped at a very short notice.

**COMMENT FROM THE CEO:**

# FOCUSED ON GROWTH



G5 is a growth company at heart. We are determined to give our customers around the world high-quality, exciting games and to build lasting relationships with them. We know from experience the third quarter is one of the two weaker quarters of a year. It is challenging for us because of slower player activity, but also because we need to make an important choice. We can focus on maintaining profitability by being more conservative on marketing spending or we can prepare for a seasonally strong fourth quarter by boosting our investment in bringing new players to our games earlier. This third quarter we opted to give a boost to our older game portfolio, while also giving our new game Jewels of Rome the best shot at even greater success for the last few months of the year.

This meant an aggressive investment in marketing in the third quarter to lift revenue in the fourth quarter. We also decided it was a good time to explore new marketing approaches and to continue working with the growth strategies we tested in the second quarter, which demand

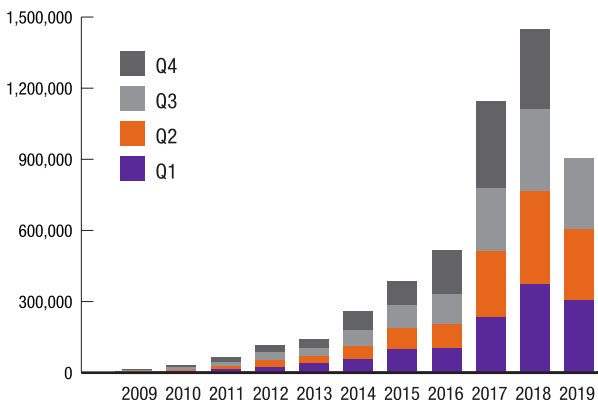
greater investment in order to maximize the games' potential and increase sales. We are confident this investment will lead to greater user spending and returns over time.

The market for acquiring users is however more challenging and requires a new level of sophistication in order to be effective. The average cost of acquiring users continues to go up and it puts pressure on games with lower lifetime customer value (LTV) as acquiring for these games becomes more difficult and not as scalable. Our strategy is to invest in improving our tools, while optimizing and streamlining our processes and systems. We also continue redirecting our teams to invest in our future portfolio by creating new, higher LTV games like Jewels of Rome. We also want to introduce advertising monetization into our games in the near future to receive our share of revenue of the growing mobile advertising market and increase our profitability.

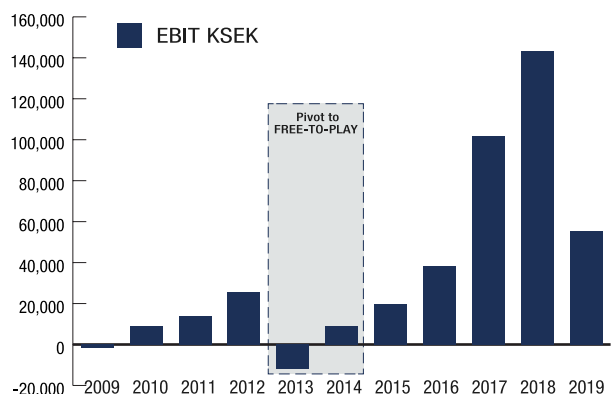
In the meantime, during this growth investment phase, we may spend more on user acquisition while we are achieving the goal of growing sequentially into increasing profitability over time. The company has the reserves necessary and the management is committed to running the company sustainably and managing fixed expenses. G5 has the capacity to evolve existing games for growth and develop new, exciting games. We also have the financial flexibility to adjust user acquisition to best take advantage of opportunities when they pop up.

On the development front, during the quarter we continued reallocating our game development talent from games that are not delivering growth to new games that can become new growth points like Jewels of Rome. Over the past year we stopped work or substantially reduced

## REVENUE KSEK



## EBIT KSEK



the team on seven games that were not growing for an extended period of time, allowing us to focus energy on launching new games with the existing development teams.

We still have two new games that we aim to release before the end of the year, or in the first quarter 2020. One is a hidden object game and one in the Match-3 genre. In addition to these two games, we have five new games in the pipeline for release in 2020, some in hidden object, some in Match-3, and one in an entirely new genre for the company. I'm excited to see how our pipeline is shaping up.

**RESULTS FOR THE QUARTER**

Revenue for the third quarter increased by one percent compared to the second quarter. Revenues from Hidden City and Mahjong Journey stabilized. The share of revenue from own games continued to go up and now makes up a whopping 40 percent of G5's business. Our newly released game, Jewels of Rome, went from zero to the second-largest game in our portfolio by monthly revenue in just a few months, setting a record for an internally developed game. In summary, the licensed portfolio declined slightly, while our own games grew a healthy 13 percent, primarily driven by Jewels of Rome. It's great to see Jewels of Rome gain such traction so quickly.

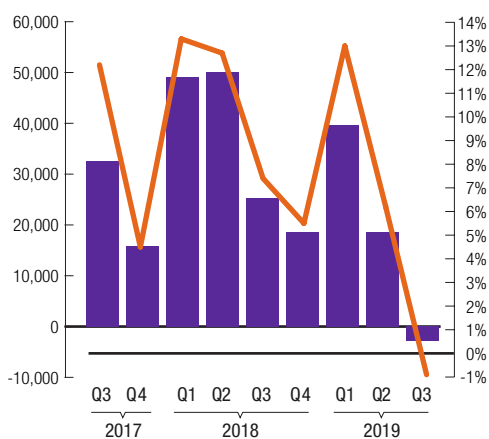
In total, our growth plans and increased spending weighed on our margins in the quarter, which came in at -0.9 percent. Our plans to bring in new users is already showing progress. The fourth quarter looks promising with October seeing double-digit sequential growth compared to September.

We are in an investment phase, both when it comes to creating our future games, but also with expanding our audience. We are making these investments from a position of strength and we remain in a good financial position, fully capable of meeting all our investment needs in development and marketing. We continue to enjoy stable revenue streams from our largest games, while also investing in scaling the success of newer games like Homicide Squad and Jewels of Rome and developing more exciting titles.

Stockholm, November 4th, 2019

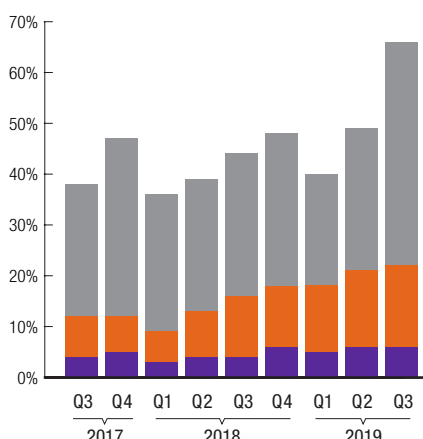
**Vlad Suglobov**  
 CEO, co-founder

**EBIT (KSEK) | EBIT-MARGIN (%)**



■ EBIT, KSEK  
 — EBIT margin

**COSTS IN % OF REVENUE**



■ Sales and marketing  
 ■ Research and development  
 ■ Administration

**JULY - SEPTEMBER**

**REVENUE AND GROSS PROFIT**

Revenue amounted to SEK 301.5 M (341.9). Revenue decreased by 12 per cent compared to the same period in 2018. The main reason for the decline is that the company's game Hidden City has matured.

Cost of revenue decreased by 34 per cent to SEK 108.4 M (164.3). Cost of revenue includes 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 decreased by 73 per cent compared to the same period in 2018 partly as a higher share of revenue is coming from own games.

Gross margin for the period was 64 per cent (52) and increased primarily as the share of revenue from own games has increased. Gross profit for the quarter increased by 9 per cent compared to the third quarter in 2018 and was SEK 193.2 M (177.6).

**OPERATIONAL COSTS**

Costs for research and development were SEK 47.0 M (41.1) during the period. The increase in costs for research and development is partly driven by an increase in development on non-capitalizable projects and hosting.

Sales and marketing increased to SEK 133.5 M (95.9). Sales and marketing is primarily affected by the costs for user acquisition. During the quarter the cost for user acquisition was SEK 125.4 M (90.3). Cost for user ac-

quisition as a percentage of sales was 42 per cent, compared to 26 per cent in the same period in 2018. Sales and marketing, excluding user acquisition, increased to SEK 8.1 M (5.6).

General and administrative costs amounted to SEK 17.8 M (14.3). Other operating income amounted to SEK 3.2 M (-0.8) and other operating expenses amounted to SEK -0.7 M (-0.2). Together they amounted to SEK 2.5 M (-1.0), primarily driven by currency effects on operational assets and liabilities.

**EBIT**

Depreciation and amortization have increased due to the increased size of the game portfolio and amounted to SEK 31.0 M (26.3). Capitalization of intangible assets amounted to SEK 27.4 M (30.4). Write-downs during the quarter amounted to SEK 0.0 M (-2.8). Net capitalization on intangible assets amounted to SEK 0.3 M (5.1).

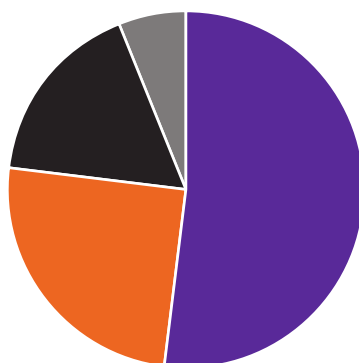
Earnings before interest and taxes (EBIT) amounted to SEK -2.7 M (25.3), corresponding to an EBIT margin of -0.9 per cent (7.4).

**NET PROFIT**

Net profit was marginally affected by financial items. Tax affected the result with SEK -0.7 M (-2.5).

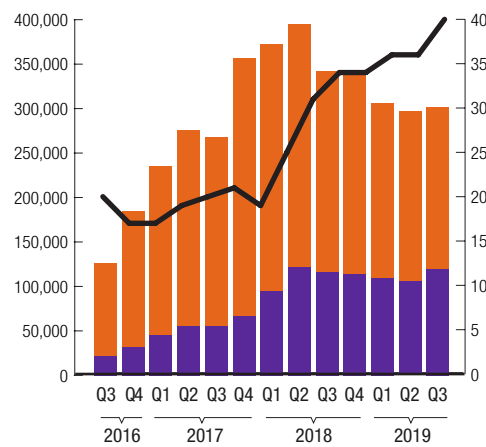
Net profit amounted to SEK -3.4 M (22.7) which equals an earnings per share, before dilution, of SEK -0.38 (2.54).

**REVENUE BREAKDOWN BY GEOGRAPHY  
THIRD QUARTER 2019**



- North America 54%
- Asia 26%
- Europe 15%
- Rest of World 6%

**OWN/LICENSED REVENUE (KSEK)  
SHARE OWN GAMES (%)**



- Own games, KSEK
- 3rd party games, KSEK
- Own games, %

## OPERATIONAL METRICS

In the quarter the average Monthly Active Users (MAU) decreased with 23 per cent compared to 2018 while Daily Active Users (DAU) decreased 18 per cent compared to 2018. Monthly Unique Users (MUU) decreased 25 per cent compared to 2018.

Average Monthly Unique Payers (MUP) decreased with 22 per cent compared to 2018 and their average monthly spend, Monthly Average Gross Revenue Per Paying User (MAGRPPU) increased with 4 percent compared to the same period in 2018.

F2P	Q3 '19	Q3 '18	CHANGE
Average MAU (mn)	6.2	8.0	-23%
Average MUP (thousands)	222.7	286.1	-22%
Average MUU (mn)	5.2	6.9	-25%
Average MAGRPPU (USD)	45.8	44.2	4%
Average DAU (mn)	1.6	2.0	-18%

For detailed definitions of the operational metrics see the glossary on page 15 of the report.

## JANUARY - SEPTEMBER

### REVENUE AND GROSS PROFIT

Revenue decreased with 18 per cent compared to the same period in 2018. Revenue amounted to SEK 904.9 M [1,109.3].

The group's cost of revenue was SEK 387.5 M [541.6]. Gross profit amounted to SEK 517.4 M [567.7], a decrease of 9 per cent compared to the same period in 2018. Gross margin was 57 per cent [51].

### OPERATING COSTS

Operating costs increased with 4 per cent compared to the same period in 2018. User acquisition decreased to SEK 260.6 M [281.4]. Excluding costs for user acquisition the operating costs amounted to SEK 201.0 M [161.5]. The operational costs were impacted by depreciation and amortization of SEK 87.0 M [67.8] and write-downs of SEK 1.8 M [3.2].

Other operating income and costs impacted the period positively with SEK 3.7 M [-1.4], primarily attributed to exchange rate differences on operational assets and liabilities related to balance sheet items in the parent company.

### EBIT

EBIT was SEK 55.9 M [124.8] and the EBIT-margin was 6 per cent [11] for the period.

### NET PROFIT

Net profit was marginally affected by financial items. Tax affected the result with SEK -6.5 M [-13.1] corresponding to an effective tax rate of 12 per cent [10].

Net profit amounted to SEK 49.4 M [111.8] which is corresponding to earnings per share of SEK 5.50 [12.58].

## CASH FLOW

During the third quarter, the group had an operating cash flow before changes in working capital of SEK 33.2 M [46.0] of which tax payments amounted to SEK 7.2 M [-8.3]. During the quarter the company received approx. SEK 9.5 M from the Maltese tax authorities. Changes in working capital impacted the cash flow with SEK 1.4 M [-23.2]. Capitalized development expenses impacted the cash flow negatively with SEK -27.4 M [-30.4].

Cash flow before financing activities amounted to SEK 6.1 M [-14.3] and the cash flow for the period amounted to SEK 3.9 M [-9.9].

For the interim period cash flow before changes in working capital amounted to SEK 121.4 M [185.4]. Cash flow amounted to SEK -12.0 M [4.3]. In the interim period taxes in Malta amounting to SEK -28.4 M was paid, the majority of which will be repaid during 2020.

Available cash on September 30, 2019 amounted to SEK 128.5 M [97.5].

## 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 extremely profitable, a good portion of these games do not become big breakthroughs but pay for themselves and are stable earners over a long period of time, 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 successful games in the portfolio.

Capitalized development expenses amounted to SEK 224.1 M [186.2]. 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. During the initial 6 month period after launch, the company does not amortize the games.

MSEK	SEP 30 2019	SEP 30 2018
Released games	162.1	156.0
Not released games	62.0	30.1
Net value of games portfolio	224.1	186.2

Impairment need in the portfolio is tested every quarter. A thorough review of the input parameters is done on a yearly basis. During the quarter, write-downs of SEK 0.0 M [2.8] were made.

Consolidated equity amounted to SEK 395.6 M [322.1], which equals SEK 44.0 per share [36.6] and the equity/asset ratio is 66 per cent [64].

Cash on hand amounted to SEK 128.5 M [97.5]

The group has no interest bearing debt. Long-term debt and other short term debt is solely related to IFRS16 accounting of lease contracts.

## PARENT COMPANY

The parent company revenue decreased in line with the group. The parent company is the counterpart for all 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 and is also where the senior management overseeing the games, licensing, HR etc. is based. 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

### OUTLOOK

G5 Entertainment does not publish forecasts.

### NOMINATION COMMITTEE

In accordance with the resolution of the Annual General Meeting 2019, a Nomination Committee has been appointed consisting of representatives of the five largest-shareholders at the end of August. The nomination committee consists of the following members:

- Marianne Flink, Chairman (representing Swedbank Robur Fonder)
- Jeffrey Rose (representing Wide Development Limited)
- Petter Nylander, Chairman of the Board (representing Purple Wolf Limited)
- Sergey Shults (representing Proxima Limited)
- Markus Lindqvist (representing Aktia Asset Management)

Shareholders wishing to submit proposals to G5 Entertainment's nomination committee may do so by mail to G5 Entertainment AB (publ), Birger Jarlsgatan 18, 114 34 Stockholm, Sweden or by e-mail to [nomination@g5e.com](mailto:nomination@g5e.com).

Please note that proposals must be received by the nomination committee by February 1, 2020.

### 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 2018 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 except the ongoing transactions highlighted in the annual report 2018.

## UPCOMING REPORT DATES

Year-end report 2019	February 12, 2020
Interim report Jan-Mar 2020	May 5, 2020
Annual General Meeting	June 8, 2020
Interim report Jan-Jun 2020	Aug 13, 2020
Interim report Jan-Sep 2020	Nov 5, 2020
Year-end report 2020	February 11, 2021

## TELECONFERENCE

On November 5th, 2019 at 08.00 CET, CEO Vlad Suglov and CFO Stefan Wikstrand will present the interim report in a conference call.

For dial-in details please visit:

<http://www.g5e.com/corporate/calendar>

## 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 Suglov, 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 November 4th, 2019

Petter Nylander  
Chairman of the Board

Johanna Fagrell Köhler  
Board member

Stefan Lundborg  
Board member

Jeffrey Rose  
Board member

Vlad Suglobov  
CEO, 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 November 5th, 2019 at 07.30.

This interim report has 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.

## REVIEW REPORT

(Translation from Swedish original)

G5 Entertainment AB corp. reg. no. 556680-8878

Auditor's review report for interim financial information in summary (interim report) prepared in accordance with IAS 34 and Chapter 9 of the Swedish Annual Accounts Act.

## INTRODUCTION

We have reviewed the condensed interim financial information (interim report) of G5 Entertainment AB as of 30 September 2019 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion expressed based on a review does not have the same level of certainty as a review based on an audit.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, November 4, 2019

Pricewaterhouse Coopers AB

Aleksander Lyckow  
Authorized Public Accountant



## INCOME STATEMENT – GROUP

KSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 18/19	2018
Net turnover	301,542	341,867	904,946	1,109,335	1,245,636	1,450,025
Cost of revenue	-108,372	-164,300	-387,508	-541,614	-550,043	-703,049
<b>Gross profit</b>	<b>193,171</b>	<b>177,568</b>	<b>517,438</b>	<b>567,721</b>	<b>695,593</b>	<b>746,976</b>
Research and Development expenses	-47,004	-41,102	-130,853	-100,120	-170,147	-140,514
Sales and Marketing expenses	-133,531	-95,920	-281,922	-297,202	-384,499	-399,780
General and Administrative expenses	-17,765	-14,293	-52,434	-44,182	-71,768	-63,516
Other operating income	3,163	-830	4,847	-713	6,770	1,210
Other operating expenses	-701	-161	-1,189	-685	-1,432	-928
<b>Operating result</b>	<b>-2,666</b>	<b>25,262</b>	<b>55,886</b>	<b>124,818</b>	<b>74,517</b>	<b>143,448</b>
Financial income	245	0	876	0	1,188	312
Financial expenses	-294	0	-916	-2	-1,067	-152
<b>Operating result after financial items</b>	<b>-2,715</b>	<b>25,262</b>	<b>55,847</b>	<b>124,817</b>	<b>74,638</b>	<b>143,607</b>
Taxes	-664	-2,540	-6,458	-13,063	-8,192	-14,797
<b>Net result for the period</b>	<b>-3,379</b>	<b>22,722</b>	<b>49,388</b>	<b>111,753</b>	<b>66,445</b>	<b>128,811</b>
<b>Attributed to:</b>						
Parent company's shareholders	-3,379	22,722	49,388	111,753	66,445	128,811
<b>Earnings per share</b>						
Weighted average number of shares before dilution (thousands)	8,984	8,956	8,984	8,884	8,984	8,914
Weighted average number of shares after dilution (thousands)	9,031	9,086	9,053	9,014	9,068	9,044
Earnings per share (SEK), before dilution	-0.38	2.54	5.50	12.58	7.40	14.45
Earnings per share (SEK), after dilution	-0.37	2.50	5.46	12.40	7.33	14.24

## STATEMENT OF COMPREHENSIVE INCOME – GROUP

KSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 18/19	2018
<b>Net result for the period</b>	<b>-3,379</b>	<b>22,722</b>	<b>49,388</b>	<b>111,753</b>	<b>66,445</b>	<b>128,811</b>
<b>Items that later can be reversed in profit</b>						
Foreign currency translation differences	12,117	1,746	22,871	9,577	22,074	8,780
<b>Total other comprehensive income for the period</b>	<b>12,117</b>	<b>1,746</b>	<b>22,871</b>	<b>9,577</b>	<b>22,074</b>	<b>8,780</b>
<b>Total comprehensive income for the period</b>	<b>8,738</b>	<b>24,468</b>	<b>72,259</b>	<b>121,330</b>	<b>88,519</b>	<b>137,591</b>
<b>Attributed to:</b>						
Parent company's shareholders	8,738	24,468	72,259	121,330	88,519	137,591

## BALANCE SHEET – GROUP

KSEK	Sep 30 2019	Sep 30 2018	Dec 31 2018
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Capitalized development expenses (Note 2)	224,051	186,188	198,083
Goodwill	-	-	-
	<b>224,051</b>	<b>186,188</b>	<b>198,083</b>
<b>Tangible fixed assets</b>			
Equipment <sup>1</sup>	34,581	10,161	11,268
	<b>34,581</b>	<b>10,161</b>	<b>11,268</b>
Deferred tax receivable	40,389	54,509	64,389
<b>Total non-current assets</b>	<b>299,020</b>	<b>250,858</b>	<b>273,741</b>
<b>Current assets (Note 3, 5)</b>			
Accounts receivable	-	40,901	3,713
Tax receivable	34,584	9,032	9,928
Other receivables	9,790	2,824	4,427
Prepaid expenses and accrued income	131,860	98,964	103,079
Cash and cash equivalents	128,493	97,486	138,531
<b>Total current assets</b>	<b>304,727</b>	<b>249,207</b>	<b>259,677</b>
<b>TOTAL ASSETS</b>	<b>603,748</b>	<b>500,065</b>	<b>533,418</b>
<b>Equity</b>	<b>395,560</b>	<b>322,128</b>	<b>347,494</b>
Deferred tax liabilities	12	4,829	-
Long-term liabilities <sup>1</sup>	7,180	-	-
<b>Total non-current liabilities</b>	<b>7,192</b>	<b>4,829</b>	<b>-</b>
<b>Current liabilities (Note 5)</b>			
Short-term liabilities <sup>1</sup>	10,501	-	-
Accounts payable	73,252	17,314	25,818
Other liabilities	9,229	3,941	5
Tax liabilities	62,543	65,931	76,822
Accrued expenses	45,471	85,923	83,279
<b>Total current liabilities</b>	<b>200,996</b>	<b>173,109</b>	<b>185,924</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>603,748</b>	<b>500,065</b>	<b>533,418</b>

<sup>1</sup> The right-of-use assets and the corresponding lease liabilities are included in the property, plant and equipment and long- and short-term borrowings respectively as of 1 January 2019. Comparative figures have not been restated.

STATEMENT OF CHANGES IN SHAREHOLDER EQUITY - GROUP

KSEK	Share capital	Other capital contribution	Other reserves	Profit/loss brought forward	Shareholders' equity
<b>Shareholders' equity as of 2018-01-01</b>	880	55 959	1 532	172 107	230 478
Dividend				-22 224	-22 224
Premium for exercised warrants	18	16 712			16 730
Repurchased warrants		-24 168			-24 168
Net result for the period				111 753	111 753
Total other comprehensive income			9 577		9 577
<b>Total comprehensive income for the period</b>			<b>9 577</b>	<b>111 753</b>	<b>121 330</b>
<b>Shareholders' equity as of 2018-09-30</b>	<b>898</b>	<b>48 540</b>	<b>11 109</b>	<b>261 636</b>	<b>322 183</b>
<b>Shareholders' equity as of 2019-01-01</b>	<b>898</b>	<b>48,448</b>	<b>10,312</b>	<b>287,836</b>	<b>347,494</b>
Transitional effect IFRS16			-466		-466
Dividend				-22,486	-22,486
Share issue - Class C	26				26
Share repurchase - Class C			-26		-26
Repurchase of warrants		-47			-47
IFRS2 - Employee share schemes			-1,194		-1,194
Net result for the period				49,388	49,388
Total other comprehensive income			22,871		22,871
<b>Total comprehensive income for the period</b>			<b>21,677</b>	<b>49,388</b>	<b>71,065</b>
<b>Shareholders' equity as of 2019-09-30</b>	<b>924</b>	<b>48,401</b>	<b>31,497</b>	<b>314,738</b>	<b>395,560</b>

CASH FLOW STATEMENT – GROUP

KSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 18/19	2018
<b>Cash flow from operating activities</b>						
Profit after financial items	-2,715	25,262	55,847	124,817	74,637	143,607
Adjusting items not included in cash flow	28,750	29,065	88,780	71,008	113,933	96,161
	<b>26,035</b>	<b>54,327</b>	<b>144,627</b>	<b>195,825</b>	<b>188,570</b>	<b>239,768</b>
Taxes paid	7,207	-8,316	-23,189	-10,458	-25,287	-12,556
<b>Cash flow before changes in working capital</b>	<b>33,242</b>	<b>46,011</b>	<b>121,438</b>	<b>185,367</b>	<b>163,283</b>	<b>227,212</b>
<b>Cash flow from changes in working capital</b>						
Change in operating receivables	-13,306	18,032	-30,815	9,223	-3,022	37,016
Change in operating liabilities	14,754	-41,202	18,500	-49,851	21,629	-46,722
<b>Cash flow from operating activities</b>	<b>34,690</b>	<b>22,841</b>	<b>109,123</b>	<b>144,739</b>	<b>181,890</b>	<b>217,506</b>
<b>Investing activities</b>						
Investment in fixed assets	-1,179	-1,149	-6,695	-5,567	-8,615	-7,487
Investment in intangible assets	-20	-5,589	-1,881	-17,385	-3,821	-19,325
Capitalized development expenses	-27,428	-30,391	-82,571	-87,802	-110,760	-115,991
<b>Cash flow from investing activities</b>	<b>-28,627</b>	<b>-37,129</b>	<b>-91,147</b>	<b>-110,754</b>	<b>-123,196</b>	<b>-142,803</b>
<b>Financing activities</b>						
Lease payments, IFRS16	-2,170	-	-7,420	-	-	-
Dividend	-	-	-22,486	-22,224	-22,486	-22,224
Share issuance - C class	-	-	26	-	26	-
Repurchase shares - C class	-	-	-26	-	-26	-
Premiums warrant program	-	4,195	0	16,712	-55	16,657
Repurchase of issued warrants	-	234	-47	-24,168	-47	-24,168
<b>Cash flow from financing activities</b>	<b>-2,170</b>	<b>4,429</b>	<b>-29,953</b>	<b>-29,680</b>	<b>-30,008</b>	<b>-29,735</b>
<b>CASH FLOW</b>	<b>3,893</b>	<b>-9,859</b>	<b>-11,977</b>	<b>4,305</b>	<b>28,686</b>	<b>44,968</b>
<b>Cash at the beginning of the period</b>	<b>125,030</b>	<b>107,611</b>	<b>138,531</b>	<b>91,194</b>	<b>97,486</b>	<b>91,194</b>
Cash flow	3,893	-9,859	-11,977	4,305	28,686	44,968
Exchange rate differences	-430	-266	1,939	1,987	2,321	2,369
<b>CASH AT THE END OF THE PERIOD</b>	<b>128,493</b>	<b>97,486</b>	<b>128,493</b>	<b>97,486</b>	<b>128,493</b>	<b>138,531</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. Accounting and calculation principles used in the report for the group are identical to those used in the Annual Report 2018. None of the new and changed standards from IASB, applicable from 1st of January 2018, has had any material effect on the Financial Statements. For detailed information on the accounting principles, see Annual Report 2018.

The interim report is on pages 1–14, and pages 1–6 are thus an integrated part of this financial report.

#### CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

G5 Entertainment has implemented IFRS 16, 'Leases' that supersedes IAS 17 Leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are to be recognized. The only exceptions are short-term and low-value leases. The standard is mandatory for financial years commencing on or after 1 January 2019.

#### NOTE 2 – CAPITALIZED DEVELOPMENT EXPENSES

KSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 18/19	2018
<b>At the beginning of the period</b>	<b>211,579</b>	<b>202,345</b>	<b>198,083</b>	<b>115,432</b>	<b>186,188</b>	<b>115,432</b>
Investments <sup>1</sup>	27,448	14,262	84,452	125,336	112,642	153,527
Write-downs	-	-2,795	-1,789	-3,235	-3,053	-4,499
Amortization	-27,190	-25,286	-75,571	-65,085	-98,341	-87,855
<b>Net change during the period</b>	<b>258</b>	<b>-13,819</b>	<b>7,092</b>	<b>57,017</b>	<b>11,247</b>	<b>61,172</b>
Currency exchange differences	12,214	-2,338	18,875	13,739	26,615	21,479
<b>At the end of the period</b>	<b>224,051</b>	<b>186,188</b>	<b>224,051</b>	<b>186,188</b>	<b>224,051</b>	<b>198,083</b>

<sup>1</sup>Investments for 2018 include a capitalization of The Secret Society amounting to SEK 37.5 M. For Jan-Sep 2018 and Jul-Sep 2018 a reversal of the initial capitalization of The Secret Society was made and impacted the periods with approx. SEK -16.1 M.

#### NOTE 3 – OTHER RECEIVABLES

Other receivables include SEK 0 M (1.1) 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.

#### NOTE 4 – PLEDGED ASSETS AND CONTINGENT LIABILITIES

G5 Entertainment does not have any pledges assets or contingent liabilities.

#### NOTE 5 – 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	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 18/19	2018
Net turnover	301,542	341,867	904,946	1,109,335	1,245,636	1,450,025
Cost of revenue	-150,078	-247,815	-607,526	-781,183	-849,735	-1,023,392
<b>Gross profit</b>	<b>151,464</b>	<b>94,053</b>	<b>297,420</b>	<b>328,152</b>	<b>395,901</b>	<b>426,633</b>
Research and development expenses	-28	-60	-83	-111	-342	-371
Sales and Marketing expenses	-17,636	-15,082	-37,750	-56,959	-60,744	-79,952
General and administrative expenses	-123,217	-86,429	-259,252	-255,861	-342,391	-339,000
Other operating income	9,880	-1,679	12,803	5,544	14,279	7,020
Other operating expenses	-6,786	498	-8,292	-6,725	-7,936	-6,369
<b>Operating result</b>	<b>13,677</b>	<b>-8,700</b>	<b>4,846</b>	<b>14,040</b>	<b>-1,233</b>	<b>7,961</b>
Financial income	214	0	65,551	0	65,859	308
Financial expenses	0	0	0	-2	-151	-152
<b>Operating result after financial items</b>	<b>13,891</b>	<b>-8,700</b>	<b>70,397</b>	<b>14,038</b>	<b>64,476</b>	<b>8,117</b>
Taxes	-3,056	1,783	-1,251	-3,221	-139	-2,109
<b>Net result for the period</b>	<b>10,835</b>	<b>-6,917</b>	<b>69,146</b>	<b>10,817</b>	<b>64,337</b>	<b>6,008</b>

### STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

KSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct-Sep 18/19	2018
<b>Net result for the period</b>	<b>10,835</b>	<b>-6,917</b>	<b>69,146</b>	<b>10,817</b>	<b>64,337</b>	<b>6,008</b>
<b>Items that later can be reversed in profit</b>						
Foreign currency translation differences	-	-	-	-	-	-
<b>Total other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>10,835</b>	<b>-6,917</b>	<b>69,146</b>	<b>10,817</b>	<b>64,337</b>	<b>6,008</b>

**BALANCE SHEET - PARENT COMPANY**

<b>KSEK</b>	<b>Sep 30 2019</b>	<b>Sep 30 2018</b>	<b>Dec 31 2018</b>
<b>Fixed assets</b>			
<b>Financial fixed assets</b>			
Shares in group companies	70	70	70
Deferred tax assets	-	-	-
Receivables from group companies	-	-	-
	<b>70</b>	<b>70</b>	<b>70</b>
<b>Current assets</b>			
Account receivables	0	40,901	3,713
Receivables from group companies	80,653	9,062	9,175
Tax receivables	750	1,984	2,434
Other receivables	7,121	276	-1,257
Prepaid expenses and accrued income	123,551	92,126	99,796
Cash and cash equivalents	67,286	79,371	128,311
<b>Total current assets</b>	<b>279,361</b>	<b>223,720</b>	<b>242,172</b>
<b>TOTAL ASSETS</b>	<b>279,430</b>	<b>223,790</b>	<b>242,242</b>
<b>Restricted equity</b>			
Share capital	924	898	898
<b>Non-restricted equity</b>			
Share premium reserve	48,387	55,916	48,387
Profit/Loss carried forward	47,857	56,893	64,387
Net result for the period	69,146	10,817	6,008
<b>Total equity</b>	<b>166,314</b>	<b>124,524</b>	<b>119,679</b>
<b>Current liabilities</b>			
Accounts payable	6,217	915	6,366
Tax Liability	-	-	-
Liability to group companies	97,906	94,982	107,865
Other liability	2,500	36	1,328
Accrued expenses	6,493	3,333	7,004
<b>Total current liabilities</b>	<b>113,116</b>	<b>99,266</b>	<b>122,563</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>279,430</b>	<b>223,790</b>	<b>242,242</b>

## 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 and 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 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 and 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 and 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.

Use of key ratios not defined in IFRS

The G5 Group's accounts are prepared in accordance with IFRS. See page 12 for more information on accounting principles. Only a few key ratios are defined in IFRS. As of the second quarter 2017, G5 is applying the Alternative Performance Measures issued by ESMA (European Securities and Markets Authority). Briefly, an alternative key ratio is a financial measurement of historical or future earnings development, financial position or cash flow, not defined or specified in IFRS. To assist Group Management and other stakeholders in their analysis of the Group's performance, G5 is reporting certain key ratios not defined by IFRS. Group Management believes that this information will facilitate an analysis of the Group's performance. This data supplements the IFRS information and does not replace the key ratios defined in IFRS. G5's definitions of measurements not defined in IFRS may differ from definitions used by other companies. All of G5' definitions are included below.

**EBIT excluding costs for user acquisition** consists of reported EBIT adjusted for costs for user acquisition.

### 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.

**Daily Active Users (DAU)** is the number of individuals who played a G5 game in a day. An individual who plays two different games in the day is counted as two DAUs. 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 Unique Users (MUU)** is the number of individuals who played a G5 game at least once during a calendar month. An individual who plays two different games during the month is counted as one MUU. 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®, Survivors: the Quest®, Hidden City®, Twin Moons Society®, Supermarket Mania® and The Secret Society®. G5 Entertainment AB (publ) is listed on Nasdaq Stockholm since 2014.