

G5 Entertainment AB

Interim Report

JANUARY – SEPTEMBER 2020

Q3 2020



Interim Report January–September 2020

July–September 2020

- Revenue for the period was SEK 332.4 M (301.5), an increase of 10 percent compared to 2019.
- Gross margin decreased to 59 percent (64 percent). Gross margin in the comparison period was positively affected by high marketing spend on licensed games.
- EBIT for the period was SEK 53.7 M (-2.7).
- Net result for the period was SEK 48.5 M (-3.4).
- Earnings per share for the period, before dilution, was SEK 5.59 (-0.38).
- Cash flow amounted to SEK 32.1 M (3.9), impacted positively by tax payments SEK 40.3 M (7.2) and negatively by the repayment of the short term loan of SEK -41.8 M (0.0).
- For the free-to-play games the average Monthly Active Users (MAU) was 6.8 million, an increase of 11 percent compared to the same period in 2019. Average Monthly Unique Payers (MUP) was 212.4 thousand, a decrease of 5 percent and average Daily Active Users (DAU) was 1.7 million, a increase of 6 percent compared to the same period in 2019. Average Monthly Average Gross Revenue Per Paying User (MAGRPPU) was USD 60.2, an increase of 31 percent compared to the same period last year.

Financial key ratios

KSEK	Jul-Sep 2020	Jul-Sep 2019	Change %	Jan-Sep 2020	Jan-Sep 2019	Change %	Oct-Sep 19/20	2019	Change %
Revenue	332,437	301,542	10%	1,020,716	904,946	13%	1,348,810	1,233,039	9%
Commission to distributors ¹	-95,243	-92,170	3%	-299,109	-276,156	8%	-398,257	-375,304	6%
Royalty to external developers ²	-41,339	-16,202	155%	-132,697	-111,352	19%	-177,986	-157,740	13%
Gross profit	195,854	193,171	1%	588,910	517,438	14%	772,567	699,995	10%
Gross margin	59%	64%		58%	57%		57%	57%	
Operating costs excluding costs for user acquisition	-72,160	-70,441	2%	-230,982	-201,001	15%	-323,297	-292,216	11%
EBIT excluding costs for user acquisition	123,695	122,730	1%	357,928	316,438	13%	449,270	407,779	10%
EBIT margin before costs for user acquisition	37%	41%		35%	35%		33%	33%	
Costs for user acquisition ³	-70,010	-125,396	-44%	-220,707	-260,551	-15%	-316,118	-355,962	-11%
Costs for user acquisition as percentage of revenue	-21%	-42%		-22%	-29%		-23%	-29%	
EBIT	53,684	-2,666	n/a	137,221	55,886	146%	133,151	51,817	157%
EBIT margin (%)	16.1%	-0.9%		13.4%	6.2%		9.9%	4.2%	
Earnings per share before dilution	5.59	-0.38	n/a	13.50	5.50	146%	13.17	5.01	163%
Cash flow before financing activities	80,341	6,063		95,092	17,976		121,364	44,222	
Cash and cash equivalents	160,830	128,493		160,830	128,493		160,830	152,268	

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

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

3 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.



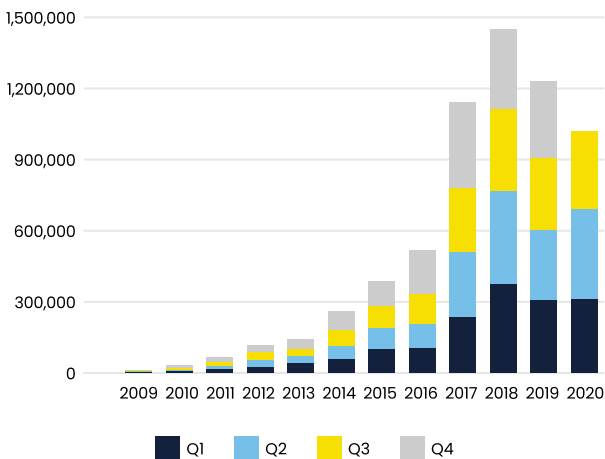
COMMENT FROM THE CEO

Continued growth in own games drives record earnings and profitability

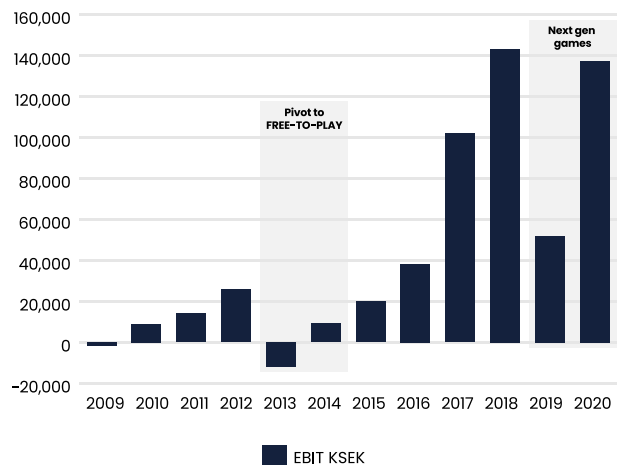
Another strong quarter is behind us, and that is saying a lot given the huge progress we saw in the first half of the year. Even with the third quarter being seasonally weak and lock downs being eased in many countries, G5's strategy of seeking organic growth based on the development of our own games aimed at our core audience of casual players continued to pay off and led us to record profitability, both in absolute and relative terms.

As we highlighted in the Q2 report the third quarter is seasonally weaker and sequential revenue this quarter ended up being slightly down, also with extra headwind from the FX rates and weaker US dollar. Reported revenue decreased 12 percent sequentially while it was up 10 percent year-on-year. Adjusted for FX rate changes revenue was down only 2 percent sequentially. This isn't a surprise considering the reversal of the lockdowns introduced in previous quarter, and underneath it you can see a strong improvement of revenue share from own games: they accounted for 62 percent of group revenue, compared to 54 percent in the second quarter. This important fundamental shift in revenue structure is a key factor driving margins.

Revenue KSEK



EBIT KSEK



Our own games gained two percent sequentially in SEK terms, but underneath this dynamic is a stronger 13 percent sequential growth adjusted for FX. Year on year, own games grew 72%, and new generation of games (those released in 2019 and later) grew 425%. This was achieved thanks primarily to the success of Jewels of Rome, Jewels of the Wild West, Jewels of Egypt, Jewels of Mahjong and Match Town Make-over. With our range of games growing, we are more diversified than in the past and we expect diversification to continue. It is also worth mentioning that revenue from advertising grew nicely in the quarter but remained below one percent of group revenue.

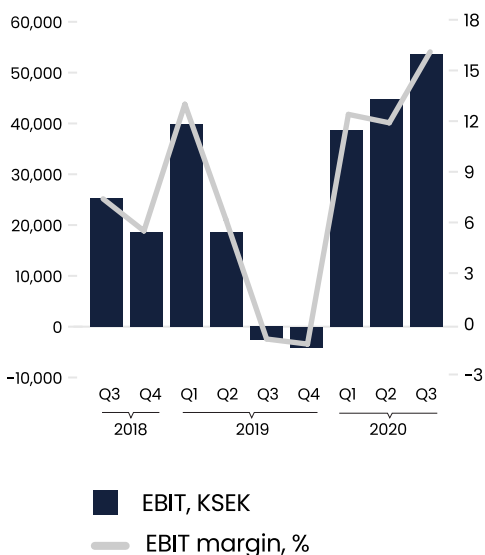
Our EBIT margin in the third quarter hit an all-time record of 16.1 percent. G5's own games, and especially the new generation of titles, continued to spur growth in the period and this past quarter continued to reflect the leverage our business model has in driving margin expansion. This is the metric that truly reflects our scalability and the progress we have made in not only developing a series of popular games but becoming far more efficient and effective at bringing new players into our ecosystem. Like other companies, we need to continuously invest in attracting new users to games. The key is doing this as effectively as possible while not overspending. We are now far more efficient than in the past as you can see by our increasing revenue despite a 44 percent drop in UA spending, compared to a year earlier. We have new management using improved tools to help ensure we are investing wisely. G5 has come a long way in using UA in a smarter way. Going forward, marketing expenses can fluctuate given the opportunities we see for growth, but unlike previous years, we do not expect the marketing spend to vary dramatically between quarters.

In the third quarter, we have launched Hawaii Match-3 Mania, Crime Mysteries, and Pyramid of Mahjong globally, and Sherlock: Hidden Match-3 Cases game was soft-launched in a limited number of countries. These games have all started well, are gaining revenue and will contribute to sales in the fourth quarter and in 2021. We aren't slowing down though. We expect to publish more new games this year than we anticipated. We promised six titles and we have already released seven games. We plan to publish one more game before the end of the year which will be an experiment. We are also building out the pipeline for next year, the amount of games remains to be seen, but we are talking about at least 6 new games. As we grow our portfolio, the G5 Friends network, which is integrated into all of our games, helps us keep the community of players together.

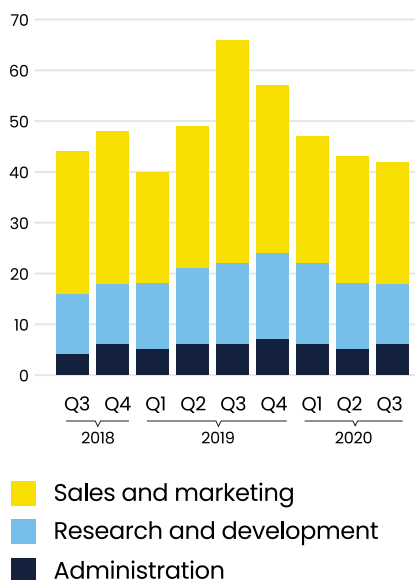
As one of the leading European developers with offices in Ukraine and Russia, we have access to world-class talent and plan to continue to expand these teams to support all the great games we have planned for 2021 and beyond. We had slightly less than 700 employees at the end of the third quarter, compared to around 650 at the end of the second quarter. I am immensely proud of the hard work everybody at G5 has put in over the past months, especially given how hard the pandemic has made it for everybody.

I also want to take a moment to talk about G5's robust financial position. We are committed to developing our business organically and have achieved industry leading ROA of 22% thanks to this focus, which will improve even further after we

EBIT (KSEK) | EBIT-margin (%)



Costs in % of revenue



close the fourth quarter. We continue to manage the company responsibly. We capitalize development expenses, but they are written off in 2 years and have no other intangible assets on our balance sheet such as our user base, trademarks, game engines etc. We have zero debt and a strong cash flow, which allows us to look into M&A targets should the opportunity arise.

In the third quarter we continued the buybacks and during the year we have in total returned 54 MSEK to shareholders by acquiring 343,850 shares in the market. The AGM mandate allows us to purchase approximately 400,000 more shares before the next general meeting, excluding the shares already held by the company. The company currently holds 165,850 ordinary shares in treasury which is more than enough to cover one year of LTI, reducing possible future dilution.

To wrap it up, I am happy to see the strong trends from the first half of the year continue. The record earnings achieved in the quarter is strong proof of the tremendous inherent leverage of our business model. Our own games are growing strongly, the development teams are working hard, and we are spending on acquiring users with improving efficiency. As we enter one of the seasonally stronger quarters of the year, with lockdown concerns on the rise again, our teams are busy creating new holiday gaming content for updates. With all the new games we have released this year and all the great work the teams are doing with the upcoming updates, we look forward to seeing how the traditionally strong fourth quarter turns out this year.

Thanks for following us at G5.

November 5th, 2020

Vlad Suglobov
CEO, co-founder



July–September

Revenue and gross profit

Revenue amounted to SEK 332.4 M (301.5). Revenue increased by 10 percent compared to the same period in 2019.

Cost of revenue increased by 26 percent to SEK 136.6 M (108.4). Cost of revenue includes commission to the distributors (Apple App Store, Google Play, Amazon Appstore, etc.). All relevant parties charge up to 30 percent of gross revenue. Cost of revenue also includes royalties payable to external developers which increased by 155 percent compared to the same period in 2019 as deductible costs for the licensed games decreased compared to last year.

Gross margin for the period was 59 percent (64). Gross profit for the quarter increased by 1 percent compared to the third quarter in 2019 and was SEK 195.9 M (193.2).

Operational Costs

Costs for research and development were SEK 39.2 M (47.0) during the period. The decrease in costs for research and development is primarily driven by a decrease in amortizations, increase in capitalizable costs and a continued decrease of the rubel and hryvnia.

Sales and marketing decreased to SEK 80.7 M (133.5). Sales and marketing is primarily affected by the costs for user acquisition. During the quarter the cost for user acquisition was SEK 70.0 M (125.4). Cost for user acquisition as a percentage of sales was 21 percent, compared to 42 percent in the same period in 2019. Compared to last year the company has

made changes to both the team responsible for user acquisition as well as the tools and frameworks used, which has significantly improved the efficiency of the marketing spend. Sales and marketing, excluding user acquisition, increased to SEK 10.7 M (8.1), compared to the same quarter in 2019 the costs have been impacted by a reclassification between user acquisition and other sales & marketing but also increased staffing.

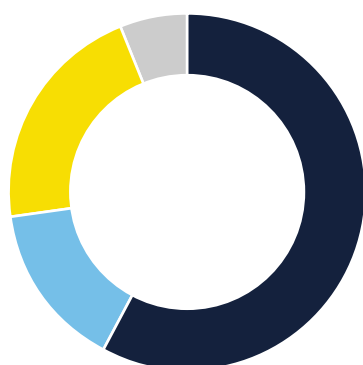
General and administrative costs amounted to SEK 20.0 M (17.8). Other operating income amounted to SEK 2.77 M (3.2) and other operating expenses amounted to SEK -5.0 M (-0.7). Together they amounted to SEK -2.2 M (2.5), primarily driven by currency effects on operational assets and liabilities.

EBIT

Depreciation and amortization have decreased, primarily due to the weakening USD and amounted to SEK 28.1 M (31.0). Capitalization of intangible assets amounted to SEK 32.3 M (27.4). During the quarter no write-downs were made. Net effect of capitalization and amortization, net capitalization, on intangible assets amounted to SEK 8.0 M (0.2).

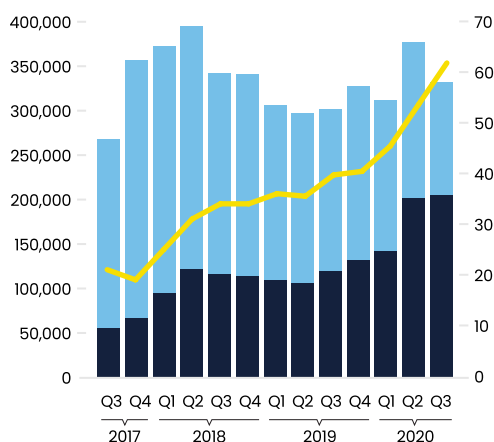
Earnings before interest and taxes (EBIT) amounted to SEK 53.7 M (-2.7), corresponding to an EBIT margin of 16.1 percent (-0.9).

Revenue breakdown by geography third Quarter 2020



- North America 58%
- Asia 15%
- Europe 21%
- Rest of World 6%

Own/licensed revenue (KSEK) share own games (%)



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

Net profit

Net profit was marginally affected by financial items. Tax affected the result with SEK -4.9 M (-0.7).

Net profit amounted to SEK 48.5 M (-3.4) which equals an earnings per share, before and after dilution, of SEK 5.59 (-0.38).

Operational metrics

In the quarter the average Monthly Active Users (MAU) increased by 11 percent compared to 2019, also Daily Active Users (DAU) increased 6 percent compared to 2019. Monthly Unique Users (MUU) increased with 1 percent. Average Monthly Unique Payers (MUP) decreased with 5 percent compared to 2019 and their average monthly spend, Monthly Average Gross Revenue Per Paying User (MAGRPPU) increased with 31 percent compared to the same period in 2019.

F2P	Q3 '20	Q3 '19	Change
Average MAU (mn)	6.8	6.2	11%
Average MUP (thousands)	212.4	222.7	-5%
Average MUU (mn)	5.2	5.2	1%
Average MAGRPPU (USD)	60.2	45.8	31%
Average DAU (mn)	1.7	1.6	6%

For detailed definitions of the operational metrics see the glossary on page 16 of the report.

Releases during the quarter

The company released Hawaii Match-3 Mania, Crime Mysteries Match-3 cases, Pyramid of Mahjong, Sheriff of Mahjong globally and Sherlock: Hidden Match-3 cases on soft launch.

Jan-Sept

Revenue and gross profit

Revenue increased with 13 per cent compared to the same period in 2019. Revenue amounted to SEK 1020.7 M (904.9).

The group's cost of revenue was SEK -431.8 M (-387.5). Gross profit amounted to SEK 588.9 M (517.4), an increase of 14 percent compared to the same period in 2019. Gross margin was 58 percent (57).

Operating Costs

Operating costs decreased with 2 per cent compared to the same period in 2019. User acquisition decreased to SEK 220.7 M (260.6). Excluding costs for user acquisition the operating costs amounted to SEK 231.0 M (201.0). The operational costs were impacted by depreciation and amortization of SEK 91.8 M (87.0) and write-downs of SEK 0.4 M (1.8).

Other operating income and costs impacted the period negatively with SEK -1.6 M (3.7), primarily attributed to exchange rate differences on operational assets and liabilities related to balance sheet items in the parent company.

EBIT

EBIT was SEK 137.2 M (55.9) and the EBIT-margin was 13.4 percent (6.2) for the period.

Net profit

Net profit was marginally affected by financial items. Tax affected the result with SEK -15.3 M (-6.5) corresponding to an effective tax rate of 11 percent (12).

Net profit amounted to SEK 121.3 M (49.4) which is corresponding to earnings per share before dilution of SEK 13.50 (5.50).

Cash flow

During the third quarter, the group had an operating cash flow before changes in working capital of SEK 121.8 M (33.2). In the quarter taxes impacted the cash flow positively as the company received a tax receivable in Malta, taxes impacted the quarter with SEK 40.3 M (7.2). Changes in working capital impacted the cash flow with SEK -8.3 M (1.4). Capitalized development expenses impacted the cash flow negatively with SEK -32.3 M (-27.4).

Cash flow before financing activities amounted to SEK 80.3 M (6.1). Financing activities were impacted by the repayment of the short term loan amounting to SEK -41.8 M and buybacks SEK -4.6 M (0.0). The cash flow for the period amounted to SEK 32.1 M (3.9).

For the interim period Jan-Sept cash flow before changes in working capital amounted to SEK 216.3 M (121.4). Cash flow for the interim period amounted to SEK 11.6 M (-12.0).

Available cash on September 30, 2020 amounted to SEK 160.8 M (128.5).

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 217.0 M (224.1). 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 2020	Sep 30 2019
Released games	141.7	162.1
Not released games	75.3	62.0
Net value of games portfolio	217.0	224.1

Impairment need in the portfolio is tested every quarter. A thorough review of the input parameters is done on a yearly basis. During the period, no write-downs were made (0.0).

Consolidated equity amounted to SEK 424.2 M (395.6), which equals SEK 48.9 per share (44.0) and the equity/asset ratio is 70 percent (66).

Cash on hand amounted to SEK 160.8 M (128.5).

During the quarter the company repaid its short term loan facility taken in the second quarter. Other long-term debt and other short term debt is solely related to IFRS16 accounting of lease contracts.

Parent company

The parent company revenue increased 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 2020, 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

- Markus Lindqvist, Chairman (representing Aktia Fund Management Company Ltd.)
- Jeffrey Rose (representing Wide Development Limited)
- Petter Nylander, Chairman of the Board of directors (representing Purple Wolf Limited)
- Tommy Svensk (representing Tommy Svensk)
- Sergey Shults (representing Proxima Limited)

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.

Please note that proposals must be received by the nomination committee by February 1, 2021.

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.

Related-party transactions

During the period no significant related-party transactions have taken place except the ongoing transactions highlighted in the annual report 2019.

Upcoming report dates

Year-end report 2020	February 11, 2021
Interim report Jan-Mar 2021	May 5, 2021
Annual General Meeting 2021	June 15, 2021
Interim report Jan-Jun 2021	August 11, 2021
Interim report Jan-Sep 2021	November 5, 2021

Teleconference

On November 5th, 2020 at 08.00 CET, CEO Vlad Suglobov 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 Suglobov, CEO	investor@g5e.com
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, 2020

Petter Nylander
Chairman of the Board

Johanna Fagrell Köhler
Board member

Stefan Lundborg
Board member

Jeffrey Rose
Board member

Marcus Segal
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, 2020 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 2020 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, 2020

Pricewaterhouse Coopers AB

Aleksander Lyckow

Authorized Public Accountant

Income statement – Group

KSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 19/20	2019
Net turnover	332,437	301,542	1,020,716	904,946	1,348,810	1,233,039
Cost of revenue	-136,582	-108,372	-431,806	-387,508	-576,242	-533,044
Gross profit	195,854	193,171	588,910	517,438	772,567	699,995
Research and Development expenses	-39,243	-47,004	-139,325	-130,853	-193,718	-184,147
Sales and Marketing expenses	-80,698	-133,531	-253,876	-281,922	-361,425	-389,471
General and Administrative expenses	-20,031	-17,765	-56,922	-52,434	-78,596	-74,108
Other operating income	2,770	3,163	4,705	4,847	686	827
Other operating expenses	-4,967	-701	-6,271	-1,189	-6,362	-1,280
Operating result	53,684	-2,666	137,221	55,886	133,151	51,817
Financial income	27	245	259	876	485	1,103
Financial expenses	-329	-294	-850	-916	-1,146	-1,212
Operating result after financial items	53,382	-2,715	136,630	55,847	132,491	51,707
Taxes	-4,851	-664	-15,320	-6,458	-15,541	-6,679
NET RESULT FOR THE PERIOD	48,531	-3,379	121,310	49,388	116,950	45,028
Attributed to:						
Parent company's shareholders	48,531	-3,379	121,310	49,388	116,950	45,028
Earnings per share						
Weighted average number of shares before dilution (thousands)	8,681	8,984	8,984	8,984	8,882	8,993
Weighted average number of shares after dilution (thousands)	8,681	9,031	9,053	9,053	8,882	9,062
Earnings per share (SEK). before dilution	5.59	-0.38	13.50	5.50	13.17	5.01
Earnings per share (SEK). after dilution	5.59	-0.37	13.40	5.46	13.17	4.97

Statement of comprehensive income – Group

KSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 19/20	2019
Net result for the period	48,531	-3,379	121,310	49,388	116,950	45,028
Items that later can be reversed in profit						
Foreign currency translation differences	-3,922	12,117	-5,928	22,871	-13,248	15,551
Total other comprehensive income for the period	-3,922	12,117	-5,928	22,871	-13,248	15,551
Total comprehensive income for the period	44,609	8,738	115,382	72,259	103,702	60,579
Attributed to:						
Parent company's shareholders	44,609	8,738	115,382	72,259	103,702	60,579

Balance sheet – Group

KSEK	Sep 30 2020	Sep 30 2019	Dec 31 2019
Fixed assets			
Intangible fixed assets			
Capitalized development expenses (Note 2)	217,010	224,051	211,419
	217,010	224,051	211,419
Tangible fixed assets			
Equipment ¹	19,775	34,581	31,412
	19,775	34,581	31,412
Deferred tax receivable	51,603	40,389	37,526
Total non-current assets	288,387	299,020	280,357
Current assets (Note 3, 5)			
Accounts receivable	0	0	1,463
Tax receivable	6,109	34,584	2,548
Other receivables	6,283	9,790	9,684
Prepaid expenses and accrued income	141,105	131,860	101,983
Cash and cash equivalents	160,830	128,493	152,268
Total current assets	314,327	304,727	267,946
TOTAL ASSETS	602,715	603,747	548,303
Equity	424,214	395,560	385,607
Deferred tax liabilities	129	12	12
Long-term liabilities ¹	3,041	7,180	4,150
Total non-current liabilities	3,170	7,192	4,162
Current liabilities (Note 5)			
Short-term liabilities ¹ (Note 4)	6,012	10,501	10,490
Accounts payable	17,184	73,252	26,546
Other liabilities	13,883	9,228	1,026
Tax liabilities	67,572	62,543	55,524
Accrued expenses	70,680	45,471	64,947
Total current liabilities	175,331	200,995	158,534
Total equity and liabilities	602,715	603,747	548,303

¹ 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.

Statement of Changes in shareholders' equity – Group

KSEK	Share capital	Other capital contribution	Other reserves	Profit/loss brought forward	Shareholders' equity
Shareholders' equity 2019-01-01	898	48,448	10,312	287,836	347,494
Net result for the year				49,388	49,388
Total other comprehensive income			22,871		22,871
Total comprehensive income for the year			22,871	49,388	72,259
Transitional effect IFRS16			-466		-466
Dividend				-22,486	-22,486
Share issue - Class C	26				26
Share repurchase - Class C			-26		-26
Premiums paid on exercised/issued warrants					0
Repurchase of warrant		-47			-47
IFRS2 - Employee share schemes			-1,194		-1,194
Total transactions with the owners recognized directly in equity	26	-47	-1,686	-22,486	-24,193
Shareholders' equity as of 2019-09-30	924	48,401	31,497	314,738	395,560
Shareholders' equity 2020-01-01	928	50,615	23,660	310,404	385,607
Net result for the year				121,310	121,310
Total other comprehensive income			-5,928		-5,928
Total comprehensive income for the year			-5,928	121,310	115,382
Dividend				-21,869	-21,869
Premiums paid on exercised/issued warrants		252			252
Repurchase of shares		-54,054			-54,054
IFRS2 - Employee share schemes			-1,104		-1,104
Total transactions with the owners recognized directly in equity		-53,802	-1,104	-21,869	-76,775
Shareholders' equity as of 2020-09-30	928	-3,187	16,628	409,845	424,214

Cash flow statement – Group

KSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 19/20	2019
Cash flow from operating activities						
Profit after financial items	53,382	-2,715	136,630	55,847	132,490	51,707
Adjusting items not included in cash flow	28,108	28,750	92,160	88,780	129,291	125,911
	81,490	26,035	228,790	144,627	261,781	177,618
Taxes paid	40,267	7,207	-12,487	-23,189	17,281	6,579
Cash flow before changes in working capital	121,757	33,242	216,303	121,438	279,062	184,197
Cash flow from changes in working capital						
Change in operating receivables	7,240	-13,306	-34,847	-30,815	-4,427	-421
Change in operating liabilities	-15,538	14,754	8,791	18,500	-24,806	-15,097
Cash flow from operating activities	113,459	34,690	190,247	109,123	249,829	168,679
Investing activities						
Investment in fixed assets	-817	-1,179	-1,885	-6,695	-3,599	-8,410
Investment in intangible assets	-	-20	-	-1,881	-	-1,881
Capitalized development expenses	-32,301	-27,428	-93,270	-82,571	-124,866	-114,166
Cash flow from investing activities	-33,118	-28,627	-95,155	-91,147	-128,465	-124,457
Financing activities						
Lease payments, IFRS16	-1,839	-2,170	-7,817	-7,420	-10,857	-10,460
Short term loan	-41,800	-	-	-	-	-
Dividend	-	-	-21,869	-22,486	-21,869	-22,460
Share issuance - C class	-	-	-	26	-	26
Repurchase shares - C class	-	-	-	-26	-	-26
Repurchase ordinary shares	-4,568	-	-54,054	-	-54,054	-
Premiums warrant program	-	-	252	0	4,025	3,773
Repurchase of issued warrants	-	-	-	-47	-1,555	-1,602
Cash flow from financing activities	-48,207	-2,170	-83,488	-29,953	-84,310	-30,749
CASH FLOW	32,134	3,893	11,604	-11,977	37,054	13,473
Cash at the beginning of the period	131,289	125,030	152,268	138,531	128,493	138,531
Cash flow	32,134	3,893	11,604	-11,977	37,054	13,473
Exchange rate differences	-2,593	-430	-3,042	1,939	-4,717	264
CASH AT THE END OF THE PERIOD	160,830	128,493	160,830	128,493	160,830	152,268

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 2019. For detailed information on the accounting principles, see Annual Report 2019.

The interim report is on pages 1–16, and pages 1–8 are thus an integrated part of this financial report.

NOTE 2

Capitalized development expenses

KSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 19/20	2019
At the beginning of the period	217,317	211,579	211,419	198,083	224,051	198,083
Investments	32,301	27,448	93,270	84,452	124,865	116,047
Write-downs	-	-	-409	-1,789	-6,075	-7,455
Amortization	-24,342	-27,190	-79,570	-75,571	-106,960	-102,962
Net change during the period	7,959	258	13,292	7,092	11,830	5,630
Currency exchange differences	-8,266	12,214	-7,701	18,875	-18,871	7,705
At the end of the period	217,010	224,051	217,010	224,051	217,010	211,419

NOTE 3

Other receivables

Other receivables include SEK 1.8 M (o) 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 has pledged assets amounting to SEK 3 M. G5 Entertainment does not have any 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 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 19/20	2019
Net turnover	332,437	301,542	1,020,716	904,946	1,348,810	1,233,039
Cost of revenue	-251,914	-150,078	-765,002	-607,526	-984,462	-826,986
Gross profit	80,522	151,464	255,714	297,420	364,347	406,053
Research and development expenses	-28	-28	-87	-83	-116	-112
Sales and Marketing expenses	-9,699	-17,636	-20,800	-37,750	-37,846	-54,796
General and administrative expenses	-72,723	-123,217	-237,428	-259,252	-324,322	-346,146
Other operating income	-1,613	9,880	0	12,803	-11,792	1,010
Other operating expenses	-1,111	-6,786	-2,843	-8,292	4,685	-764
Operating result	-4,653	13,677	-5,444	4,846	-5,044	5,246
Financial income	11	214	4,993	65,551	5,086	65,644
Financial expenses	-139	0	-139	0	-139	0
Operating result after financial items	-4,781	13,891	-591	70,397	-98	70,891
Taxes	1,022	-3,056	956	-1,251	840	-1,367
NET RESULT FOR THE PERIOD	-3,760	10,835	365	69,146	743	69,524

Statement of comprehensive income – Parent company

KSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Oct-Sep 19/20	2019
Net result for the period	-3,760	10,835	365	69,146	743	69,524
Items that later can be reversed in profit						
Foreign currency translation differences	-	-	-	-	-	-
Total other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-3,760	10,835	365	69,146	743	69,524

Balance sheet – Parent company

KSEK	Sep 30 2020	Sep 30 2019	Dec 31 2019
Fixed assets			
Tangible fixed assets			
Tangible fixed assets	37	-	-
	37	-	-
Financial fixed assets			
Shares in group companies	70	70	70
Deferred tax assets	-	-	-
Receivables from group companies	-	-	-
	70	70	70
Current assets			
Account receivables	-	-	1,463
Receivables from group companies	1	80,653	76,647
Tax receivables	4,835	750	1,385
Other receivables	225	7,121	5,635
Prepaid expenses and accrued income	137,497	123,551	96,750
Cash and cash equivalents	131,791	67,286	98,203
Total current assets	274,350	279,361	280,083
TOTAL ASSETS	274,457	279,430	280,153
Restricted equity			
Share capital	928	924	928
Non-restricted equity			
Share premium reserve	50,554	48,387	50,554
Profit/Loss carried forward	41,650	47,857	47,909
Net result for the period	365	69,146	69,524
Total equity	93,497	166,314	168,915
Current liabilities			
Short term liabilities (Note 4)	139	-	-
Accounts payable	341	6,217	211
Tax Liability	-	-	-
Liability to group companies	169,989	97,906	102,295
Other liability	1,608	2,500	300
Accrued expenses	8,883	6,493	8,432
Total current liabilities	180,960	113,116	111,238
TOTAL EQUITY AND LIABILITIES	274,457	279,430	280,153

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 (MAU) 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) develops and publishes high quality free-to-play mobile games for both smartphones and tablets 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 Jewels of Rome™, Hidden City® Mahjong Journey®, Homicide Squad®, Wordplay: Exercise your brain™ and Jewels of the Wild West™. G5 Entertainment AB (publ) is listed on Nasdaq Stockholm since 2014.