



G5 ENTERTAINMENT AB

INTERIM REPORT

JANUARY – SEPTEMBER 2016

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JULY–SEPTEMBER

- Consolidated revenue for the period was SEK 126.5 M (96.1), an increase of 32 per cent compared to the same period in 2015
- EBIT for the period was SEK 13.1 M (4.8), an increase of 174 per cent compared to the same period in 2015.
- Net result for the period was SEK 10.9 M (3.2)
- Earnings per share for the period before and after dilution was SEK 1.24 (0.36)
- Cash flow before financing activities during the period was SEK 20.8 M (-0.3)
- For the free-to-play games the average Monthly Active Users (MAU) was 3.8 million, an increase of 19 per cent compared to the same period in 2015. Average Monthly Unique Payers (MUP) was 120.7 thousands, an increase of 9 per cent and average Monthly Average Gross Revenue Per Paying User (MAGRPPU) was USD 39.9, an increase of 34 per cent compared to the same period in 2015
- Revenue from free-to-play games grew by 39 per cent compared to the same period in 2015 and accounted for 94 per cent (89) of the total revenue

FINANCIAL KEY RATIOS

KSEK	Jul-Sep 2016	Jul-Sep 2015	Change %	Jan-Sep 2016	Jan-Sep 2015	Change %	Oct-Sep -15/-16	2015	Change %
Revenue	126,451	96,075	32%	332,164	283,092	17%	433,441	384,369	13%
Commission to distributors ¹	-37,774	-29,245	29%	-98,907	-85,053	16%	-129,323	-115,469	12%
Royalty to external developers ²	-31,166	-21,967	42%	-75,309	-64,005	18%	-96,930	-85,625	13%
Gross profit	57,511	44,863	28%	157,947	134,034	18%	207,188	183,274	13%
Gross margin	45%	47%		48%	47%		48%	48%	
Operating costs excluding costs for user acquisition	-22,738	-24,685	-8%	-68,441	-64,527	6%	-92,831	-88,917	4%
EBIT excluding costs for user acquisition	34,772	20,178	72%	89,506	69,507	29%	114,357	94,358	21%
EBIT margin before costs for user acquisition	27%	21%		27%	25%		26%	25%	
Costs for User acquisition ³	-21,643	-15,390	41%	-58,721	-58,085	1%	-75,207	-74,570	1%
EBIT	13,129	4,788	174%	30,785	11,423	170%	39,150	19,788	98%
EBIT-margin (%)	10%	5%		9%	4%		9%	5%	
Earnings per share	1,24	0,36	245%	2,88	0,66	340%	3,97	1,74	128%
Cash Flow before financing activities	20,856	-262		19,848	-2,362		22,900	689	
Cash and cash equivalents	54,069	30,999		54,069	30,999		54,069	33,870	

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

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

³User 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, but can be stopped at a very short notice.

COMMENT FROM THE CEO:

PORTFOLIO DELIVERING PROFITABLE GROWTH



GROWING FASTER

During the quarter, we have identified new growth opportunities for our existing games, Hidden City and Survivors. The growth of these games in Q3 was driven equally by “organic” users, cross-selling within the company’s game portfolio, and the increase of marketing spend. Our ambition is to grow the revenue and profit from these games substantially. While we are doing it, we are closely watching key metrics, making sure that the users we acquire are staying in the games for months, and that our marketing spend provides a substantial return on investment in a reasonable time. The ability to promote our games within the existing portfolio helps increase the momentum and is very important for the success of new games. The improved chart positions, in the App Stores, for these games as well as improving pace of top-line growth during the quarter is a result of our efforts in this regard. Both games have also continued to climb the charts after the end of the quarter.

REPEATED SUCCESS

The success of Hidden City, which now equals and even eclipses the performance of The Secret Society, demonstrates that we can repeat and exceed the success of our best performing games. Equipped with the experiences from two very successful games in the same genre, we can apply the knowledge to create even more successful games and take them further and faster. Hidden City is now firmly established within 50 Top Grossing games for iPad in USA. It is one of the most downloaded and top selling hidden object games in the world. This makes us excited about the prospects of further growth of the game’s

audience and revenue, and our ability to create more successful games in the genre. There are only a handful of top-ranked F2P hidden object games in the market, and it is good to have two of these in our portfolio.

SOLID FUNDAMENTALS

We continue to show strong profitability in the business even though we are spending significant resources on growing the company, both through development and marketing. The third quarter also shows strong cash flow. Taking into account that we are getting close to balance between capitalization and amortization, current profitability level means that the company is generating a positive cash flow. Any increase in profitability in the future is also likely to lead to an increase in cash flow. It is the focus of management to safeguard that the company is both profitable and cash flow positive going forward, and that we also have a positive “Net” EBIT, even if we take away capitalization and amortization effects on the profit. The management remains focused on profitability and growth, with the goal to continue increasing the top line and provide gradual improvement of earnings year-on-year.

PROMISING OUTLOOK AND NEW GAMES

Our strategically placed development studios in Russia and Ukraine continue to save us substantial money when it comes to the cost of development. The work continues on the rest of our F2P games portfolio. Just a few weeks ago we released Twin Moons Society, a new F2P hidden object game, developed and owned by G5. We are also going to bring more games to the market before the end of the year or shortly after. We are excited about these new releases and the possibility to apply lessons learned on Hidden City and Survivors to existing and new games. There is a substantial upside in adding more well-performing games like Hidden City, Survivors, and The Secret Society to our portfolio, and that is the goal we are pursuing.

Stockholm, November 2, 2016

Vlad Suglobov,
CEO, co-founder

JULY-SEPTEMBER

REVENUE AND GROSS PROFIT

Revenue amounted to SEK 126.5 M (96.1). Revenue increased by 32 per cent compared to the same period in 2015. The growth for free-to-play games was 39 per cent where Hidden City was the main driver of the growth in the quarter but also Survivors grew substantially. 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 with 35 per cent to SEK 68.9 M (51.2). Cost of revenue includes commission to the distributors (Apple App Store, Google Play, Amazon Appstore, 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 42 per cent compared to the same period in 2015. The increase in royalty is due to the success of Hidden City and through that the relative growth of revenue of licensed games compared to games owned by G5

Gross margin for the period was 45 per cent (47). Gross profit for the quarter increased by 28 per cent and was SEK 57.5 M (44.9).

OPERATIONAL COSTS

Costs for research & development were SEK 16.2 M (15.8) during the period. The increase in costs for research and development is driven by higher amortization and write-downs. Excluding amortization and write-downs the costs decreased with 3 per cent.

Sales and marketing increased to SEK 24.1 M (17.3). Sales and marketing is primarily affected by the costs for user acquisition. During the quarter the cost for user ac-

quisition was SEK 21.6 M (15.4). Cost for user acquisition as a percentage of sales increased from 16 per cent in the third quarter 2015 to 17 per cent in the same period in 2016. Sales and marketing, excluding user acquisition, increased to SEK 2.4 M (1.9).

General and administrative costs amounted to SEK 8.6 M (6.3). Other operating income amounted to SEK 4.4 M (0.2) and other operating expenses amounted to SEK 0.2 M (-0.9). Together they amounted to SEK 4.6 M (-0.7), primarily driven by currency effects on operational assets and liabilities. During the quarter a netting of the long term receivables and short term receivables between group companies has realised a positive currency effect, previously reported in equity which is a non-cash effect in the income statement.

EBIT

Depreciation and amortization have increased due to the increased size of the game portfolio and amounted to SEK 11.2 M (8.9). Write-downs during the quarter amounted to SEK 2.7 M (4.5).

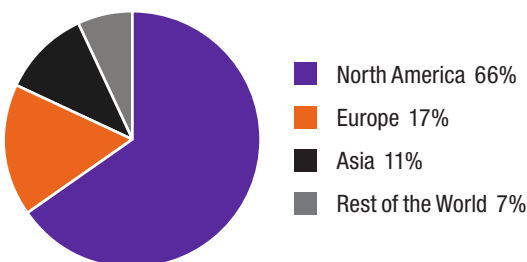
Earnings before interest and taxes (EBIT) were SEK 13.1 M (4.8), corresponding to an EBIT-margin of 10 per cent (5).

NET PROFIT

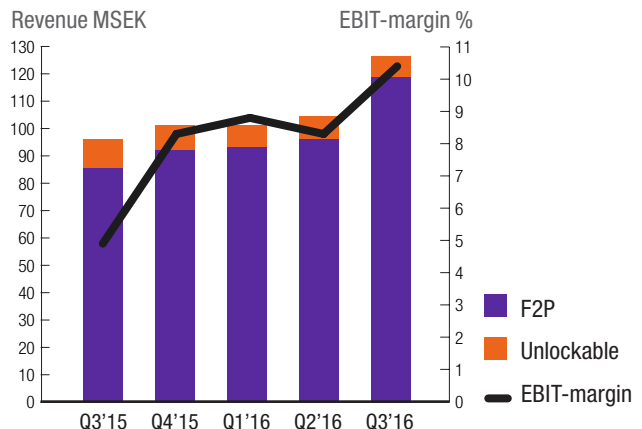
Net profit was marginally affected by financial items. Tax affected the result with SEK -2,2 M (-1.6).

Net profit amounted to SEK 10.9 M (3.2) which is corresponding to earnings per share of SEK 1.24 (0.36).

**REVENUE BREAKDOWN BY GEOGRAPHY
CURRENT QUARTER**



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



OPERATIONAL METRICS

In the quarter the average Monthly Active Users (MAU) increased with 19 per cent compared to the same period last year.

Average Monthly Unique Payers (MUP) increased with 9 per cent compared to the same period last year and their average monthly spend, Monthly Average Gross Revenue Per Paying User (MAGRPPU) increased with 34 per cent.

F2P	Q3 '16	Q3 '15	CHANGE
Average MAU (mn)	3.8	3.2	19%
Average MUP (thousands)	120.7	110.6	9%
Average MAGRPPU (USD)	39.9	29.7	34%

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

RELEASES DURING THE QUARTER

In August, the company released a new licensed game, The Nightmares From the Deep, on Apple App Store. In September the company released Twin Moons Society, a game owned and developed by G5 Entertainment, on Apple App Store. Even though different, both games qualify into the hidden object puzzle adventure like other successful games in the company's portfolio. The games are currently in the "soft launch" mode and the team is working on optimizing the parameters and bringing more content into the games.

G5 has also continued rolling out previously released games on more platforms: Mahjong Journey was launched on Windows Store and Facebook, Hidden City was launched on Windows Store and for Mac, Paranormal Agency was launched on Google Play and Amazon App Store and finally Farm Clan (previously Brave Tribe) on Facebook.

JANUARY-SEPTEMBER

REVENUE AND GROSS PROFIT

Revenue increased with 17 per cent compared to the same period in 2015, driven by the growth of the group's free-to-play-games. Revenue amounted to SEK 332.2 M (283.1). Revenue from free-to-play-games increased with 23 per cent compared to the same period in 2015.

The group's cost of revenue was SEK 174.2 M (149.1). Gross profit amounted to SEK 157.9 M (134.0), an increase of 17 per cent compared to the same period in 2015. Gross margin was 48 per cent (47).

OPERATING COSTS

Operating costs increased with 6 per cent compared to the same period in 2015. User acquisition increased to SEK 58.7 M (58.1). Excluding costs for user acquisition the operating costs amounted to SEK 70.8 M (61.6). The operational costs were impacted by depreciation and amortization of SEK 28.0 M (21.1) and write-downs of SEK 4.9 M (5.5).

Other operating income and costs impacted the period with SEK 2.4 M (-2.9), primarily attributed to exchange rate differences on operational assets and liabilities.

EBIT

EBIT was SEK 30.8 M (11.4) and the EBIT-margin was 9 per cent (4) for the period.

NET PROFIT

Net profit was marginally affected by financial items. Tax affected the result with SEK -5.4 M (-5.6) corresponding to an effective tax rate of 17 per cent (49). With the group's increased focus on profitability the effective tax rate stabilizes between periods due to more evenly distributed earnings within the group.

Net profit amounted to SEK 25.4 M (5.8) which is corresponding to earnings per share of SEK 2.88 (0.66).

CASH FLOW

During the quarter, the group had an operating cash flow before changes in working capital of SEK 23.6 M (17.4). Changes in working capital impacted the cash flow positively with SEK 10.8 M (-8.3). Capitalized development expenses impacted the cash flow negatively with SEK -12.8 M (-8.7).

Cash flow for the third quarter amounted to SEK 21.0 M (-0.1).

For the interim period cash flow before changes in working capital amounted to SEK 60.5 M (36.6). Cash flow amounted to SEK 20.0 M (-2.2).

Available cash on September 30, 2016 amounted to SEK 54.1 M (31.0).

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 successful games in the portfolio.

Capitalized development expenses amounted to SEK 103.9 M (89.8) of which SEK 101.0 M (79.7) is related to free-to-play games and SEK 2.9 M (10.1) 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	SEP 30, 2016	SEP 30, 2015
Released games F2P	69,9	47,6
Released games Unlockable	2,7	5,9
Not released games F2P	31,1	32,1
Not released games Unlockable	0,2	4,2
Net value of games portfolio	103,9	89,8

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 amounted to SEK 2.8 M (4.5) whereof SEK 1.7 M was related to a free-to-play game and SEK 1.1 M was related to a unlockable game.

Consolidated equity amounted to SEK 148.4 M (114.6), which equals SEK 16.9 per share (13.0) and the equity/asset ratio is 69 per cent (66).

Cash on hand amounted to SEK 54.1 M (31.0).

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 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

PARENT COMPANY ACCOUNTING PRINCIPLES

Changes in RFR 2, with effect from the financial year 2016, impacts the financial statements and the comparative period for the parent company. Translation differences which are attributable to receivables from subsidiaries, which are not scheduled to be settled in the foreseeable future are recognized in the income statement from January 1, 2016. These translation differences have previously been recognized in other comprehensive income / fair value reserves. The change is implemented with retroactive effect, which means that the translation effect arising during the financial year 2015, 3,099 KSEK, will be transferred from fair value reserve to the income statement and the accumulated effect as of January 1, 2015, 8,420 KSEK, will be transferred from fair value reserve to retained earnings. The change does not affect the consolidated financial report where the effect will continue to be recognized through other comprehensive income to other reserves in equity.

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 2015 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

Year-End report 2016 February 23, 2017

TELECONFERENCE

On November 3, 2016 at 10.30 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>

EXTRAORDINARY GENERAL MEETING 2016

An extraordinary general meeting was held on Thursday August 11, 2016. During the meeting Chris Carvalho was elected as a new Board member. Chris has extensive experience of the mobile games market and will contribute greatly to the Board that now constitutes 6 individuals.

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 2, 2016

Petter Nylander
Chairman of the Board

Annika Andersson
Board member

Chris Carvalho
Board member

Jeffrey Rose
Board member

Pär Sundberg
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 3, 2016 at 08.35.

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

INTRODUCTION

We have reviewed the interim report for G5 Entertainment AB (publ) for the period January 1 - September 30, 2016. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the 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 Financial Information 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 has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed 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, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, November 2, 2016

Mazars SET Revisionsbyrå AB

Bengt Ekenberg
Authorized Public Accountant

INCOME STATEMENT - GROUP

KSEK	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Oct-Sep 2015/-16	2015
Net turnover	126,451	96,075	332,164	283,092	433,441	384,369
Cost of revenue	-68,940	-51,212	-174,216	-149,058	-226,253	-201,094
Gross profit	57,511	44,863	157,947	134,034	207,188	183,274
Research & Development expenses	-16,192	-15,788	-41,140	-35,305	-55,675	-49,840
Sales & Marketing expenses	-24,091	-17,323	-66,052	-64,207	-84,582	-82,737
General and Administrative expenses	-8,650	-6,285	-22,331	-20,164	-30,280	-28,113
Other operating income	2,305	240	2,700	1,751	3,151	2,549
Other operating expenses	2,245	-919	-340	-4,687	-650	-5,346
Operating result	13,129	4,788	30,785	11,423	39,150	19,788
Financial income	2	9	6	17	27	38
Financial expenses	0	-48	-54	-48	-54	-48
Operating result after financial items	13,131	4,749	30,737	11,392	39,123	19,778
Taxes (Note 3)	-2,222	-1,583	-5,374	-5,621	-4,200	-4,448
Net result for the period	10,909	3,166	25,363	5,770	34,923	15,330
Attributed to:						
Parent company's shareholders	10,909	3,166	25,363	5,770	34,923	15,330
Non-controlling interest	-	-	-	-	-	-
Earnings per share						
Weighted average number of shares (thousands)	8,800	8,800	8,800	8,800	8,800	8,800
Earnings per share (SEK), before and after dilution	1.24	0.36	2.88	0.66	3.97	1.74

STATEMENT OF COMPREHENSIVE INCOME - GROUP

KSEK	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Oct-Sep 2015/-16	2015
Net result for the period	10,909	3,166	25,363	5,770	34,923	15,330
Items that later can be reversed in profit						
Foreign currency translation differences	-2,250	3,186	-441	4,314	-1,270	3,486
Total other comprehensive income for the period	-2,250	3,186	-441	4,314	-1,270	3,486
Total comprehensive income for the period	8,659	6,352	24,922	10,084	33,653	18,816
Attributed to:						
Parent company's shareholders	8,659	6,352	24,922	10,084	33,653	18,816
Non-controlling interest	-	-	-	-	-	-

BALANCE SHEET - GROUP

KSEK	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Fixed assets			
Intangible fixed assets			
Capitalized development expenses (Note 2)	103,919	89,820	94,269
Goodwill	2,291	2,295	2,293
	106,210	92,115	96,562
Tangible fixed assets			
Equipment	5,872	4,442	4,634
	5,872	4,442	4,634
Deferred tax receivable (Note 3)	6,426	5,797	2,310
Total non-current assets	118,508	102,354	103,506
Current assets (Note 4, 6)			
Accounts receivable	0	9,730	9,881
Tax receivable	298	143	175
Other receivables	6,282	5,882	3,952
Prepaid expenses and accrued income	35,941	23,379	25,198
Cash and cash equivalents	54,069	30,999	33,870
Total current assets	96,591	70,133	73,076
TOTAL ASSETS	215,099	172,487	176 583
Equity	148,381	114,615	123 345
Current liabilities (Note 6)			
Accounts payable	14,820	16,328	12,320
Other liabilities	2,512	3,705	1,227
Tax liabilities	14,439	10,652	6,438
Accrued expenses	34,947	27,186	33,253
Total current liabilities	66,718	57,871	53,238
TOTAL EQUITY AND LIABILITIES	215,099	172,487	176 583

STATEMENT OF CHANGES IN SHAREHOLDER EQUITY - GROUP

KSEK	Share capital	Other capital contribution	Other reserves	Profit/ loss brought forward	Share- holders' equity
Shareholders' equity as of 2015-01-01	880	54,032	8,575	40,872	104,359
Net result for the period				5,770	5,770
Premium for warrant program		171			171
Total other comprehensive income			4,314		4,314
Total comprehensive income for the period			4,314	5,770	10 255
Shareholders' equity as of 2015-09-30	880	54,203	12,889	46,642	114,615
Shareholders' equity as of 2016-01-01	880	54,203	12,060	56,202	123,345
Net result for the period				25,363	25,363
Premium for warrant program		113			113
Total other comprehensive income			-441		-441
Total comprehensive income for the period			-441	25,363	25,035
Shareholders' equity as of 2016-09-30	880	54,316	11,620	81,565	148,381

CASH FLOW STATEMENT - GROUP

KSEK	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Oct-Sep 2015/-16	2015
Cash flow from operating activities						
Profit after financial items	13,131	4,749	30,737	11,392	39,123	19,778
Adjusting items not included in cash flow	11,583	13,163	33,341	27,828	44,223	38,710
	24,714	17,912	64,078	39,220	83,346	58,488
Taxes paid	-1,148	-474	-3,583	-2,581	-3,275	-2,273
Cash flow before changes in working capital	23,566	17,438	60,495	36,639	80,071	56,215
Cash flow from changes in working capital						
Change in operating receivables	2,294	-6,073	-4,438	-6,133	-4,369	-6,064
Change in operating liabilities	8,465	-2,225	4,127	4,611	4,144	4,627
Cash flow from operating activities	34,325	9,140	60,184	35,117	79,846	54,778
Investing activities						
Investment in fixed assets	-645	-672	-2,401	-2,935	-3,320	-3,854
Capitalized development expenses	-12,825	-8,730	-37,934	-34,544	-53,625	-50,235
Cash flow from investing activities	-13,469	-9,402	-40,336	-37,479	-56,946	-54,089
Financing activities						
Premium for issued warrants	113	171	113	171	113	171
Cash flow from financing activities	113	171	113	171	113	171
CASH FLOW	20,969	-91	19,961	-2,191	23,013	860
Cash at the beginning of the period	32,997	30,978	33,870	32,864	30,999	32,864
Cash flow	20,969	-91	19,961	-2,192	23,013	860
Exchange rate differences	104	112	238	326	57	146
CASH AT THE END OF THE PERIOD	54,069	30,999	54,069	30,999	54,069	33,870

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 2015. None of the new and changed standards from IASB, applicable from 1st of January 2016, has had any material effect on the Financial Statements. For detailed information on the accounting principles, see Annual Report 2015.

Changes in RFR 2, with effect from the financial year 2016, impacts the financial statements and the comparative period for the parent company. Translation differences which are attributable to receivables from

subsidiaries, which are not scheduled to be settled in the foreseeable future are recognized in the income statement from January 1, 2016. These translation differences have so far been recognized in other comprehensive income / fair value reserves. The change is implemented with retroactive effect, which means that the translation effect arising during the financial year 2015, 3,099 KSEK, will be transferred from fair value reserve to the income statement and the accumulated effect as of January 1, 2015, 8,420 KSEK, will be transferred from fair value reserve to retained earnings. The change does not affect the consolidated financial report where the effect will continue to be recognized through other comprehensive income to other reserves in equity.

NOTE 2 – CAPITALIZED DEVELOPMENT EXPENSES

KSEK	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Oct-Sep 2015/-16	2015
At the beginning of the period	102,803	88,943	94,269	71,680	89,820	71,680
Investments	12,825	8,730	37,934	34,544	53,625	50,235
Write-downs	-2,718	-4,463	-4,908	-5,476	-7,609	-8,177
Amortization	-10,688	-8,452	-26,626	-19,970	-34,701	-28,045
Currency exchange differences	1,698	5,061	3,249	9,042	2,785	8,576
At the end of the period	103,919	89,820	103,919	89,820	103,919	94,269

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.

NOTE 4 – OTHER RECEIVABLES

Other receivables include SEK 1.4 M (5.4) 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 5 – PLEDGED ASSETS AND CONTINGENT LIABILITIES

Floating charge SEK 3 M (3), pledged for cheque account with overdraft facility USD 0.4 M (0.4). The overdraft facility was unused as of September 30, 2016.

Bank account 50 (50) KSEK, pledged for bank guarantee.

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	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Oct-Sep 2015/-16	2015
Net turnover	126,450	96,072	332,146	283,133	432,509	383,496
Cost of revenue	-100,840	-76,546	-260,738	-218,422	-329,008	-286,691
Gross profit	25,610	19,525	71,407	64,711	103,501	96,805
Research & development expenses	-4	-73	-61	-261	-151	-351
Sales & Marketing expenses	-615	-316	-3,364	-394	-5,070	-2,100
General and administrative expenses	-26,118	-20,303	-71,363	-73,426	-90,606	-92,670
Other operating income	898	575	898	4,913	898	0
Other operating expenses	-850	-998	-3,054	-3,414	-3,113	-2,856
Operating result	-1,078	-1,591	-5,536	-7,871	5,460	-1,172
Financial income	2,468	5,161	6,336	5,183	7,654	9,588
Financial expenses	0	-48	-54	-48	-54	-48
Operating result after financial items	1,390	3,522	746	-2,736	13,060	8,368
Taxes (Note 3)	-306	-777	-164	916	-2,873	-1,526
Net result for the period	1,084	2,745	582	-1,820	10,187	6,841

STATEMENT OF COMPREHENSIVE INCOME - PARENT COMPANY

KSEK	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Oct-Sep 2015/-16	2015
Net result for the period	1,084	2,745	582	-1,820	10,187	6,841
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	1,084	2,745	582	-1,820	10,187	6,841

BALANCE SHEET - PARENT COMPANY

KSEK	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Fixed assets			
Financial fixed assets			
Shares in group companies	70	70	70
Deferred tax assets	0	2,057	0
Receivables from group companies	78,236	99,999	100,084
	78,306	102,126	100,154
Current assets			
Account receivables	0	9,721	9,874
Receivables from group companies	177	141	137
Other receivables	4,418	195	521
Prepaid expenses and accrued income	35,185	23,104	24,856
Cash and cash equivalents	46,972	19,796	25,605
	86,753	52,957	60,993
TOTAL ASSETS	165,059	155,082	161,147
Restricted equity			
Share capital	880	880	880
Non-restricted equity			
Share premium reserve	54,304	53,990	54,160
Profit/Loss carried forward	54,081	44,675	47,239
Net result for the period	582	916	6,841
Total equity	109,847	100,461	109,120
Current liabilities			
Accounts payable	292	285	131
Liability to group companies	53,099	52,813	49,338
Other liability	390	140	150
Accrued expenses	1,432	1,383	2,408
Total current liabilities	55,212	54,621	52,026
TOTAL EQUITY AND LIABILITIES	165,059	155,082	161,147

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®, Survivors: the Quest®, Hidden City®, and The Secret Society®. G5 Entertainment AB (publ) is listed on Nasdaq Stockholm since 2014.

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