



G5 ENTERTAINMENT AB

INTERIM REPORT

JANUARY - SEPTEMBER 2017

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JULY - SEPTEMBER

- Consolidated revenue for the period was SEK 268.3 M (126.5), an increase of 112 per cent compared to 2016.
- EBIT for the period was SEK 32.6 M (13.1), an increase of 149 per cent compared to 2016.
- Net result for the period was SEK 27.9 M (10.9).
- Earnings per share for the period, before dilution, was SEK 3.17 (1.24).
- Cash flow before financing activities during the period was SEK 29.9 M (20.9).
- For the free-to-play games the average Monthly Active Users (MAU) was 7.3 million, an increase of 93 per cent compared to the same period in 2016. Average Monthly Unique Payers (MUP) was 273.1 thousand, an increase of 126 per cent and average Daily Active Users (DAU) was 1.7 million, an increase of 104 per cent compared to the same period in 2016. Average Monthly Average Gross Revenue Per Paying User (MAGRPPU) was USD 40.1, which matched the strong figure from the same period last year.
- Revenue from free-to-play games grew by 121 per cent compared to the same period in 2016 and accounted for 99 per cent (94) of the total revenue.

FINANCIAL KEY RATIOS

KSEK	Jul-Sep 2017	Jul-Sep 2016	Change %	Jan-Sep 2017	Jan-Sep 2016	Change %	Oct-Sep -16/-17	2016	Change %
Revenue	268,267	126,451	112%	778,683	332,164	134%	963,450	516,931	86%
Commission to distributors ¹	-81,278	-37,774	115%	-234,759	-98,907	137%	-290,484	-154,632	88%
Royalty to external developers ²	-54,999	-31,166	76%	-165,322	-75,309	120%	-206,451	-116,438	77%
Gross profit	131,990	57,511	130%	378,602	157,947	140%	466,515	245,861	90%
Gross margin	49%	45%		49%	48%		48%	48%	
Operating costs excluding costs for user acquisition	-34,543	-22,738	52%	-97,750	-68,441	43%	-131,197	-101,888	29%
EBIT excluding costs for user acquisition	97,447	34,772	180%	280,851	89,506	214%	335,318	143,973	133%
EBIT margin before costs for user acquisition	36%	27%		36%	27%		35%	28%	
Costs for user acquisition ³	-64,820	-21,643	199%	-195,051	-58,721	232%	-242,195	-105,865	129%
Costs for user acquisition as percentage of revenue	-24%	-17%		-25%	-18%		-25%	-20%	
EBIT	32,627	13,129	149%	85,800	30,785	179%	93,124	38,108	144%
EBIT margin (%)	12.2%	10.4%		11.0%	9.3%		9.7%	7.4%	
Earnings per share before dilution	3.17	1.24	155%	8.59	2.88	198%	9.48	3.77	151%
Cash flow before financing activities	29,877	20,856		34,597	19,848		50,808	36,058	
Cash and cash equivalents	98,712	54,069		98,712	54,069		98,712	70,584	

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. The campaigns can be stopped at a very short notice.

COMMENT FROM THE CEO:

GAME UPDATES CONTINUE TO DRIVE REVENUE AND AUDIENCE GROWTH

PROFITABLE AND CASH FLOW POSITIVE GROWTH

G5 continues to demonstrate healthy growth year-over-year, with revenues up 112% and operating profits up almost 150% compared to the same period last year. Our profit margin expanded compared to Q3 of 2016 from 10% to 12%. We also had strong positive cash flow of 32 MSEK in the quarter. The company continues to grow organically, in a profitable and cash flow positive way, all while spending record amounts on the development of new games and marketing of its existing portfolio.

CONTINUED STRONG GROWTH IN ASIA

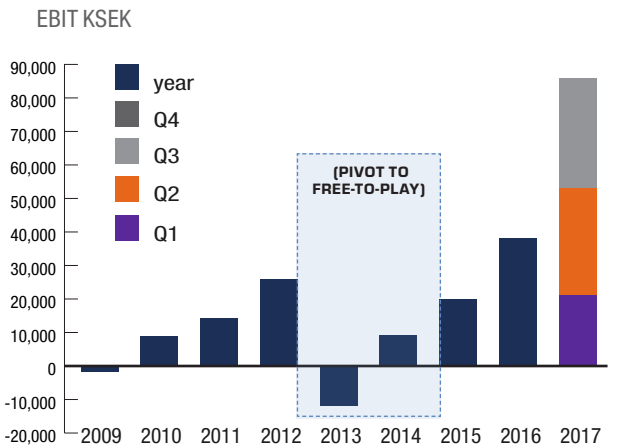
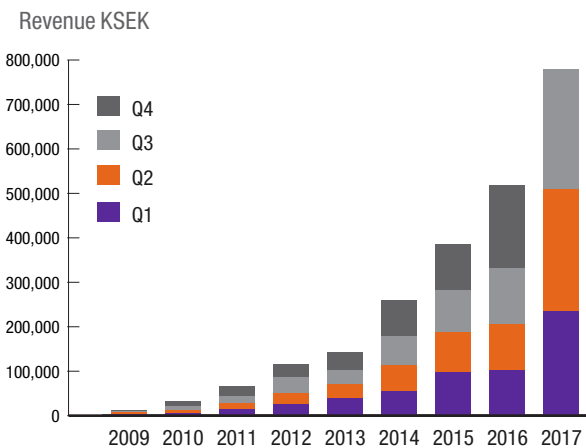
The US has always been our largest market in terms of revenue, however in the last year we have had significant growth in Asia, which has made our revenue more balanced. Strong growth in Asia has been primarily achieved through Japan. Today, around 70% of our revenue comes from USA and Japan, in USD and JPY respectively, while only 0.4% comes from Sweden. Since we are listed in Stockholm and report in SEK, our results can be affected and sometimes even the trend can be changed by the fluctuations in SEK exchange rate against these currencies. This occurred during the third quarter as we grew 6% sequentially in USD according to our internal reports, but we fail to show sequential growth when results are reported in SEK. Japan is a high-ARPU (average revenue per user) country, and our focus on acquiring more users there caused a slowdown in the growth of our MAU and DAU audience metrics. This is a logical outcome of focusing UA on higher ARPU countries, and it is our conscious decision, as the market provides good ROI on our mar-

keting spend, even though users are more expensive to acquire. As these users tend to also spend more, our MAGRPPU figure naturally went up compared to previous quarters.

EXPANDING AND UPGRADING THE PORTFOLIO

We have launched Pirates & Pearls, a wholly owned and internally developed game, and the first game of G5 that is built entirely around "Match-3" game mechanics. Pirates & Pearls is currently in the "soft launch" mode, but is showing very good results from the start and is arguably the best new game launch of the last few years for the company. In less than 3 months, we have released the game on iOS, Android, and Windows platforms for both tablets and smartphones. We also released a new wholly owned hidden object game, The Mystery of the Opera, so far for iPad only. As always, we launch our new games in 10 languages from the start.

In addition to these two new game releases, we have updated existing games Homicide Squad, Paranormal Society, Twin Moons, and Mahjong Journey, providing more content, improved game mechanics, and including or substantially improving the support for smartphones on iOS and Android platforms. Previously these games were only available on tablets, which is a smaller part of the overall market. We've done all this with the goal of having the games portfolio in the best shape for the strong quarters of the year that lie ahead.



GETTING READY FOR TWO STRONGEST QUARTERS OF THE YEAR

We have spent Q3 preparing for which are historically the strongest quarters of the year in terms of audience and revenue growth: Q4 and Q1. These are the quarters when major manufacturers bring new devices to the market, and people are likely to upgrade to new models with more memory and larger screens. This usually triggers users' renewed interest in downloading apps and games to showcase the new device's improved capabilities. These quarters are also the ones with the most popular holidays and the interest in holiday-themed content is very high, which means people are spending more time playing and they are spending more money in games. We have strengthened our teams and our staff count now stands at around 350 people. We also have revised our motivational systems to better align the interests of our employees with the interests of the company and the shareholders. We are in the best shape the company has ever been and well positioned to benefit from the seasonal strength of these coming quarters.

We entered Q3 with good momentum in July, but the development in August and September was weaker, partly due to some balance experiments which proved to be not very effective, and partly part due to what looked like seasonally lower player activity. As we've now moved into Q4, we've seen a nice uplift in October following the release of Halloween updates. The portfolio overall, and many of our individual games have renewed their all-time highs for daily revenue, and we are finding more opportunities to acquire new users. This trend has continued into the beginning of November.

San Francisco, November 6th, 2017

Vlad Suglobov
CEO, co-founder

JULY - SEPTEMBER

REVENUE AND GROSS PROFIT

Revenue amounted to SEK 268.3 M (126.5). Revenue increased by 112 per cent compared to the same period in 2016. The growth for free-to-play games was 121 per cent. Own games and licensed games were growing at about the same pace while the growth of licensed games was driven by Hidden City. The portfolio of unlockable games is still providing a small contribution to the group, but its absolute and relative size is shrinking.

Cost of revenue increased by 98 per cent to SEK 136.3 M (68.9). 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 76 per cent compared to the same period in 2016. The increase in royalty is due to the success of our licensed game Hidden City.

Gross margin for the period was 49 per cent (45). Gross profit for the quarter increased by 130 per cent and was SEK 132.0 M (57.5).

OPERATIONAL COSTS

Costs for research and development were SEK 21.4 M (16.2) during the period. The increase in costs for research and development is primarily driven by a staff increases, development on non-capitalizable projects, increased server capacity and bonuses to the development staff.

Sales and marketing increased to SEK 69.4 M (24.1). Sales and marketing is primarily affected by the costs for user acquisition. During the quarter the cost for user ac-

quisition was SEK 64.8 M (21.6). Cost for user acquisition as a percentage of sales increased from 17 per cent in the third quarter 2016 to 24 per cent in the same period in 2017. Sales and marketing, excluding user acquisition, increased to SEK 4.6 M (2.4).

General and administrative costs amounted to SEK 12.0 M (8.6). Other operating income amounted to SEK 8.2 M (4.4) and other operating expenses amounted to SEK -4.8 M (0.2). Together they amounted to SEK 3.4 M (4.6), primarily driven by currency effects on operational assets and liabilities. The effect is in large a non cash item deriving from intra-group positions in the parent company that are nominated in USD.

EBIT

Depreciation and amortization have increased due to the increased size of the game portfolio and amounted to SEK 12.6 M (11.2). Capitalization of intangible assets amounted to SEK 17.0 M (12.8). Write-downs during the quarter amounted to SEK 1.8 M (2.7). Net capitalization on intangible assets amounted to SEK 5.1 M (2.1).

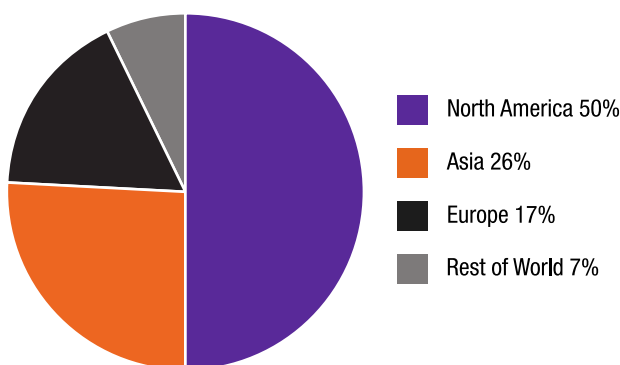
Earnings before interest and taxes (EBIT) were SEK 32.6 M (13.1), corresponding to an EBIT margin of 12.2 per cent (10.4).

NET PROFIT

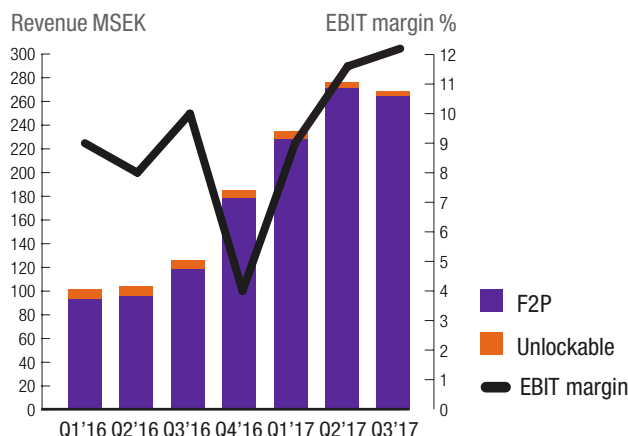
Net profit was marginally affected by financial items. Tax affected the result with SEK -4.8 M (-2.2).

Net profit amounted to SEK 27.9 M (10.9) which equals an earnings per share, before dilution, of SEK 3.17 (1.24).

**REVENUE BREAKDOWN BY GEOGRAPHY
THIRD QUARTER 2017**



**REVENUE BREAKDOWN BY GAME TYPE
EBIT MARGIN**



OPERATIONAL METRICS

In the quarter the average Monthly Active Users (MAU) increased with 93 per cent compared to 2016 while Daily Active Users (DAU) increased 104 per cent compared to 2016

Average Monthly Unique Payers (MUP) increased with 126 per cent compared to 2016 and their average monthly spend, Monthly Average Gross Revenue Per Paying User (MAGRPPU) matched the figure from the same period in 2016.

F2P	Q3 '17	Q3 '16	CHANGE
Average MAU (mn)	7.3	3.8	93%
Average MUP (thousands)	273.1	120.7	126%
Average MAGRPPU (USD)	40.1	39.9	0.5%
Average DAU (mn)	1.7	0.9	104%

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

RELEASES DURING THE QUARTER

During the quarter, the company released a new wholly owned and internally developed game, Pirates and Pearls on the iOS, Android and Windows platform for both tablets and smartphones. This is G5's first pure "Match-3" game, which is the biggest genre within mobile gaming. The game is currently in the "soft launch" mode and is showing good early results.

Also the hidden object game Mystery of the opera, a wholly owned and internally developed game, was released on iOS for tablets.

JANUARY-SEPTEMBER

REVENUE AND GROSS PROFIT

Revenue increased with 134 per cent compared to the same period in 2016, driven by the growth of the group's free-to-play-games. Revenue amounted to SEK 778.7 M (332.2). Revenue from free-to-play-games increased with 150 per cent compared to 2016.

The group's cost of revenue was SEK 400.1 M (174.2). Gross profit amounted to SEK 378.6 M (157.9), an increase of 140 per cent compared to the same period in 2016. Gross margin was 49 per cent (48).

OPERATING COSTS

Operating costs increased with 130 per cent compared to the same period in 2016. User acquisition increased to SEK 195.1 M (58.7). Excluding costs for user acquisition the operating costs amounted to SEK 97.8 M (68.4). The

operational costs were impacted by depreciation and amortization of SEK 38.3 M (28.0) and write-downs of SEK 2.0 M (4.9).

Other operating income and costs impacted the period with SEK 7.6 M (2.4), primarily attributed to exchange rate differences on operational assets and liabilities related to balance sheet items in the parent company.

EBIT

EBIT was SEK 85.8 M (30.8) and the EBIT-margin was 11 per cent (9) for the period.

NET PROFIT

Net profit was marginally affected by financial items. Tax affected the result with SEK -10.2 M (-5.4) corresponding to an effective tax rate of 12 per cent (17).

Net profit amounted to SEK 75.6 M (25.4) which is corresponding to earnings per share of SEK 8.59 (2.88).

CASH FLOW

During the third quarter, the group had an operating cash flow before changes in working capital of SEK 44.5 M (23.6), impacted by tax payments of SEK -2.2 M (-1.1). Changes in working capital impacted the cash flow with SEK 3.0 M (10.8). Capitalized development expenses impacted the cash flow negatively with SEK -17.0 M (-12.8).

Cash flow before financing activities amounted to SEK 29.9 M (20.9). Total cash flow amounted to SEK 31.5 M (21.0).

For the interim period cash flow before changes in working capital amounted to SEK 107.3 M (60.5). Cash flow amounted to SEK 29.6 M (20.0).

Available cash on September 30, 2017 amounted to SEK 98.7 M (54.1).

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.

INQUIRIES

Vlad Suglobov, CEO
Stefan Wikstrand, CFO

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+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 6th, 2017

Petter Nylander
Chairman of the Board

Chris Carvalho
Board member

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 07, 2017 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

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 2017 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 6, 2017

Pricewaterhouse Coopers AB

Aleksander Lyckow
Authorized Public Accountant

INCOME STATEMENT - GROUP

KSEK	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct-Sep 2016/-17	2016
Net turnover	268,267	126,451	778,683	332,164	963,450	516,931
Cost of revenue	-136,277	-68,940	-400,081	-174,216	-496,935	-271,070
Gross profit	131,990	57,511	378,602	157,947	466,515	245,861
Research and Development expenses	-21,358	-16,192	-59,307	-41,140	-77,399	-59,232
Sales and Marketing expenses	-69,379	-24,091	-207,803	-66,052	-258,252	-116,501
General and Administrative expenses	-12,009	-8,650	-33,294	-22,331	-42,958	-31,996
Other operating income	8,160	4,393	15,531	2,700	13,427	320
Other operating expenses	-4,778	157	-7,929	-340	-8,210	-344
Operating result	32,627	13,129	85,800	30,785	93,124	38,108
Financial income	10	2	18	6	51	39
Financial expenses	-7	0	-7	-54	-62	-109
Operating result after financial items	32,631	13,131	85,812	30,737	93,113	38,038
Taxes (Note 3)	-4,771	-2,222	-10,248	-5,374	-9,707	-4,833
Net result for the period	27,859	10,909	75,564	25,363	83,407	33,205
Attributed to:						
Parent company's shareholders	27,859	10,909	75,564	25,363	83,407	33,205
Earnings per share						
Weighted average number of shares before dilution (thousands)	8,800	8,800	8,800	8,800	8,800	8,800
Weighted average number of shares after dilution (thousands)	9,183	8,800	9,183	8,800	9,110	8,825
Earnings per share (SEK), before dilution	3.17	1.24	8.59	2.88	9.48	3.77
Earnings per share (SEK), after dilution	3.03	1.24	8.23	2.88	9.16	3.76

STATEMENT OF COMPREHENSIVE INCOME - GROUP

KSEK	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct-Sep 2016/-17	2016
Net result for the period	27,859	10,909	75,564	25,363	83,407	33,205
Items that later can be reversed in profit						
Hedging of net investments, net after tax	-1,529	1,164	-3,108	2,377	369	5,854
Foreign currency translation differences	-5,593	-3,414	-10,599	-2,818	-9,129	-1,348
Total other comprehensive income for the period	-7,122	-2,250	-13,707	-441	-8,760	4,506
Total comprehensive income for the period	20,737	8,659	61,857	24,922	74,647	37,711
Attributed to:						
Parent company's shareholders	20,737	8,659	61,857	24,922	74,647	37,711

BALANCE SHEET - GROUP

KSEK	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
Fixed assets			
Intangible fixed assets			
Capitalized development expenses (Note 2)	105,528	103,919	109,104
Goodwill	2,290	2,291	2,292
	107,818	106,210	111,396
Tangible fixed assets			
Equipment	7,588	5,872	6,275
	7,588	5,872	6,275
Deferred tax receivable (Note 3)	25,396	6,426	8,565
Total non-current assets	140,802	118,508	126,236
Current assets (Note 4, 6)			
Accounts receivable	0	0	0
Tax receivable	480	298	474
Other receivables	10,815	6,284	5,909
Prepaid expenses and accrued income	103,835	35,941	57,030
Cash and cash equivalents	98,712	54,069	70,584
Total current assets	213,842	96,593	133,997
TOTAL ASSETS	354,644	215,101	260,234
Equity	218,069	148,381	161,169
Deffered tax liabilities	4,591	-	2,465
Total non-current liabilities	4,591	-	2,465
Current liabilities (Note 6)			
Accounts payable	18,391	14,820	30,828
Other liabilities	10,237	2,514	2,843
Tax liabilities	21,902	14,439	13,276
Accrued expenses	81,454	34,947	49,653
Total current liabilities	131,984	66,720	96,600
TOTAL EQUITY AND LIABILITIES	354,644	215,101	260,234

STATEMENT OF CHANGES IN SHAREHOLDER EQUITY - GROUP

	Share capital	Other capital contribution	Other reserves	Profit/loss brought forward	Shareholders' equity
KSEK					
Shareholders' equity as of 2016-01-01	880	54,203	12,060	56,202	123,345
Premium for warrant program		113			113
Net result for the period				25,363	25,363
Total other comprehensive income			-441		-441
Total comprehensive income for the period					
Shareholders' equity as of 2016-09-30	880	54,316	11,620	81,565	143,381
Shareholders' equity as of 2017-01-01					
Shareholders' equity as of 2017-01-01	880	54,316	16,566	89,407	161,169
Dividend				-6,600	-6,600
Premium for warrant program			1 643		1,643
Net result for the period				75,564	75,564
Total other comprehensive income			-13,707		-13,707
Total comprehensive income for the period					
Shareholders' equity as of 2017-09-30	880	54,316	4,502	158,371	218,069

CASH FLOW STATEMENT - GROUP

KSEK	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct-Sep 2016/-17	2016
Cash flow from operating activities						
Profit after financial items	32,630	13,131	85,812	30,737	93,113	38,038
Adjusting items not included in cash flow	14,014	11,583	33,381	33,341	50,919	50,879
Taxes paid	-2,159	-1,148	-11,925	-3,583	-12,066	-3,724
Cash flow before changes in working capital	44,485	23,566	107,268	60,495	131,966	85,193
Cash flow from changes in working capital						
Change in operating receivables	2,438	2,294	-51,736	-4,438	-76,026	-28,728
Change in operating liabilities	606	8,465	29,879	4,127	58,889	33,137
Cash flow from operating activities	47,529	34,325	85,411	60,184	114,829	89,602
Investing activities						
Investment in fixed assets	-616	-645	-3,480	-2,401	-4,410	-3,331
Capitalized development expenses	-17,036	-12,825	-47,334	-37,934	-59,612	-50,212
Cash flow from investing activities	-17,652	-13,469	-50,814	-40,336	-64,022	-53,544
Financing activities						
Dividend	-	-	-6,600	-	-6 600	-
Premium for issued warrants	1,643	113	1,643	113	1,643	113
Cash flow from financing activities	1,643	113	-4,957	113	-4,957	113
CASH FLOW	31,520	20,969	29,640	19,961	45,851	36,171
Cash at the beginning of the period	67,366	32,997	70,584	33,870	54,069	33,870
Cash flow	31,520	20,969	29,640	19,961	45,851	36,171
Exchange rate differences	-174	104	-1,512	238	-1,208	543
CASH AT THE END OF THE PERIOD	98,712	54,069	98,712	54,069	98,712	70,584

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 2016. None of the new and changed standards from IASB, applicable from 1st of January 2017, has had any material effect on the Financial Statements. The group is currently evaluating IFRS 15 and its impact on the financial statements. Any effect is still not quantified. For detailed information on the accounting principles, see Annual Report 2016.

The interim report is on pages 1–15, and pages 1–7 are thus an integrated part of this financial report

NOTE 2 – CAPITALIZED DEVELOPMENT EXPENSES

KSEK	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct-Sep 2016/-17	2016
At the beginning of the period	106,762	102,803	109,104	94,269	103,919	94,269
Investments	17,036	12,825	47,334	37,934	59,612	50,212
Write-downs	-1,840	-2,718	-1,998	-4,908	-2,790	-5,700
Amortization	-11,914	-10,688	-36,563	-26,626	-48,639	-38,702
<i>Net change during the period</i>	<i>3,282</i>	<i>-581</i>	<i>8,773</i>	<i>6,400</i>	<i>8,182</i>	<i>5,810</i>
Currency exchange differences	-4,516	1,697	-12,350	3,249	-6,573	9,025
At the end of the period	105,528	103,919	105,528	103,919	105,528	109,104

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 1.1 M (1.4) 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

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

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 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct-Sep 2016/-17	2016
Net turnover	268,267	126,450	778,637	332,146	965,732	519,241
Cost of revenue	-182,635	-100,840	-547,339	-260,738	-670,314	-383,712
Gross profit	85,632	25,610	231,298	71,407	295,419	135,528
Research and development expenses	-2	-4	-82	-61	-87	-66
Sales and Marketing expenses	-23,669	-615	-40,939	-3,364	-43,927	-6,352
General and administrative expenses	-50,851	-26,118	-179,985	-71,363	-230,821	-122,199
Other operating income	817	898	817	898	2,222	2,304
Other operating expenses	2,600	-850	7,196	-3,054	3,125	-7,124
Operating result	14,526	-1,078	18,304	-5,536	25,931	2,092
Financial income	-3,054	2,468	-5,269	6,336	-1,176	10,429
Financial expenses	-7	0	-7	-54	-62	-109
Operating result after financial items	11,465	1,390	13,028	746	24,693	12,412
Taxes (Note 3)	-2,523	-306	-2,866	-164	-5,432	-2,729
Net result for the period	8,942	1,084	10,162	582	19,262	9,682

STATEMENT OF COMPREHENSIVE INCOME - PARENT COMPANY

KSEK	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct-Sep 2016/-17	2016
Net result for the period	8,942	1,084	10,162	582	19,262	9,682
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	8,942	1,084	10,162	582	19,262	9,682

BALANCE SHEET - PARENT COMPANY

KSEK	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
Fixed assets			
Financial fixed assets			
Shares in group companies	70	70	70
Deferred tax assets	0	0	0
Receivables from group companies	0	78,236	79,211
	70	78,306	79,281
Current assets			
Account receivables	0	0	0
Receivables from group companies	1,432	177	186
Other receivables	8,891	4,418	2,341
Prepaid expenses and accrued income	103,081	35,185	56,208
Cash and cash equivalents	88,285	46,972	56,665
Total current assets	201,689	86,753	115,399
TOTAL ASSETS	201,759	165,059	194,680
Restricted equity			
Share capital	880	880	880
Non-restricted equity			
Share premium reserve	55,916	54,304	54,273
Profit/Loss carried forward	57,164	54,081	54,081
Net result for the period	10,162	582	9,682
Total equity	124,121	109,847	118,916
Current liabilities			
Accounts payable	515	292	573
Liability to group companies	64,350	53,099	71,956
Other liability	6,446	390	392
Accrued expenses	6,327	1,432	2,842
Total current liabilities	77,638	55,212	75,763
TOTAL EQUITY AND LIABILITIES	201,759	165,059	194,680

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 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.

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