

The logo features the number '5' inside a blue circle, with the number 'G' positioned to its left. Below this graphic, the word 'GAMES' is written in a bold, white, sans-serif font. A registered trademark symbol (®) is located to the upper right of the '5'.

# G5<sup>®</sup> GAMES

**G5 ENTERTAINMENT AB**

INTERIM REPORT

JANUARY - JUNE 2018

## INTERIM REPORT JANUARY – JUNE 2018

### APRIL – JUNE

- Revenue for the period was SEK 394.8 M (275.9), an increase of 43 per cent compared to 2017.
- EBIT for the period was SEK 50.1 M (32.1), an increase of 56 per cent compared to 2017.
- Net result for the period was SEK 45.0 M (29.0).
- Earnings per share for the period, before dilution, was SEK 5.07 (3.30).
- Cash flow before financing activities during the period was SEK 39.2 M (7.0). Cash flow was impacted by dividend amounting to SEK -22.2 M (-6.6) and settlement of warrant program amounting to SEK -9.1 M (0.0). Cash flow amounted to SEK 8.0 (0.4).
- For the free-to-play games the average Monthly Active Users (MAU) was 8.2 million, an increase of 11 per cent compared to the same period in 2017. Average Monthly Unique Payers (MUP) was 321.5 thousand, an increase of 18 per cent and average Daily Active Users (DAU) was 2.1 million, an increase of 22 per cent compared to the same period in 2017. Average Monthly Average Gross Revenue Per Paying User (MAGRPPU) was USD 46.2, an increase of 21 per cent from the same period last year.

### FINANCIAL KEY RATIOS

KSEK	Apr-Jun 2018	Apr-Jun 2017	Change %	Jan-Jun 2018	Jan-Jun 2017	Change %	Jul-Jun -17/-18	2017	Change %
Revenue	394,847	275,918	43%	767,467	510,416	50%	1,392,542	1,135,491	23%
Commission to distributors <sup>1</sup>	-119,715	-83,140	44%	-232,582	-153,481	52%	-421,996	-342,895	23%
Royalty to external developers <sup>2</sup>	-70,777	-59,301	19%	-144,732	-110,324	31%	-269,222	-234,814	15%
<b>Gross profit</b>	<b>204,356</b>	<b>133,477</b>	<b>53%</b>	<b>390,154</b>	<b>246,612</b>	<b>58%</b>	<b>701,324</b>	<b>557,782</b>	<b>26%</b>
Gross margin	52%	48%		51%	48%		50%	49%	
Operating costs excluding costs for user acquisition	-57,709	-30,923	30%	-95,546	-63,207	51%	-177,550	-141,194	26%
EBIT excluding costs for user acquisition	146,647	102,554	78%	294,607	183,404	61%	523,774	416,588	26%
<b>EBIT margin before costs for user acquisition</b>	<b>37%</b>	<b>37%</b>		<b>38%</b>	<b>36%</b>		<b>38%</b>	<b>37%</b>	
Costs for user acquisition <sup>3</sup>	-96,501	-70,490	37%	-195,051	-130,231	50%	-375,673	-314,870	19%
Costs for user acquisition as percentage of revenue	-24%	-26%		-25%	-26%		-27%	-28%	
<b>EBIT</b>	<b>50,146</b>	<b>32,064</b>	<b>56%</b>	<b>99,556</b>	<b>53,173</b>	<b>87%</b>	<b>148,101</b>	<b>101,718</b>	<b>46%</b>
EBIT margin (%)	12.7%	11.6%		13.0%	10.4%		10.6%	9.0%	
<b>Earnings per share before dilution</b>	<b>5.07</b>	<b>3.30</b>	<b>54%</b>	<b>10.12</b>	<b>5.42</b>	<b>87%</b>	<b>14.80</b>	<b>10.15</b>	<b>46%</b>
Cash flow before financing activities	39,242	7,035		48,273	4,720		15,676	27,172	
Cash and cash equivalents	107,611	67,366		107,611	67,366		107,611	91,194	

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

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

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

**COMMENT FROM THE CEO:**

## GOOD START OF THE YEAR

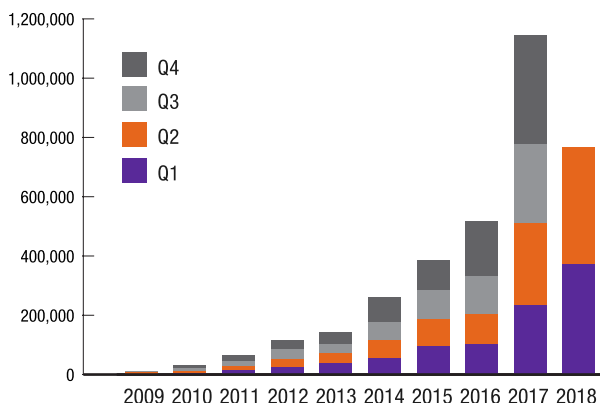


In the second quarter of 2018 we have delivered 6% sequential growth of revenue and 43% year-over-year growth of revenue while our user acquisition expenses were at 24% of the revenue, compared to 26% one year ago. After negative effects of the exchange rates on the results of our previous quarters, this quarter we have had some tailwind from the SEK/USD and SEK/JPY exchange rates. Our EBIT margin was 12.7% which is better than 11.6% margin we had one year ago, but lower than 13.3% we have delivered in the first quarter, for the reasons

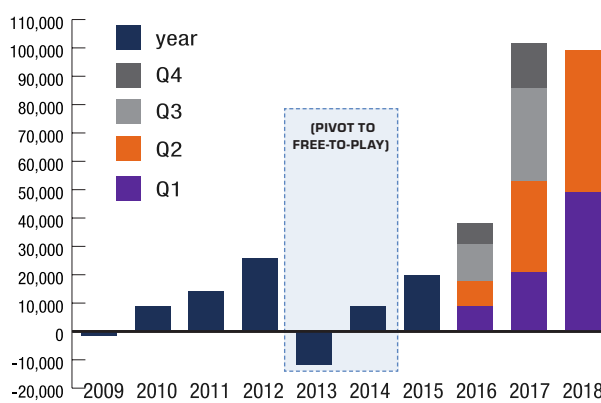
detailed further on. Cash flow was strong in the quarter, helped by the one-time withholding tax refund from Japanese authorities for the past periods, and despite big one-time payouts in the form of dividends and outflows in connection with the settlement of the warrant programs 2014 and 2015. Cash flow was also impacted by payments related to the acquisitions of Nightmares from the Deep and The Secret Society games.

With the purchase of all rights to the Nightmares from the Deep game during the quarter, we now own all games in our portfolio that we believe have a chance of becoming big successes, with the exception of Hidden City which remains our largest game by monthly revenue. We continue to methodically strengthen our internal development capability required to operate and further develop all existing games and work on the new games in the pipeline. We have added 65 staff members during the second quarter and the number of employees was 469 as of 30th June. Some of these employees were assigned to new or previously unfilled positions while some will perform work that was previously outsourced to external studios, for the purpose of achieving better control over the quality. Substantial increase in the number of employees during the last several quarters and the increase in the development costs put some pressure on profit margins,

**REVENUE KSEK**



**EBIT KSEK**



especially in the quarters when we have our G5TeamUp conferences, like in Q2. However, we believe that in the long run forming capable development teams and getting them in sync is extremely important, as this will define the company's future ability to further develop existing games and produce new hits. With a large portion of the work on strengthening our development studios completed, we are also looking into other strategic possibilities to continue to strengthen and develop G5 and its portfolio. G5 has a strong balance sheet that gives us flexibility in our strategic possibilities. With that said, we remain committed to our strategy which is built around organic growth and building the best games for our core audience and intend to follow through on that going forward.

On the revenue side, we had some bumps with the timeliness of the updates on a few games, amongst others The Secret Society as we form the in-house team and aim for higher quality, as well as Hidden City. There were signs of seasonality not unlike last year where demand and the number of new users looking for games certainly seemed lower than during the fourth and first quarter. The growth of the Hidden Object market has slowed down somewhat as well, perhaps due to the seasonality. Contrary to this, we have had some positive signals com-

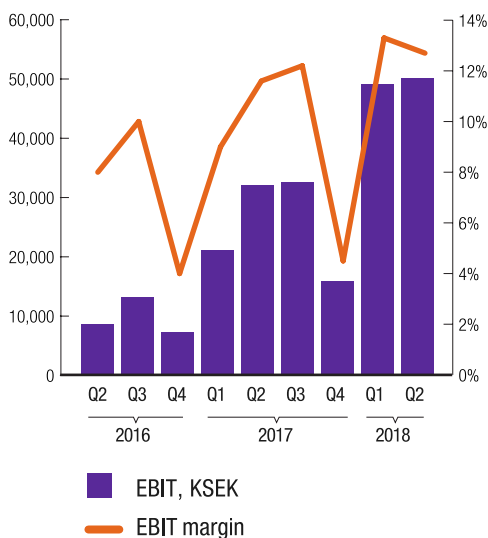
ing from the game Homicide Squad, which has shown substantial growth from Q1 levels and continues to gain audience.

We are working on a number of new games in different stages of development, and we expect to release two or three new free-to-play games in the company's main genres before the end of the year, all developed by G5 and G5's property. As you can see from our 10-years history, our growth dynamic can vary from quarter to quarter as games go through their long life cycles. We do not pay much attention to short term result because it is only a reflection of our ability to execute the fundamental strategy, which is to build a number of teams that will continue to make shots at creating games that can earn over \$100M over the lifetime, something we have already achieved twice in our game portfolio.

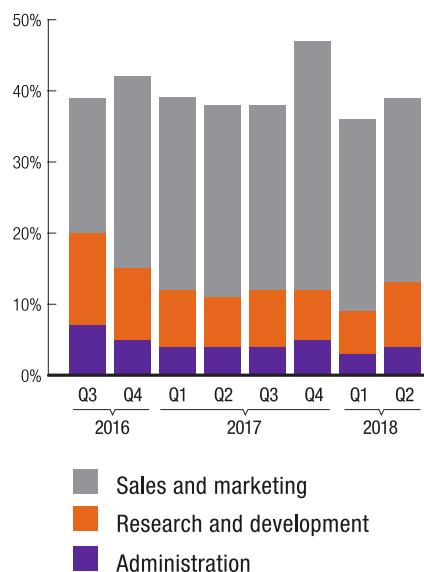
San Francisco, July 26, 2018

**Vlad Suglobov**  
 CEO, co-founder

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



**COSTS IN % OF REVENUE**



**APRIL – JUNE**

**REVENUE AND GROSS PROFIT**

Revenue amounted to SEK 394.8 M (275.9). Revenue increased by 43 per cent compared to the same period in 2017.

Cost of revenue increased by 34 per cent to SEK 190.5 M (142.4). Cost of revenue includes commission to the distributors (Apple App Store, Google Play, Amazon App-store, etc.). All relevant parties charge up to 30 per cent of gross revenue. Cost of revenue also includes royalties payable to external developers which increased by 19 per cent compared to the same period in 2017. Royalties grew significantly slower than revenue, the main factor being that The Secret Society was purchased. From the middle of the first quarter no royalty is paid on the game.

Gross margin for the period was 52 per cent (48). Gross profit for the quarter increased by 53 per cent and was SEK 204.4 M (133.5).

**OPERATIONAL COSTS**

Costs for research and development were SEK 34.9 M (20.0) 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 compensation to the development staff.

Sales and marketing increased to SEK 102.1 M (75.0). Sales and marketing is primarily affected by the costs

for user acquisition. During the quarter the cost for user acquisition was SEK 96.5 M (70.5). Cost for user acquisition as a percentage of sales was 24 per cent, compared to 26 per cent in the same period in 2017. Sales and marketing, excluding user acquisition, increased to SEK 5.6 M (4.5).

General and administrative costs amounted to SEK 16.9 M (11.4) Other operating income amounted to SEK -0.1 M (-0.7) and other operating expenses amounted to SEK -0.2 M (-2.2). Together they amounted to SEK -0.3 M (-4.9), primarily driven by currency effects on operational assets and liabilities.

**EBIT**

Depreciation and amortization have increased due to the increased size of the game portfolio and amounted to SEK 24.7 M (13.1). Capitalization of intangible assets amounted to SEK 32.4 M (17.1). Write-downs during the quarter amounted to SEK 0.4 M (0.0). Net capitalization on intangible assets amounted to SEK 8.6 M (4.6).

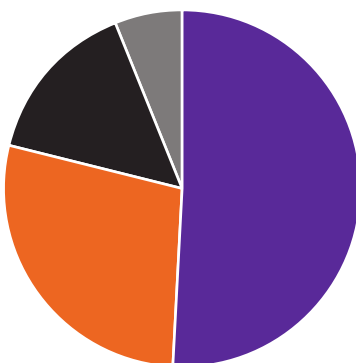
Earnings before interest and taxes (EBIT) were SEK 50.1 M (32.1), corresponding to an EBIT margin of 12.7 per cent (11.6).

**NET PROFIT**

Net profit was marginally affected by financial items. Tax affected the result with SEK -5.1 M (-3.1).

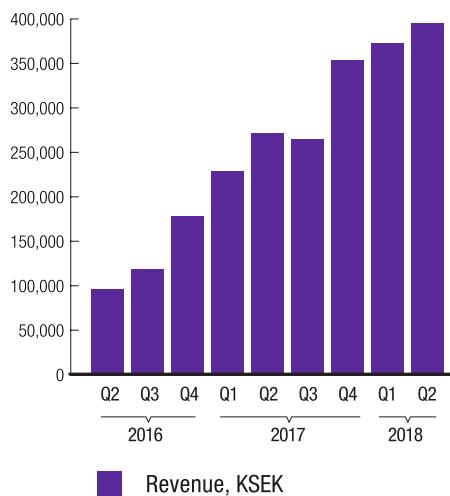
Net profit amounted to SEK 45.0 M (29.0) which equals an earnings per share, before dilution, of SEK 5.07 (3.30).

**REVENUE BREAKDOWN BY GEOGRAPHY  
SECOND QUARTER 2018**



- North America 51%
- Asia 28%
- Europe 15%
- Rest of World 6%

**QUARTERLY REVENUE**



■ Revenue, KSEK

## OPERATIONAL METRICS

In the quarter the average Monthly Active Users (MAU) increased with 11 per cent compared to 2017 while Daily Active Users (DAU) increased 22 per cent compared to 2017. Monthly Unique Users increased 8 per cent compared to 2017.

Average Monthly Unique Payers (MUP) increased with 18 per cent compared to 2017 and their average monthly spend, Monthly Average Gross Revenue Per Paying User (MAGRPPU) increased 21 per cent from the same period in 2017.

F2P	Q2 '18	Q2 '17	CHANGE
Average MAU (mn)	8.2	7.4	11%
Average MUP (thousands)	321.5	273.0	18%
Average MUU (mn)	7.0	6.5	8%
Average MAGRPPU (USD)	46.2	38.1	21%
Average DAU (mn)	2.1	1.7	22%

For detailed definitions of the operational metrics see the glossary on page 14 of the report.

## RELEASES DURING THE QUARTER

There were no significant releases during the quarter

## JANUARY-JUNE

### REVENUE AND GROSS PROFIT

Revenue increased with 50 per cent compared to the same period in 2017, driven by the growth of the group's free-to-play-games. Revenue amounted to SEK 767.5 M [510.4].

The group's cost of revenue was SEK 377.3 M [263.8]. Gross profit amounted to SEK 390.2 M [246.6], an increase of 58 per cent compared to the same period in 2016. Gross margin was 51 per cent [48].

### OPERATING COSTS

Operating costs increased with 47 per cent compared to the same period in 2017. User acquisition increased to SEK 195.1 M [130.2]. Excluding costs for user acquisition the operating costs amounted to SEK 95.6 M [63.2]. The operational costs were impacted by depreciation and amortization of SEK 38.3 M [25.8] and write-downs of SEK 2.0 M [0.2].

Other operating income and costs impacted the period negatively with SEK 0.4 M [4.2], primarily attributed to exchange rate differences on operational assets and liabilities related to balance sheet items in the parent company.

### EBIT

EBIT was SEK 99.6 M [53.2] and the EBIT-margin was 13 per cent [10] for the period.

## NET PROFIT

Net profit was marginally affected by financial items. Tax affected the result with SEK -10.6 M [-5.5] corresponding to an effective tax rate of 11 per cent [10].

Net profit amounted to SEK 89.0 M [47.7] which is corresponding to earnings per share of SEK 10.06 [5.42].

## CASH FLOW

During the second quarter, the group had an operating cash flow before changes in working capital of SEK 73.6 M [30.3]. Changes in working capital impacted the cash flow with SEK 7.8 M [-4.0]. In the quarter the company received SEK 11.0 M [0.0] from the Japanese tax authorities relating to withheld revenue in previous periods. Capitalized development expenses impacted the cash flow negatively with SEK -32.4 M [-17.1] and payments for purchased games amounted to SEK -7.6 M [0.0].

Cash flow before financing activities amounted to SEK 39.3 M [7.0]. Dividend impacted the quarter with SEK -22.3 M [-6.6]. Premium paid and repurchase of issued warrants impacted with SEK -9.1 M [0.0].

For the interim period cash flow before changes in working capital amounted to SEK 139.3 [62.8]. Cash flow amounted to SEK 14.1 [-1.9].

Available cash on June 30, 2018 amounted to SEK 107.6 M [67.4].

## 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 202.3 M [106.8]. A part of the increase is related to the purchase of The Secret Society. 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	JUN 30 2018	JUN 30 2017
Released games	179.0	89.4
Not released games	23.3	17.3
Net value of games portfolio	202.3	106.8

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 of SEK 0.4 M [0.0] were made, attributed to a released F2P game.

Consolidated equity amounted to SEK 293.2 M (192.4), which equals SEK 32.9 per share (21.9) and the equity/asset ratio is 55 per cent (61).

Cash on hand amounted to SEK 107.6 M (67.4)

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 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 to 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**

##### **OUTLOOK**

G5 Entertainment does not publish forecasts.

##### **WARRANTS**

During the second quarter a total of 65,946 new shares were issued as a result of the subscription of warrants issued under an employee stock option plans adopted at the Extraordinary General Meeting on 19 December 2014 and the Annual General Meeting on 20 May 2015. The total number of shares in G5 Entertainment AB (publ) as of June 30, 2018 amounts to 8,919,700 shares.

As one share entitles one (1) vote, the total number of votes in the company after the issue amounts to 8,919,700 votes.

##### **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 2017 annual report.

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

##### **RELATED-PARTY TRANSACTIONS**

During the period no significant related-party transactions have taken place except the ongoing transactions highlighted in the annual report 2017.

##### **UPCOMING REPORT DATES**

Interim Report Jan-Sep 2018	November 6, 2018
Year-end report 2018	February 13, 2019

#### **TELECONFERENCE**

On July 27, 2018 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	<a href="mailto:investor@g5e.com">investor@g5e.com</a>
Stefan Wikstrand, CFO	+46 76 0011115

#### **ASSURANCE**

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

Stockholm July 26, 2018

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 July 27, 2018 at 07.30.

This interim report has not been subject to review by the company's auditors. This report is published in Swedish and English. In the event of any difference between the English version and the Swedish original, the Swedish version shall prevail.

## INCOME STATEMENT – GROUP

KSEK	Apr-Jun 2018	Apr-June 2017	Jan-Jun 2018	Jan-Jun 2017	Jul-Jun -17/-18	2017
Net turnover	394,847	275,918	767,467	510,416	1,392,542	1,135,491
Cost of revenue	-190,492	-142,441	-377,314	-263,804	-691,218	-577,709
<b>Gross profit</b>	<b>204,356</b>	<b>133,477</b>	<b>390,154</b>	<b>246,612</b>	<b>701,324</b>	<b>557,782</b>
Research and Development expenses	-34,942	-19,958	-59,018	-37,949	-104,689	-83,619
Sales and Marketing expenses	-102,067	-74,963	-201,283	-138,424	-395,223	-332,364
General and Administrative expenses	-16,893	-11,374	-29,890	-21,284	-58,404	-49,798
Other operating income	-66	7,049	117	7,094	7,619	14,319
Other operating expenses	-241	-2,168	-524	-2,875	-2,527	-4,602
<b>Operating result</b>	<b>50,146</b>	<b>32,064</b>	<b>99,556</b>	<b>53,173</b>	<b>148,101</b>	<b>101,718</b>
Financial income	0	8	0	8	134	143
Financial expenses	-2	0	-2	0	-9	-7
<b>Operating result after financial items</b>	<b>50,145</b>	<b>32,073</b>	<b>99,555</b>	<b>53,182</b>	<b>148,226</b>	<b>101,853</b>
Taxes	-5,149	-3,062	-10,524	-5,476	-17,600	-12,553
<b>Net result for the period</b>	<b>44,996</b>	<b>29,011</b>	<b>89,031</b>	<b>47,705</b>	<b>130,626</b>	<b>89,300</b>
<b>Attributed to:</b>						
Parent company's shareholders	44,996	29,011	89,031	47,705	130,626	89,300
<b>Earnings per share</b>						
Weighted average number of shares before dilution (thousands)	8,881	8,800	8,800	8,800	8,825	8,800
Weighted average number of shares after dilution (thousands)	9,075	8,800	8,800	8,800	9,019	9,183
Earnings per share (SEK), before dilution	5.07	3.30	10.06	5.42	14.80	10.15
Earnings per share (SEK), after dilution	4.96	3.16	9.84	5.20	14.48	9.73

## STATEMENT OF COMPREHENSIVE INCOME – GROUP

KSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jul-Jun -17/-18	2017
<b>Net result for the period</b>	<b>44,996</b>	<b>29,011</b>	<b>89,031</b>	<b>47,705</b>	<b>130,626</b>	<b>89,300</b>
<b>Items that later can be reversed in profit</b>						
Hedging of net investments, net after tax	-	-987	-	-1,579	-1,529	-3,108
Foreign currency translation differences	1,131	-5,479	-7,831	-6,601	-3,063	-11,926
<b>Total other comprehensive income for the period</b>	<b>1,131</b>	<b>-6,466</b>	<b>-7,831</b>	<b>-8,180</b>	<b>-4,592</b>	<b>-15,034</b>
<b>Total comprehensive income for the period</b>	<b>46,127</b>	<b>23,532</b>	<b>81,200</b>	<b>39,525</b>	<b>126,034</b>	<b>74,266</b>
<b>Attributed to:</b>						
Parent company's shareholders	46,127	23,532	81,200	39,525	126,034	74,266



**BALANCE SHEET – GROUP**

<b>KSEK</b>	<b>Jun 30 2018</b>	<b>Jun 30, 2017</b>	<b>Dec 31, 2017</b>
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Capitalized development expenses (Note 2)	202,345	106,762	115,432
Goodwill	-	2,291	-
	<b>202,345</b>	<b>109,053</b>	<b>115,432</b>
<b>Tangible fixed assets</b>			
Equipment	10,890	7,085	8,176
	<b>10,890</b>	<b>7,085</b>	<b>8,176</b>
Deferred tax receivable	44,545	18,035	25,993
<b>Total non-current assets</b>	<b>257,780</b>	<b>134,174</b>	<b>149,601</b>
<b>Current assets (Note 3, 5)</b>			
Accounts receivable	41,462	30,199	39,970
Tax receivable	8,568	233	9,439
Other receivables	1,640	6,875	10,654
Prepaid expenses and accrued income	113,804	78,705	122,911
Cash and cash equivalents	107,611	67,366	91,194
<b>Total current assets</b>	<b>273,083</b>	<b>183,378</b>	<b>274,169</b>
<b>TOTAL ASSETS</b>	<b>530,864</b>	<b>317,552</b>	<b>423,770</b>
<b>Equity</b>	<b>293 229</b>	<b>192 380</b>	<b>230 478</b>
Deffered tax liabilities	5,351	2,725	7,641
<b>Total non-current liabilities</b>	<b>5,351</b>	<b>2,725</b>	<b>7,641</b>
<b>Current liabilities (Note 5)</b>			
Accounts payable	28,234	18,673	9,289
Other liabilities	34,845	6,025	9,221
Tax liabilities	64,069	18,631	32,818
Accrued expenses	105,135	79,119	134,322
<b>Total current liabilities</b>	<b>232,284</b>	<b>122,447</b>	<b>185,650</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>530,864</b>	<b>317,552</b>	<b>423,770</b>

STATEMENT OF CHANGES IN SHAREHOLDER EQUITY – GROUP

KSEK	Share capital	Other capital contribution	Other reserves	Profit/loss brought forward	Shareholders' equity
<b>Shareholders' equity as of 2017-01-01</b>	880	54,316	14,965	108,102	178,150
Dividend				-6,600	-6,600
Net result for the period				47,705	47,705
Total other comprehensive income			-8,180		-8,180
<b>Total comprehensive income for the period</b>			<b>-8,180</b>	<b>41,105</b>	<b>32,925</b>
<b>Shareholders' equity as of 2017-06-30</b>	880	54,316	6,785	149,207	211,075
<b>Shareholders' equity as of 2018-01-01</b>	880	55,959	1,532	172,107	230,478
Dividend				-22,224	-22,224
Warrant program		-11,885			-11,885
Net result for the period				89,031	89,031
Total other comprehensive income			7,830		7,830
<b>Total comprehensive income for the period</b>		<b>-11,885</b>	<b>7,830</b>	<b>66,807</b>	<b>62,752</b>
<b>Shareholders' equity as of 2018-06-30</b>	880	44,074	9,362	238,914	293,230

**CASH FLOW STATEMENT – GROUP**

KSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jul-Jun -17/-18	2017
<b>Cash flow from operating activities</b>						
Profit after financial items	50,145	32,073	99,555	53,182	148,226	101,853
Adjusting items not included in cash flow	24,350	6,582	41,943	19,367	66,848	44,272
	74,495	38,655	141,498	72,549	179,234	146,125
Taxes paid	-912	-8,345	-2,142	-9,766	-3,823	-11,447
<b>Cash flow before changes in working capital</b>	<b>73,583</b>	<b>30,310</b>	<b>139,356</b>	<b>62,783</b>	<b>167,978</b>	<b>134,678</b>
<b>Cash flow from changes in working capital</b>						
Change in operating receivables	6,366	-22,137	-8,809	-54,174	-43,745	-89,110
Change in operating liabilities	1,366	18,093	-8,649	29,273	42,032	79,954
<b>Cash flow from operating activities</b>	<b>81,315</b>	<b>26,266</b>	<b>121,898</b>	<b>37,882</b>	<b>154,489</b>	<b>125,522</b>
<b>Investing activities</b>						
Investment in fixed assets	-2,044	-2,146	-4,418	-2,864	-6,475	-4,921
Investment in intangible assets	-7,616	-	-11,796	-	-34,896	-23,100
Capitalized development expenses	-32,413	-17,085	-57,411	-30,298	-97,442	-70,329
<b>Cash flow from investing activities</b>	<b>-42,073</b>	<b>-19,231</b>	<b>-73,625</b>	<b>-33,162</b>	<b>-138,813</b>	<b>-98,350</b>
<b>Financing activities</b>						
Dividend	-22,224	-6,600	-22,224	-6,600	-22,224	-6,600
Premium/repurchase of issued warrants	-9,059	-	-11,885	-	-10,242	1,643
<b>Cash flow from financing activities</b>	<b>-31,283</b>	<b>-6,600</b>	<b>-34,109</b>	<b>-6,600</b>	<b>-7,783</b>	<b>-4,957</b>
<b>CASH FLOW</b>	<b>7,959</b>	<b>435</b>	<b>14,164</b>	<b>-1,880</b>	<b>30,735</b>	<b>22,215</b>
<b>Cash at the beginning of the period</b>	<b>97,737</b>	<b>67,522</b>	<b>91,194</b>	<b>70,584</b>	<b>67,366</b>	<b>70,584</b>
Cash flow	7,959	435	14,164	-1,880	30,735	22,215
Exchange rate differences	1,915	-591	2,253	-1,338	1,986	-1,605
<b>CASH AT THE END OF THE PERIOD</b>	<b>107,611</b>	<b>67,366</b>	<b>107,611</b>	<b>67,366</b>	<b>107,611</b>	<b>91,194</b>

#### NOTE 1 – ACCOUNTING PRINCIPLES

G5 Entertainment's consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS). This report was prepared for the group in accordance with the IAS 34 Interim Financial Reporting and the Annual Accounts Act. Accounting and calculation principles used in the report for the group are identical to those used in the Annual Report 2017. None of the new and changed standards from IASB, applicable from 1st of January 2018, has had any material effect on the Financial Statements. For detailed information on the accounting principles, see Annual Report 2017.

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

#### CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

G5 Entertainment has initially adopted IFRS 15 as from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. This standard replaces IAS 18 covering contracts for goods and services, IAS 11 covering construction contracts and IFRIC 13 covering customer loyalty programs. G5 Entertainment adopted IFRS 15 with a date of initial application of 1 January 2018 and applied

this standard using the full retrospective approach. This means that any cumulative impact of the adoption is to be recognized in the retained earnings as of 1 January 2017 and that the comparable information is to be restated if impacted. In this context it should be noted that there is no impact of the adoption on the balance sheet and profit and loss account.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The Group has made a thorough review of the contracts that are signed with each application store, the potential impact on the revenue recognition through the new standard and assessed further performance obligations deriving from the in-app purchases made in the Groups free-to-play games. The Group has come to the conclusion that the virtual goods purchased in the games are consumables and that no further performance obligation is present after the good as been delivered to the customer. This as the company is selling a "right to use" a game (as opposed to a service) and the games are downloadable. The virtual goods that the customer buys in the game is therefore possible to use independently of the G5. The Group is making the assessment that the implementation won't impact the Groups revenue recognition.

#### NOTE 2 – CAPITALIZED DEVELOPMENT EXPENSES

KSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jul-Jun -17/-18	2017
<b>At the beginning of the period</b>	<b>180,840</b>	<b>108,061</b>	<b>115,432</b>	<b>94,269</b>	<b>106,762</b>	<b>109,104</b>
Investments <sup>1</sup>	32,412	17,085	111,075	30,298	151,106	70,329
Write-downs	-440	-	-440	-158	-4,464	-4,181
Amortization	-23,795	-12,534	-39,799	-24,649	-64,148	-48,998
<b>Net change during the period</b>	<b>8,177</b>	<b>4,551</b>	<b>70,836</b>	<b>5,492</b>	<b>82,494</b>	<b>17,150</b>
Currency exchange differences	13,328	-5,850	16,077	-10,817	13,089	-10,822
<b>At the end of the period</b>	<b>202,345</b>	<b>106,762</b>	<b>202,345</b>	<b>88,943</b>	<b>202,345</b>	<b>115,432</b>

<sup>1</sup>Investments for Jan-Jun 2018 as well as Jul-Jun 17/18 include the capitalization of The Secret Society amounting to SEK 53.7 M.

#### NOTE 3 – OTHER RECEIVABLES

Other receivables include SEK 1,2 M (0.3) for prepaid royalties to third party developers. G5 publishes both proprietary games and games licensed from third-party developers. In connection with the conclusion of agreements with third party developers, G5 sometimes pays an advance on royalties to fund game development. These advances are usually offset against the third party developer's contractual share of the revenue that each game generates.

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

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

#### NOTE 5 – FAIR VALUE

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

### INCOME STATEMENT – PARENT COMPANY

KSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jul-Jun -17/-18	2017
Net turnover	394,847	275,918	767,467	510,370	1,392,542	1,135,445
Cost of revenue	-281,284	-188,716	-533,369	-364,704	-949,747	-781,082
<b>Gross profit</b>	<b>113,563</b>	<b>87,202</b>	<b>234,099</b>	<b>145,666</b>	<b>442,795</b>	<b>354,363</b>
Research and development expenses	-25	-22	-51	-80	-114	-143
Sales and Marketing expenses	-20,751	-10,525	-41,877	-17,270	-99,672	-75,066
General and administrative expenses	-86,526	-69,209	-169,432	-129,134	-317,041	-276,743
Other operating income	5,871	-879	7,223,248	0	7,223	9,948
Other operating expenses	-5,942	4,872	-7,223	4,596	-1,871	0
<b>Operating result</b>	<b>6,191</b>	<b>11,440</b>	<b>22,740</b>	<b>3,778</b>	<b>31,320</b>	<b>12,358</b>
Financial income	0	-9,478	0	-2,215	20,876	18,661
Financial expenses	-2	0	-2	0	-9	-7
<b>Operating result after financial items</b>	<b>6,189</b>	<b>1,961</b>	<b>22,738</b>	<b>1,563</b>	<b>52,187</b>	<b>31,012</b>
Taxes	-1,363	-431	-5,004	-344	-6,250	-1,589
<b>Net result for the period</b>	<b>4,826</b>	<b>1,530</b>	<b>17,734</b>	<b>1,219</b>	<b>45,937</b>	<b>29,422</b>

### STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

KSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jul-Jun -17/-18	2017
<b>Net result for the period</b>	<b>4,826</b>	<b>1,530</b>	<b>17,734</b>	<b>1,219</b>	<b>45,937</b>	<b>29,422</b>
<b>Items that later can be reversed in profit</b>						
Foreign currency translation differences	-	-	-	-	-	-
<b>Total other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>4,826</b>	<b>1,530</b>	<b>17,734</b>	<b>1,219</b>	<b>45,937</b>	<b>29,422</b>

**BALANCE SHEET - PARENT COMPANY**

<b>KSEK</b>	<b>Jun 30, 2018</b>	<b>Jun 30, 2017</b>	<b>Dec 31, 2017</b>
<b>Fixed assets</b>			
<b>Financial fixed assets</b>			
Shares in group companies	70	70	70
Deferred tax assets	-	-	-
Receivables from group companies	-	75,451	-
	<b>70</b>	<b>75,521</b>	<b>70</b>
<b>Current assets</b>			
Account receivables	41,462	30,199	39,970
Receivables from group companies	9,167	210	8,428
Tax receivables	1,477	-	1,477
Other receivables	-1,039	6,091	8,572
Prepaid expenses and accrued income	110,361	77,429	98,540
Cash and cash equivalents	83,076	57,883	64,650
<b>Total current assets</b>	<b>244,504</b>	<b>171,812</b>	<b>221,637</b>
<b>TOTAL ASSETS</b>	<b>244,574</b>	<b>247,332</b>	<b>221,707</b>
<b>Restricted equity</b>			
Share capital	880	880	880
<b>Non-restricted equity</b>			
Share premium reserve	55 916	54,273	55,916
Profit/Loss carried forward	52 464	57,162	57,151
Net result for the period	17 734	1,219	29,422
<b>Total equity</b>	<b>126 994</b>	<b>113,534</b>	<b>143,369</b>
<b>Current liabilities</b>			
Accounts payable	823	277	1,336
Tax Liability	2,027	-	-
Liability to group companies	99,547	126,747	50,491
Other liability	6,835	2,245	10,471
Accrued expenses	8,349	4,529	16,039
<b>Total current liabilities</b>	<b>117,580</b>	<b>133,798</b>	<b>78,338</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>244,574</b>	<b>247,332</b>	<b>221,707</b>

## GLOSSARY

### FINANCIAL STATEMENT

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

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

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

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

Use of key ratios not defined in IFRS

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

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

### OPERATIONAL TERMS

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

**Daily Active Users (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) 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.