

G5 Entertainment AB

Interim Report

JANUARY – MARCH 2021



Interim Report January - March 2021

January - March

- Revenue for the period was SEK 326.6 M (312.0), an increase of 5 percent compared to the same period in 2020. In USD terms the growth was 22 percent.
- Gross margin increased to 59 percent (57 percent), as a larger share of revenue is coming from own games.
- EBIT for the period was SEK 59.9 M (38.8).
- Net result for the period was SEK 53.8 M (33.5).
- Earnings per share for the period, before dilution, was SEK 6.26 (3.72).
- Cash flow amounted to SEK 25.1 M (30.1), impacted negatively by repurchase of own shares of SEK -34.1 M (0.0).
- Average Monthly Active Users (MAU) was 7.0 million, an increase of 11 percent compared to the same period in 2020. Average Daily Active Users (DAU) was 1.8 million, an increase of 9 percent compared to the same period in 2020. Average Monthly Unique Payers (MUP) was 205.6 thousand, a decrease of 4 percent while Average Monthly Average Gross Revenue Per Paying User (MAGRPPU) was USD 63.5, an increase of 25 percent compared to the same period last year. Combined, these movements are reflecting changes in the portfolio composition compared to one year ago with Match-3 games taking a larger share of revenue coupled with more efficient user acquisition.

Financial key ratios

| KSEK | Jan-Mar 2021 | Jan-Mar 2020 | Change % | Apr-Mar 20/21 | 2020 | Change % |
|--|-----------------|-----------------|-------------|------------------|----------------|-------------|
| Revenue | 326,572 | 311,956 | 5% | 1,370,664 | 1,356,048 | 1% |
| Commission to distributors ¹ | -95,119 | -92,794 | 3% | -398,200 | -395,875 | 1% |
| Royalty to external developers ² | -39,697 | -42,486 | -7% | -171,064 | -173,853 | -2% |
| Gross profit | 191,757 | 176,676 | 9% | 801,400 | 786,320 | 2% |
| Gross margin | 59% | 57% | | 58% | 58% | |
| Operating costs excluding costs for user acquisition | -75,531 | -69,471 | 9% | -309,218 | -303,157 | 2% |
| EBIT excluding costs for user acquisition | 116,225 | 107,205 | 8% | 492,183 | 483,163 | 2% |
| EBIT margin before costs for user acquisition | 36% | 34% | | 36% | 36% | |
| Costs for user acquisition ³ | -56,329 | -68,433 | -18% | -281,515 | -293,619 | -4% |
| Costs for user acquisition as percentage of revenue | -17% | -22% | | -21% | -22% | |
| EBIT | 59,896 | 38,772 | 54% | 210,668 | 189,544 | 11% |
| EBIT margin (%) | 18.3% | 12.4% | | 15.4% | 14.0% | |
| Earnings per share before dilution | 6.26 | 3.72 | 69% | 21.47 | 19.11 | 12% |
| Cash flow before financing activities | 62,164 | 33,062 | | 169,192 | 140,090 | |
| Cash and cash equivalents | 214,732 | 185,746 | | 131,289 | 188,411 | |

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

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

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



COMMENT FROM THE CEO

Continued growth and record margins-again

The top-line growth momentum we experienced during the past couple quarters continued in the first quarter. And thanks to the success of our own game portfolio, especially the new generation of games, and our effective cost control, G5's EBIT margin reached yet another record high.

As we communicated back in February, the year started strong for us. We continued to see a high level of player interest during the quarter even in countries with intensive vaccination campaigns and gradual reopenings. The growing interest reflects the fundamental appeal of mobile games as a popular pastime, which has driven industry expansion since the inception of mobile games.

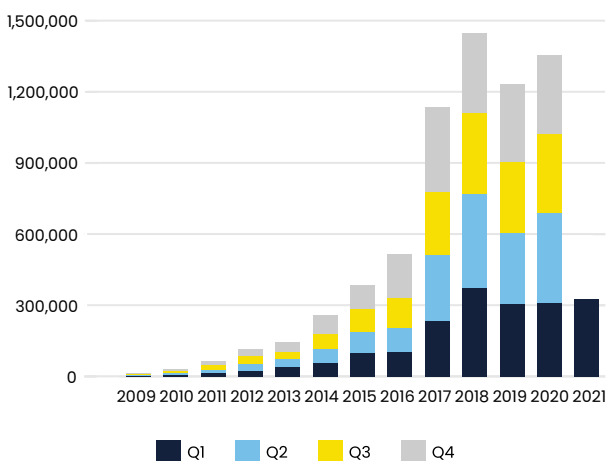
We report in Swedish krona even though virtually all of our sales are generated outside of Sweden (USA: 60%, EU: 22%, Japan: 8%). Almost all of our expenses are also in currencies other than Swedish krona. It is therefore im-

In USD terms, we achieved 22% y-o-y growth in the first quarter

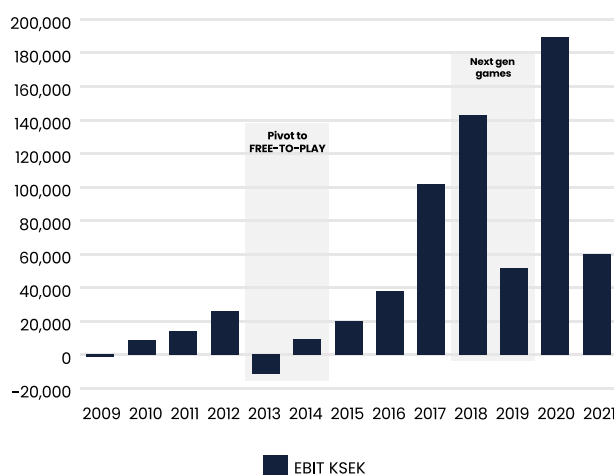
portant to take into account SEK exchange rate fluctuations when looking at the growth dynamic. In USD terms, we achieved 22% year-over-year revenue growth in the first quarter, topping the 14% year-over-year growth we reported in the last quarter 2020. This is

the true growth dynamic of our business, and it is this growth that is driving continued gross margin and EBIT margin expansion due to the inherent leverage of the business. We

Revenue KSEK



EBIT KSEK



achieved an all-time-high EBIT margin of 18% in the first quarter with record earnings of 59.9 MSEK and EPS of 6.26 SEK.

Even though we delivered greater top-line expansion than the year before, we did it while spending 18% less on user acquisitions. The significant drop in user acquisition spending underlines the efficiency we have achieved over the past year by strengthening our user acquisition (UA) teams and building our M.A.R.S. user acquisition suite of tools. With the continuing improvements in audience size and monetization metrics of our games, it confirms the outlook for the combination of higher margins and growth going forward.

It's important to talk about some of the metrics driving our business. Our MUP (monthly unique payers) has declined slightly by 4% year-over-year, but our monetization metric MAGRPPU (monthly average gross revenue per paying user) has shown strong 25% growth compared to one year ago. This development reflects changes in the portfolio composition compared to one year ago, as higher revenue share is produced by Match-3 games that are higher-monetizing games, as well as improvements we have made in UA allocation by territory and channel in order to bring in higher paying users. The increasing fundamental metrics on the back of reduced user acquisition spend compared with one year ago means our games are improving, our cross-selling and recommendation system within our game portfolio is working and we are bringing in more loyal and better paying players while spending less. Simply put, our strategy is working.

New generation of games grew 197% y-o-y in USD terms and 8% q-o-q

During the first quarter, we saw some strong performance from the games in our portfolio. Sherlock, released worldwide only six months ago, continued its consistent growth and was already responsible for 7% of our revenue in April. The game is now the third highest grossing for G5 on monthly basis, behind only our portfolio top performers Hidden City and Jewels of Rome.

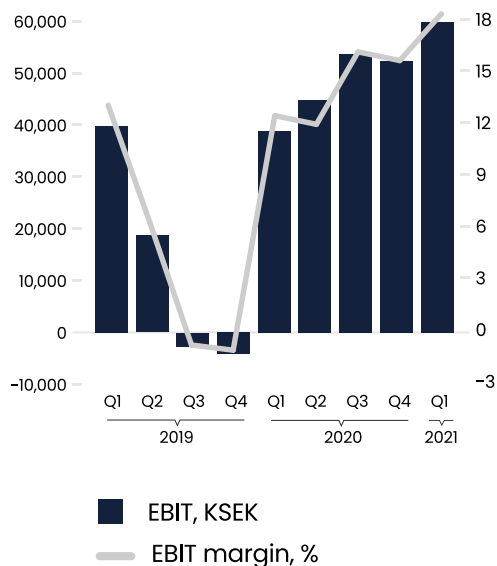
Hidden City performed well and continued the rebound on the back of the increase in the size of its audience over the last six months. The game was originally released in 2014 and continues to be the largest by revenue on monthly base in our portfolio.

Other games in our portfolio have also demonstrated solid performance during the quarter. Our own games grew 68% year-over-year in USD terms and 3% quarter-over-quarter in USD terms. The new generation of games (released mid-2019 and later) grew 197% year-over-year in USD terms and 8% quarter-over-quarter. The new generation of games is now the largest segment of our revenue, accounting for 43% of revenue in the quarter. Our own internally developed games generated 63% of revenue, up from 45% one year ago.

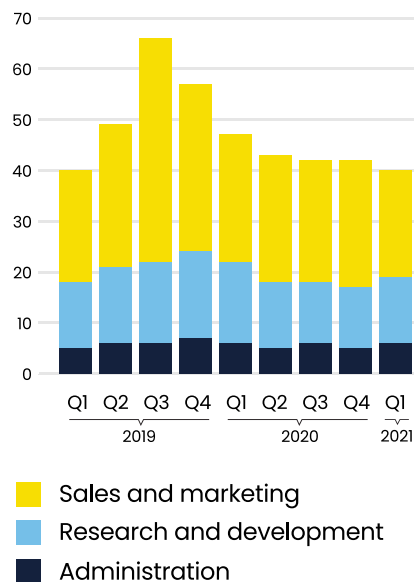
The work on our new games continues, and we remain committed to releasing six new games in 2021. It is our goal to maintain a portfolio of games with a regular inflow of new high-quality entries.

I also want to touch on our strategic initiatives that have reached some early milestones this quarter. Advertising revenue together with the revenue from our G5 Store topped 1% of net sales for the first time. The G5 Store, which we started a

EBIT (KSEK) | EBIT-margin (%)



Costs in % of revenue



few months ago, is where we make our games available to players directly from our website. Most of our games already have instantly playable web versions and downloadable Windows versions available at the G5 Store. We are seeing strong interest from those visiting the site, and while the revenue is still a small amount, it is gradually growing.

Because we pay no store fees from the G5 Store, only a small amount for payment processing, all of the revenue drops straight to the bottom line, boosting our EBIT margin. Thanks to the brand loyalty we have with our regular players, we believe the G5 Store has great potential, especially using the largely untapped web advertising ecosystem. We will soon make the G5 Store available for Mac and then Android operating systems. The G5 Store should continue to grow and contribute more to the group's revenue by the end of the year.

Another important development was on April 29th when Microsoft announced that they are reducing their store fees to only 12% from current 30% starting August 1st 2021. We expect that this change is going to have strong positive effect on our gross margin, EBIT margin (few percentage points is a possibility), and earnings in the second half of the year as we derive substantial revenue from Windows Store. As of April, we have 17 games in the Top-90 Grossing Games on Windows Store in USA, more than any other developer, starting with Hidden City at #3 right after Roblox and Minecraft. This makes us one of the biggest beneficiaries, if not the biggest one, of this change in the industry. This development, in addition to the changes Apple and Google made earlier to their fee structures (that did not affect G5's situation but only that of the smallest of all developers) confirms our expectation that over the long-term store fees are going to gradually go down to more reasonable levels due to

market forces. We can only applaud Microsoft's bold initiative in this regard and the increased pressure it creates in the ecosystem. We believe that this development was long overdue and going forward it will benefit all players in the industry and the platform providers themselves.

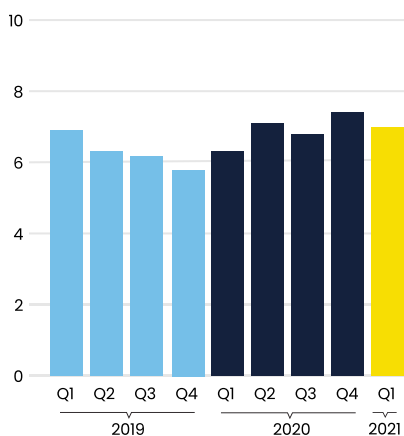
G5 continued to have strong cash flow during the course of the quarter and used some of that to do share buybacks worth 34 MSEK, further reducing the number of shares in the market by 1%. We are still actively screening for M&A opportunities that could bring synergies and strategic advantage. Meanwhile, we continue to allocate capital towards the development of new games and acquiring more customers – investments that are fundamentally driving

the organic expansion of our business.

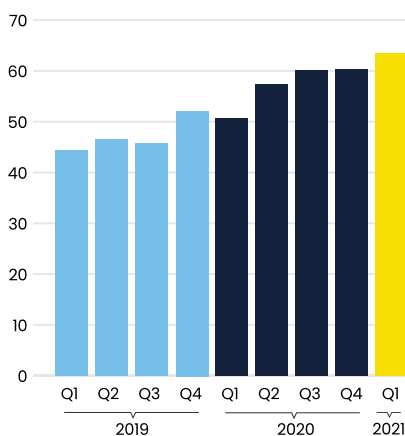
This year we will be celebrating two milestones of G5 Entertainment – 20 years since the company's inception back in 2001 and 15 years since the company was first publicly listed in Stockholm in 2006. It's been an amazing journey. We've gone from five people in one office in one country to 750 people in seven offices spanning five countries over the past two decades. I have thoroughly enjoyed these first 20 years of G5, and I am proud of what we have achieved so far and intrigued by the breadth of opportunities that are still ahead of us. I'm thrilled to see the company arrive at these milestones in the best shape ever. The future is bright, and I look forward to continuing the journey with our amazing international team.

Thanks for following us at G5.
 May 5th, 2021
 Vlad Suglobov, CEO, co-founder

MAU, mn



MAGRPPU, USD



January–March

Revenue and gross profit

Revenue amounted to SEK 326.6 M (312.0). Revenue increased by 5 percent compared to the same period in 2020.

Cost of revenue decreased slightly to SEK 134.8 M (135.3). Cost of revenue includes commission to the distributors (Apple App Store, Google Play, Amazon Appstore, etc.). All relevant parties charge up to 30 percent of gross revenue. Cost of revenue also includes royalties payable to external developers which decreased by 7 percent compared to the same period in 2020.

Gross margin for the period was 59 percent (57). Gross profit for the quarter increased by 9 percent compared to the first quarter in 2020 and was SEK 191.8 M (176.7).

Operational Costs

Costs for research and development were SEK 43.0 M (49.4) during the period. The decrease in costs for research and development is primarily driven by a higher capitalization ratio. The ratio has increased as more resource have been put into capitalizable projects. Compared to last year the company has significantly increased its development capacity but the weaker rubel and hryvnia has mitigated the cost increase.

Sales and marketing decreased to SEK 67.8 M (79.4). Sales and marketing is primarily affected by the costs for user acquisition. During the quarter the cost for user acquisition was SEK 56.3 M (68.4). Cost for user acquisition as a percentage of sales was 17 percent, compared to 22 percent in

the same period in 2020. Sales and marketing, excluding user acquisition, increased slightly to SEK 11.5 M (11.0).

General and administrative costs amounted to SEK 19.6 M (19.1). Other operating income amounted to SEK -1.3 M (10.4) and other operating expenses amounted to SEK -0.3 M (-0.4). Together they amounted to SEK -1.6 M (10.0), primarily driven by currency effects on operational assets and liabilities.

EBIT

Depreciation and amortization have decreased, due to the weakening USD and amounted to SEK 32.1 M (32.4). Capitalization of intangible assets amounted to SEK 35.0 M (30.9). During the quarter no write-downs (-0.4) were made. Net effect of capitalization and amortization, net capitalization, on intangible assets amounted to SEK 7.9 M (2.8).

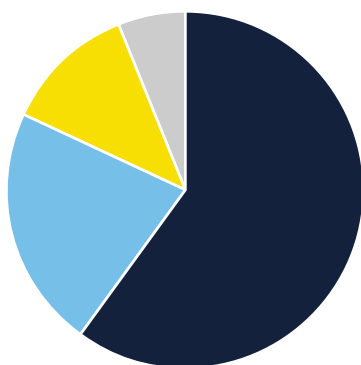
Earnings before interest and taxes (EBIT) amounted to SEK 59.9 M (38.8), corresponding to an EBIT margin of 18.3 percent (12.4).

Net profit

Net profit was marginally affected by financial items. Tax affected the result with SEK -5.8 M (-5.2).

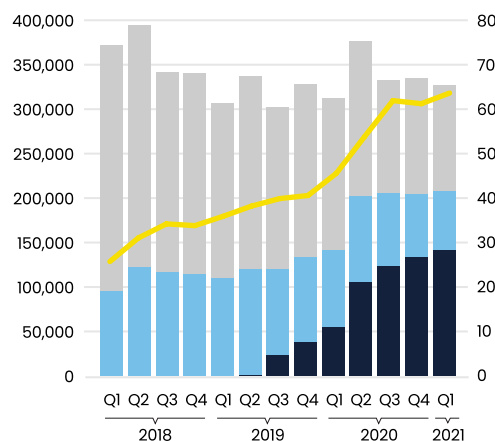
Net profit amounted to SEK 53.8 M (33.5) which equals an earnings per share, before and after dilution, of SEK 6.26 (3.72).

Revenue breakdown by geography first Quarter 2020



- North America 60%
- Europe 22%
- Asia 12%
- Rest of World 6%

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



- G5 games new, KSEK
- G5 games old, KSEK
- 3rd party games, KSEK
- Own games, %

Operational metrics

In the quarter the average Monthly Active Users (MAU) increased by 11 percent compared to 2020, also Daily Active Users (DAU) increased 9 percent compared to 2020. Monthly Unique Users (MUU) increased with 1 percent. Average Monthly Unique Payers (MUP) decreased with -4 percent compared to 2020 but the average monthly spend, Monthly Average Gross Revenue Per Paying User (MAGRPPU) increased with 25 percent compared to the same period in 2020.

| F2P | Q1 '21 | Q1 '20 | Change |
|-------------------------|--------|--------|--------|
| Average MAU (mn) | 7.0 | 6.3 | 11% |
| Average MUP (thousands) | 205.6 | 213.3 | -4% |
| Average MUU (mn) | 5.2 | 5.1 | 1% |
| Average MAGRPPU (USD) | 63.5 | 50.7 | 25% |
| Average DAU (mn) | 1.8 | 1.7 | 9% |

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

Releases during the quarter

The company released Empire Blast (soft launch) during the quarter.

Cash flow

During the first quarter, the group had an operating cash flow before changes in working capital of SEK 90.6 M (70.4). In the quarter taxes impacted the cash flow negatively with SEK -1.1 M (0.7). Changes in working capital impacted the cash flow with SEK 10.6 M (-5.9). Capitalized development expenses impacted the cash flow negatively with SEK -35.0 M (-30.9).

Cash flow before financing activities amounted to SEK 62.2 M (33.1). Financing activities were impacted by buy-backs of SEK -34.1 M (0.0) and IFRS16 bookings related to lease of premises SEK -2.9 M (-3.0). The cash flow for the period amounted to SEK 25.1 M (30.1).

Available cash on March 31, 2021 amounted to SEK 214.7 M (185.7).

Financial position

The company's publishing strategy is based on having a certain number of different games in the portfolio, in order to maximize potential and reduce risk. Some of these games become very successful and extremely profitable, a good portion of these games do not become big breakthroughs but pay for themselves and are stable earners over a long period of time, while a few other games may fail in the market. Capitalized development expenses for unsuccessful games will then have to be written down. Over time, the company expects such write-downs to be more than compensated for by the revenue and profits produced by successful games in the portfolio.

Capitalized development expenses amounted to SEK 226.3 M (231.6). The company separates released and not released games where not released games include games that have been active in the app stores for less than 6 months. During the initial 6 month period after launch, the company does not amortize the games.

| MSEK | Mar 31 2021 | Mar 31 2020 |
|-------------------------------|-------------|-------------|
| Released games | 212.8 | 171.7 |
| Not released games | 13.5 | 59.9 |
| Book value of games portfolio | 226.3 | 231.6 |

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

Consolidated equity amounted to SEK 472.5 M (429.5), which equals SEK 55.0 per share (47.6) and the equity/asset ratio is 67 percent (68).

Cash on hand amounted to SEK 214.7 M (185.7).

Other long-term debt and other short term debt is solely related to IFRS16 accounting of lease contracts.

Parent company

The parent company revenue increased in line with the group. The parent company is the counterpart for all application stores where G5 sells its products. The costs consist mainly of payments to one of the subsidiaries in Malta, that holds the rights for the games in the portfolio and is also where the senior management overseeing the games, licensing, HR etc. is based. Over time, the transactions should generate a surplus for the parent company, but during shorter periods some imbalances may occur.

As for the group, the financial position of the parent company is solid.

Other disclosures

The Board's Proposed Dividend

G5 Entertainment is active in a market that grows quickly, and in order to benefit from this growth, the company's main focus is to continue re-investing the majority of the profits in activities that promote organic growth, such as product development and marketing. With this taken into account the Board proposes a dividend of SEK 6.25 per share (2.5), corresponding to around 33 per cent (50) of net profit for the year.

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.

Related-party transactions

During the period no significant related-party transactions have taken place except the ongoing transactions highlighted in the annual report 2020.

Upcoming report dates

| | |
|-----------------------------|------------------|
| Annual General Meeting 2021 | June 15, 2021 |
| Interim report Jan-Jun 2021 | August 11, 2021 |
| Interim report Jan-Sep 2021 | November 5, 2021 |

Teleconference

On May 5th, 2021 at 08.00 CET, CEO Vlad Suglobov and CFO Stefan Wikstrand will present the interim report in a conference call.

For dial-in details please visit:

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

Forward-looking statements

This report may contain statements concerning, among other things, G5 Entertainment's financial position and performance as well as statements on market conditions that may be forward-looking. G5 Entertainment believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions. However, forward-looking statements involve inherent risks and uncertainties and actual results or outcomes may differ materially from those expressed. Forward-looking statements relate only to the date they were made and, other than as required by applicable law, G5 Entertainment undertakes no obligation to update any of them in light of new information or future events.

Inquiries

| | |
|-----------------------|--|
| Vlad Suglobov, CEO | investor@g5e.com |
| Stefan Wikstrand, CFO | +46 76 0011115 |

Assurance

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

Stockholm May 5th, 2021

Petter Nylander
Chairman of the Board

Johanna Fagrell Köhler
Board member

Jeffrey Rose
Board member

Marcus Segal
Board member

Vlad Suglobov
CEO, Board member

Note:

G5 Entertainment AB (publ) is required to make the information in this interim report public in compliance with the Swedish Securities Market Act. The information was submitted for publication on May 5th, 2021 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 | Jan-Mar 2021 | Jan-Mar 2020 | Apr-Mar 20/21 | 2020 |
|---|-----------------|-----------------|------------------|----------------|
| Net turnover | 326,572 | 311,956 | 1,370,664 | 1,356,048 |
| Cost of revenue | -134,815 | -135,280 | -569,263 | -569,728 |
| Gross profit | 191,757 | 176,676 | 801,400 | 786,320 |
| Research and Development expenses | -43,000 | -49,372 | -172,493 | -178,866 |
| Sales and Marketing expenses | -67,787 | -79,422 | -327,334 | -338,970 |
| General and Administrative expenses | -19,557 | -19,083 | -75,199 | -74,724 |
| Other operating income | -1,251 | 10,371 | 12,304 | 23,925 |
| Other operating expenses | -266 | -398 | -28,010 | -28,142 |
| Operating result | 59,896 | 38,772 | 210,668 | 189,544 |
| Financial income | 21 | 187 | 114 | 280 |
| Financial expenses | -344 | -283 | -1,066 | -1,005 |
| Operating result after financial items | 59,573 | 38,677 | 209,715 | 188,819 |
| Taxes | -5,802 | -5,159 | -22,195 | -21,552 |
| NET RESULT FOR THE PERIOD | 53,771 | 33,518 | 187,520 | 167,267 |
| Attributed to: | | | | |
| Parent company's shareholders | 53,771 | 33,518 | 187,520 | 167,267 |
| Earnings per share | | | | |
| Weighted average number of shares before dilution (thousands) | 8,585 | 9,021 | 8,735 | 8,751 |
| Weighted average number of shares after dilution (thousands) | 8,585 | 9,021 | 8,735 | 8,751 |
| Earnings per share (SEK), before dilution | 6.26 | 3.72 | 21.47 | 19.11 |
| Earnings per share (SEK), after dilution | 6.26 | 3.72 | 21.47 | 19.11 |

Statement of comprehensive income – Group

| KSEK | Jan-Mar 2021 | Jan-Mar 2020 | Apr-Mar 20/21 | 2020 |
|--|-----------------|-----------------|------------------|----------------|
| Net result for the period | 53,771 | 33,518 | 187,520 | 167,267 |
| Items that later can be reversed in profit | | | | |
| Foreign currency translation differences | -13,248 | 10,869 | -13,248 | 22,139 |
| Total other comprehensive income for the period | -13,248 | 10,869 | -13,248 | 22,139 |
| Total comprehensive income for the period | 40,523 | 44,387 | 174,272 | 189,406 |
| Attributed to: | | | | |
| Parent company's shareholders | 40,523 | 44,387 | 174,272 | 189,406 |

Balance sheet – Group

| KSEK | Mar 31 2021 | Mar 31 2020 | Dec 31 2020 |
|---|----------------|----------------|----------------|
| Fixed assets | | | |
| Intangible fixed assets | | | |
| Capitalized development expenses (Note 2) | 226,257 | 231,606 | 204,649 |
| Goodwill | - | - | - |
| | 226,257 | 231,606 | 204,649 |
| Tangible fixed assets | | | |
| Equipment | 32,215 | 28,660 | 15,506 |
| | 32,215 | 28,660 | 15,506 |
| Deferred tax receivable (Note 2) | 74,721 | 40,973 | 57,672 |
| Total non-current assets | 333,193 | 301,238 | 277,827 |
| Current assets | | | |
| Accounts receivable | 0 | 0 | 558 |
| Tax receivable | 5,639 | 1,224 | 3,799 |
| Other receivables (Note 4,6) | 7,669 | 3,874 | 7,770 |
| Prepaid expenses and accrued income | 143,898 | 138,224 | 114,827 |
| Short term investments | 1,748 | 0 | 0 |
| Cash and cash equivalents | 214,732 | 185,746 | 188,411 |
| Total current assets | 373,686 | 329,069 | 315,366 |
| TOTAL ASSETS | 706,879 | 630,307 | 593,192 |
| Total shareholders' equity | 479,872 | 429,495 | 431,807 |
| Long-term liabilities | | | |
| Other liabilities | 668 | 13 | 627 |
| Deferred tax liabilities | 14,866 | 4,135 | 1,776 |
| Total long-term liabilities | 15,534 | 4,148 | 2,403 |
| Current liabilities (Note 5) | | | |
| Short-term liabilities | 4,603 | 10,473 | 4,605 |
| Accounts payable | 14,207 | 42,498 | 12,540 |
| Other liabilities | 16,008 | 10 004 | 4,673 |
| Tax liabilities | 99,668 | 67,220 | 70,616 |
| Accrued expenses | 76,988 | 66,469 | 66,548 |
| Total current liabilities | 211,473 | 196 664 | 158,983 |
| TOTAL equity and liabilities | 706,879 | 630,307 | 593,191 |

Changes in shareholders' equity – Group

| KSEK | Share capital | Other capital contribution | Other reserves | Profit/loss brought forward | Shareholders' equity |
|---|----------------------|-----------------------------------|-----------------------|------------------------------------|-----------------------------|
| Shareholders' equity 2020-01-01 | 928 | 50,615 | 23,660 | 310,404 | 385,607 |
| Net result for the year | | | | 33,518 | 33,518 |
| Total other comprehensive income | | | 10,869 | | 10,869 |
| Total comprehensive income for the year | | | 10,869 | 33,518 | 44,387 |
| IFRS2 – Employee share schemes | | | -499 | | -499 |
| Total transactions with the owners recognized directly in equity | | | -499 | - | -499 |
| Shareholders' equity as of 2020-03-31 | 928 | 50,615 | 34,030 | 343,922 | 429,495 |
| Shareholders' equity 2021-01-01 | 928 | -15,616 | -9,307 | 455,802 | 431,807 |
| Net result for the year | | | | 53,771 | 53,771 |
| Total other comprehensive income | | | 29,462 | | 29,462 |
| Total comprehensive income for the year | | | 29,462 | 53,771 | 83,233 |
| Repurchase of shares | | -34,313 | | | -34,313 |
| IFRS2 – Employee share schemes | | | -855 | | -855 |
| Total transactions with the owners recognized directly in equity | | -34,313 | -855 | - | -35,168 |
| Shareholders' equity as of 2021-03-31 | 928 | -49,929 | 19,300 | 509,573 | 479,872 |

Cash flow statement – Group

| KSEK | Jan-Mar 2021 | Jan-Mar 2020 | Apr-Mar 20/21 | 2020 |
|--|-----------------|-----------------|------------------|-----------------|
| Cash flow from operating activities | | | | |
| Profit after financial items | 59 573 | 38 677 | 209 715 | 188 819 |
| Adjusting items not included in cash flow | 32 057 | 32 415 | 121 539 | 121 897 |
| | 91 630 | 71 092 | 331 254 | 310 716 |
| Taxes paid | -1 064 | -683 | -13 472 | -13 091 |
| Cash flow before changes in working capital | 90 566 | 70 409 | 317 782 | 297 625 |
| Cash flow from changes in working capital | | | | |
| Change in operating receivables | -25 139 | -30 648 | -9 450 | -14 959 |
| Change in operating liabilities | 35 784 | 24 779 | -2 572 | -13 577 |
| Cash flow from operating activities | 101 211 | 64 540 | 305 760 | 269 089 |
| Investing activities | | | | |
| Investment in fixed assets | -4 011 | -547 | -5 798 | -2 335 |
| Capitalized development expenses | -35 036 | -30 931 | -130 770 | -126 664 |
| Cash flow from investing activities | -39 047 | -31 478 | -136 568 | -128 999 |
| Financing activities | | | | |
| Lease payments, IFRS16 | -2 883 | -2 989 | -9 422 | -9 528 |
| Dividend | 0 | 0 | -21 869 | -21 869 |
| Repurchase shares | -34 139 | 0 | -100 622 | -66 483 |
| Premiums warrant program | 0 | 0 | 252 | 252 |
| Cash flow from financing activities | -37 022 | -2 989 | -131 661 | -97 628 |
| CASH FLOW | 25 142 | 30 073 | 37 531 | 42 462 |
| Cash at the beginning of the period | 188 411 | 152 268 | 185 746 | 152 268 |
| Cash flow | 25 142 | 30 073 | 37 531 | 42 462 |
| Exchange rate differences | 1 179 | 3 405 | -8 545 | -6 319 |
| CASH AT THE END OF THE PERIOD | 214 732 | 185 746 | 214 732 | 188 411 |

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 2020. For detailed information on the accounting principles, see Annual Report 2020.

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

NOTE 2

Capitalized development expenses

| KSEK | Jan-Mar 2021 | Jan-Mar 2020 | Apr-Mar 20/21 | 2020 |
|---------------------------------------|-----------------|-----------------|------------------|----------------|
| At the beginning of the period | 204,649 | 211,419 | 231,606 | 211,419 |
| Investments | 35,036 | 30,931 | 130,769 | 126,664 |
| Write-downs | - | - | -409 | -409 |
| Amortization | -27,131 | -28,084 | -104,712 | -105,664 |
| Net change during the period | 7,905 | 2,847 | 25,648 | 20,590 |
| Currency exchange differences | 13,704 | 17,340 | -30,997 | -27,361 |
| At the end of the period | 226,257 | 231,606 | 226,257 | 204,649 |

NOTE 3

Other receivables

Other receivables include SEK 2.7 M (1.0) for prepaid royalties to third party developers. G5 publishes both proprietary games and games licensed from third-party developers. In connection with the conclusion of agreements with third

party developers, G5 sometimes pays an advance on royalties to fund game development. These advances are usually offset against the third party developer's contractual share of the revenue that each game generates.

NOTE 4

Pledged assets and contingent liabilities

G5 Entertainment has pledged assets amounting to SEK 3 M. G5 Entertainment does not have any contingent liabilities.

NOTE 5

Fair value

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

Income statement – Parent company

| KSEK | Jan-Mar 2021 | Jan-Mar 2020 | Apr-Mar 20/21 | 2020 |
|---|-----------------|-----------------|------------------|----------------|
| Net turnover | 326,572 | 311,956 | 1,370,664 | 1,356,048 |
| Cost of revenue | -134,815 | -135,280 | -569,263 | -569,728 |
| Gross profit | 191,757 | 176,676 | 801,400 | 786,320 |
| Research and development expenses | -43,000 | -49,372 | -172,493 | -178,866 |
| Sales and Marketing expenses | -67,787 | -79,422 | -327,334 | -338,970 |
| General and administrative expenses | -19,557 | -19,083 | -75,199 | -74,724 |
| Other operating income | -1,251 | 10,371 | 12,304 | 23,925 |
| Other operating expenses | -266 | -398 | -28,010 | -28,142 |
| Operating result | 59,896 | 38,772 | 210,668 | 189,544 |
| Financial income | 21 | 187 | 114 | 280 |
| Financial expenses | -344 | -283 | -1,066 | -1,005 |
| Operating result after financial items | 59,573 | 38,677 | 209,715 | 188,819 |
| Taxes | -5,802 | -5,159 | -22,195 | -21,552 |
| NET RESULT FOR THE PERIOD | 53,771 | 33,518 | 187,520 | 167,267 |

Statement of comprehensive income – Parent company

| KSEK | Jan-Mar 2021 | Jan-Mar 2020 | Apr-Mar 20/21 | 2020 |
|--|-----------------|-----------------|------------------|---------------|
| Net result for the period | 4,972 | 378 | 5,337 | 69,524 |
| Items that later can be reversed in profit | | | | |
| Foreign currency translation differences | - | - | - | - |
| Total other comprehensive income for the period | 4,972 | 378 | 5,337 | 69,524 |

Balance sheet – Parent company

| KSEK | Mar 31 2021 | Mar 31 2020 | Dec 31 2020 |
|-------------------------------------|----------------|----------------|----------------|
| Fixed assets | | | |
| Tangible fixed assets | 34 | 36 | 39 |
| Tangible fixed assets | 34 | 36 | 39 |
| Financial fixed assets | | | |
| Shares in group companies | 70 | 70 | 70 |
| Receivables from group companies | - | - | - |
| Total fixed assets | 70 | 70 | 70 |
| Current assets | | | |
| Account receivables | - | - | 558 |
| Receivables from group companies | 1 | 60,489 | 1 |
| Tax receivables | 4,113 | - | 2,559 |
| Other receivables | 2,653 | 1,406 | 321 |
| Prepaid expenses and accrued income | 138,755 | 133,180 | 110,468 |
| Cash and cash equivalents | 186,912 | 127,266 | 171,054 |
| Total current assets | 332,434 | 322,341 | 284,960 |
| TOTAL ASSETS | 332,538 | 322,447 | 285,069 |
| Restricted equity | | | |
| Share capital | 928 | 928 | 928 |
| Non-restricted equity | | | |
| Share premium reserve | 50,996 | 50,554 | 50,996 |
| Profit/Loss carried forward | -945 | 117,433 | 29,080 |
| Net result for the period | 5,337 | 14,793 | 5,337 |
| Total equity | 56,316 | 183,708 | 86,341 |
| Current liabilities | | | |
| Accounts payable | 428 | 419 | 617 |
| Tax Liability | 0 | 1,845 | 0 |
| Liability to group companies | 258,618 | 133,756 | 184,408 |
| Other liability | 3,412 | 282 | 2,218 |
| Accrued expenses | 15,512 | 2,437 | 11,485 |
| Total current liabilities | 277,970 | 138,739 | 198,727 |
| TOTAL EQUITY AND LIABILITIES | 334,285 | 322,447 | 285,069 |

Glossary

Financial statement

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

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

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

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

Use of key ratios not defined in IFRS

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

and does not replace the key ratios defined in IFRS. G5's definitions of measurements not defined in IFRS may differ from definitions used by other companies. All of G5' definitions are included below.

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

Operational terms

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

Daily Active Users (DAU) is the number of individuals who played a G5 game in a day. An individual who plays two different games in the day is counted as two DAUs. Numbers presented in the report are the average of the three months in any given quarter.

Monthly Unique Payers (MUP) is the number of individuals who made a payment in a G5 game at least once during a calendar month. An individual who pays in two G5 games is counted as one MUP. Numbers presented in the report are the average of the three months in any given quarter.

Monthly Unique Users (MUU) is the number of individuals who played a G5 game at least once during a calendar month. An individual who plays two different games during the month is counted as one MUU. Numbers presented in the report are the average of the three months in any given quarter.

Monthly Average Gross Revenue Per Paying User (MAGRPPU) is the average gross revenue received from a Monthly Unique Payer during a calendar month. MAGRPPU is calculated by dividing the gross revenue during the calendar month by the number of Monthly Unique Payers in the same calendar month. The numbers presented in the report are the average of the three months in any given quarter.

About G5 Entertainment

G5 Entertainment AB (publ) (G5) develops and publishes high quality free-to-play games for Apple App Store, Google Play, Microsoft Store, Amazon Appstore etc. The games are easy to learn and targeted at the widest audience of experienced and novice players. G5's portfolio includes a number of popular games like m Jewels of Rome™, Sherlock Hidden Match-3 cases, Hidden City®, Mahjong Journey®, Homicide Squad®, The Secret Society® Wordplay: Exercise your brain™ and Jewels of the Wild West™. G5 Entertainment AB (publ) is listed on Nasdaq Stockholm since 2014.