

G5 Entertainment AB

# Interim Report

JANUARY – JUNE 2021



# INTERIM REPORT JANUARY - JUNE 2021

## April - June 2021

- Revenue for the period was SEK 337.0 M (376.3), a decrease of 10 percent compared to the same period in 2020 in SEK terms. In USD terms revenue grew 3 percent year-over-year.
- Gross margin increased to 59 percent (57 percent), as larger share of revenue is coming from own games.
- EBIT for the period was SEK 43.2 M (44.8).
- Net result for the period was SEK 40.2 M (39.3).
- Earnings per share for the period, before dilution, was SEK 4.67 (4.43).
- Cash flow amounted to SEK -45.1 M (-50.6), impacted negatively by dividends of SEK -54.1 M (-21.9).
- Average Monthly Active Users (MAU) was 6.7 million, a decrease of 6 percent compared to the same period in 2020. Average Daily Active Users (DAU) was 1.7 million, a decrease of 2 percent compared to the same period in 2020. Average Monthly Unique Payers (MUP) was 203.2 thousand, a decrease of 11 percent while Average Monthly Average Gross Revenue Per Paying User (MAGRPPU) was USD 66.3, an increase of 15 percent compared to the same period last year. These changes reflect that the second quarter last year was impacted by the worldwide lockdowns, which was an outlier on the growth curve, combined with the changes in the portfolio composition where Match-3 games has taken a larger share of revenue combined with more effective user acquisition.

## Financial key ratios

KSEK	Apr-Jun 2021	Apr-Jun 2020	Change %	Jan-Jun 2021	Jan-Jun 2020	Change %	Jul-Jun 20/21	2020	Change %
Revenue	336,998	376,324	-10%	663,570	688,280	-4%	1,331,338	1,356,048	-2%
Commission to distributors <sup>1</sup>	-98,137	-111,072	-12%	-193,256	-203,866	-5%	-385,265	-395,875	-3%
Royalty to external developers <sup>2</sup>	-40,270	-48,872	-18%	-79,967	-91,358	-12%	-162,462	-173,853	-7%
<b>Gross profit</b>	<b>198,590</b>	<b>216,379</b>	<b>-8%</b>	<b>390,347</b>	<b>393,056</b>	<b>-1%</b>	<b>783,611</b>	<b>786,320</b>	<b>0%</b>
Gross margin	59%	57%		59%	57%		59%	58%	
Operating costs excluding costs for user acquisition	-78,964	-89,351	-12%	-154,495	-158,822	-3%	-298,830	-303,157	-1%
EBIT excluding costs for user acquisition	119,626	127,028	-6%	235,851	234,234	1%	484,781	483,163	0%
<b>EBIT margin before costs for user acquisition</b>	<b>35%</b>	<b>34%</b>		<b>36%</b>	<b>34%</b>		<b>36%</b>	<b>36%</b>	
Costs for user acquisition <sup>3</sup>	-76,453	-82,264	-7%	-132,782	-150,697	-12%	-275,704	-293,619	-6%
Costs for user acquisition as percentage of revenue	-23%	-22%		-20%	-22%		-21%	-22%	
<b>EBIT</b>	<b>43,173</b>	<b>44,764</b>	<b>-4%</b>	<b>103,069</b>	<b>83,537</b>	<b>23%</b>	<b>209,076</b>	<b>189,544</b>	<b>10%</b>
EBIT margin (%)	12.8%	11.9%		15.5%	12.1%		15.7%	14.0%	
<b>Earnings per share before dilution</b>	<b>4.67</b>	<b>4.43</b>	<b>5%</b>	<b>10.93</b>	<b>8.14</b>	<b>34%</b>	<b>21.83</b>	<b>19.11</b>	<b>14%</b>
Cash flow before financing activities	12,173	-18,311		74,337	14,751		199,676	140,090	
Cash and cash equivalents	169,379	131,289		169,379	131,289		169,379	188,941	

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



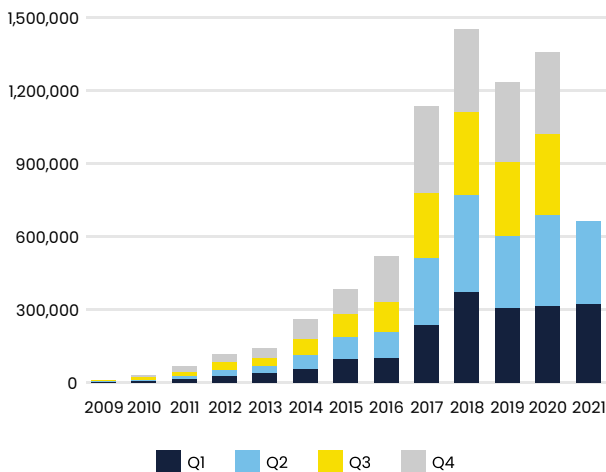
# Growth in USD terms compared to lockdown quarter last year

In the second quarter we saw continued strong engagement in our games and improved monetization. The second and third quarters are usually seasonally weaker for G5 as the weather heats up and many head out on vacation. We saw this regular seasonal pattern as we progressed through the quarter but the effect is surprisingly lower than before the pandemic and engagement remains high. For us, it reflects the increasing popularity of our games, the willingness of players to spend more money while playing and the constantly improving production values of our new generation games. Unlike most other mobile games, our games can also be played offline which means that you can play while flying or in other situations with bad connectivity. Basically, it is easy to continue playing even on vacation.

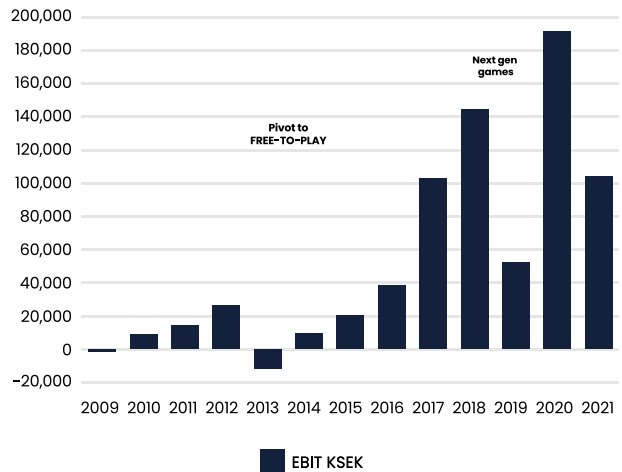
Our audience is predominantly female over 35 years and to a large extent 55+. The pandemic has changed the behavior patterns, reduced time spent commuting and sent wider audiences of people into the application stores in search of entertainment, providing us and the industry with free marketing and pushing the industry forward

**In USD terms, we achieved 3% y/y growth compared to lockdown quarter**

Revenue KSEK



EBIT KSEK



along the growth curve.

Our own games grew 23% year-over-year in USD terms and 5% quarter-over-quarter in USD terms. The new generation of games (released during the last two years) jumped 74% year-over-year in USD terms and 13% quarter-over-quarter. The new generation of games represented 47% of revenue in the quarter, now our biggest segment of the portfolio by far. If we look at the total own games portfolio it represents 64% compared to 53% a year ago. If we look toward the licensed part of the portfolio, these titles had a significant temporary positive effect during Q2 last year. Since then, they have decreased and had a weaker trend during H2 2020, in the first half of this year they stabilized and are showing a small sequential growth from Q1.

With regards to the audience metrics, they reflect the situation described above. Year-over-year we see a decline from the temporary lockdown boost effect in 2020. The sequential development is stable coming from a seasonally stronger quarter. At the same time, we continue to see the longer trend of an increasing monthly average gross revenue per paying user (MAGRPPU), which was 66.3 USD in the quarter.

The work on our new games continues. We released two games this year and remain on track to release six new games in 2021. It is our goal to maintain a portfolio of games with a regular inflow of new high-quality entries.

All in all, we had a record first half of the year delivering record EBIT of SEK 103 M which is 23% growth compared to the same period last year. In SEK terms the revenue in the

first six months decreased by 4% compared to the same period last year, but it is important to remember the SEK/USD rate has deteriorated significantly compared to one year ago and that we had a beneficial bump during Q2 last year due to lockdowns. In USD terms, the first six months showed 11% growth compared to the same period last year and in the second quarter sales grew 3% in USD terms and 4% sequentially.

During the quarter, user acquisition was 23% of revenue, on the higher side of the range we had previously communicated as we wanted some extra momentum in this seasonally weak quarter and now that societies are opening. We also wanted to acquire customers on the Windows platform ahead of the reduction of store fees on the platform from the current 30% to 12% on August 1. For the third quarter we aim for UA spend in the range of 17-22% of revenue.

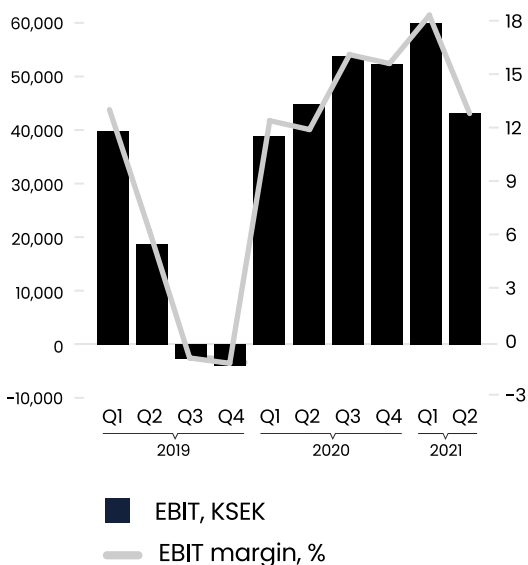
At the end of April, Microsoft announced that it will reduce its store fees, which will have a significant effect on our earnings as we derive a substantial amount of our revenue from Microsoft Store. For the third quarter, we foresee substantially higher margins due to this change combined with the growing revenue from the G5 Store, followed by an even stronger boost in the fourth quarter.

The G5 Store continued to deliver strong sequential growth over the quarter, advertising is also growing but at a slower pace.

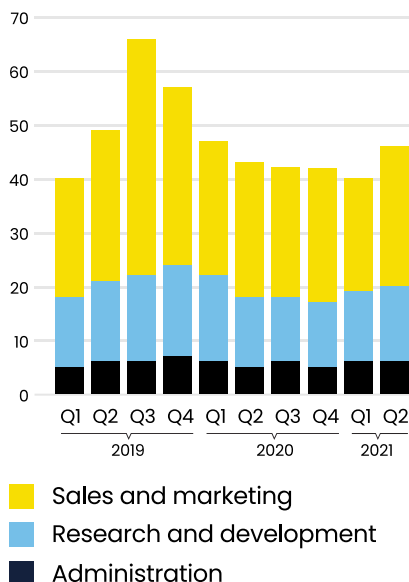
G5 is active in a fast-growing, knowledge-based industry and our employees are in high demand. This goes for both

## We had a record first half of the year delivering record EBIT of SEK 103 M, +23% y/y

EBIT (KSEK) | EBIT-margin (%)



Costs in % of revenue



## We are still on track to deliver what we believe is going to be a record year

performance through our long-term incentive programs. In 2020, the program from 2018 rewarded 83 employees in five countries.

This year, we aim to cover 380 employees with a program that will fully vest in the spring of 2024 if the shares price reaches SEK 1200-1300. This is an ambitious goal that will require hard work from our team. The dilution of maximum 1.8% is only going to happen if the share price reaches the

Western and Eastern Europe where our development offices are located. As we strive to retain the best employees, we are aligning their interests with our shareholders' by rewarding exceptional

target, delivering outstanding returns to shareholders. The future is bright, and I look forward to continuing the journey with our amazing international team.

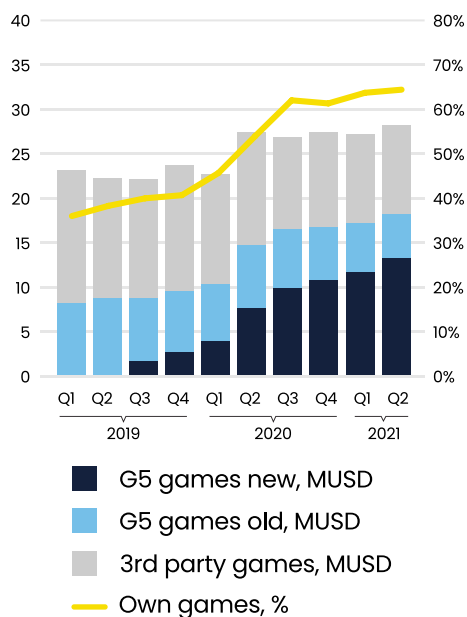
In the quarter, we paid a dividend of SEK 54,1 million or SEK 6.25 per share (2.50), but we still have a strong cash position. We are always actively screening for M&A opportunities that could bring synergies and strategic advantage.

Although the second and third quarters are seasonally weaker, the portfolio is doing really well and the fourth quarter is set to be strong as we enter the seasonally stronger part of the year. We are still on track to deliver what we believe is going to be a record year.

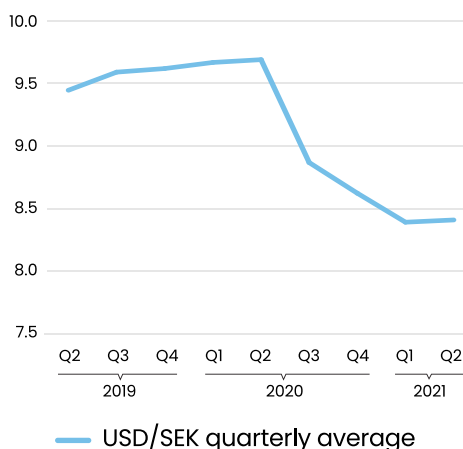
Thanks for following us at G5.

San Francisco, August 10th, 2021  
**Vlad Suglobov**, CEO, co-founder

### Own/licensed revenue (MUSD) share own games (%)



### SEK/USD rate Quarterly average



## April–June

### Revenue and gross profit

Revenue amounted to SEK 337.0 M (376.3). Revenue decreased by 10 percent compared to the same period in 2020 as the USD has weakened compared to the reporting currency, in USD the revenue grew 3%.

Cost of revenue decreased to SEK 138.4 M (159.9). Cost of revenue includes commission to the distributors (Apple App Store, Google Play, Amazon Appstore, etc.). All relevant parties still charge up to 30 percent of gross revenue, from August 1st Microsoft will lower their commission fees to 12%. Cost of revenue also includes royalties payable to external developers which decreased by 18 percent compared to the same period in 2020. Licensed games benefitted from the lockdowns in the second quarter 2020 and has since decreased in revenue.

Gross margin for the period was 59 percent (57). Gross profit for the quarter decreased by 8 percent compared to the second quarter in 2020 and was SEK 198.6 M (216.4).

### Operational Costs

Costs for research and development were SEK 45.6 M (50.7) during the period. The decrease in costs for research and development is primarily driven by a higher capitalization ratio. 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 88.9 M (93.8). Sales and marketing is primarily affected by the costs for user

acquisition. During the quarter the cost for user acquisition was SEK 76.5 M (82.3). Cost for user acquisition as a percentage of sales was 23 percent, compared to 22 percent in the same period in 2020. Sales and marketing, excluding user acquisition, increased slightly to SEK 12.4 M (11.5).

General and administrative costs amounted to SEK 20.6 M (17.8). Other operating income amounted to SEK 0.2 M (-8.4) and other operating expenses amounted to SEK -0.5 M (-0.9). Together they amounted to SEK -0.3 M (-9.3), 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 33.9 M (31.2). Capitalization of intangible assets amounted to SEK 39.1 M (30.0). During the quarter no write-downs (-0.4) were made. Net effect of capitalization and amortization, net capitalization, on intangible assets amounted to SEK 9.8 M (2.9).

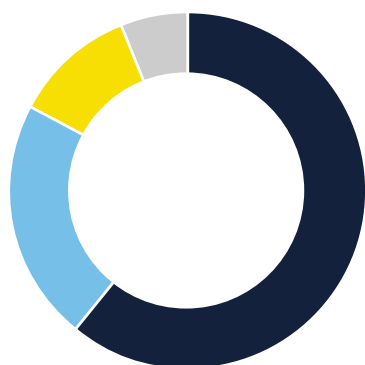
Earnings before interest and taxes (EBIT) amounted to SEK 43.2 M (44.8), corresponding to an EBIT margin of 12.8 percent (11.9).

### Net profit

Net profit was marginally affected by financial items. Tax affected the result with SEK -2.7 M (-5.3).

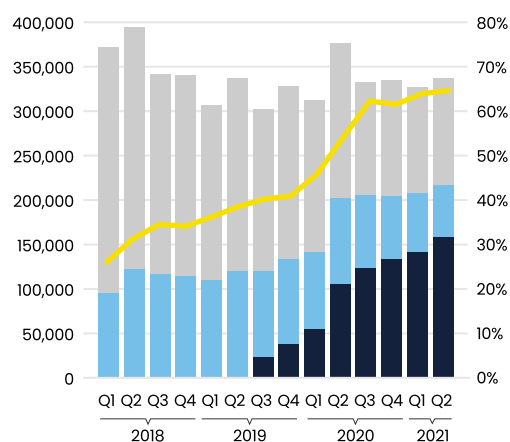
Net profit amounted to SEK 40.2 M (39.3) which equals an earnings per share, before and after dilution, of SEK 4.67 (4.43).

### Revenue breakdown by geography Second Quarter 2021



- North America 61%
- Europe 22%
- Asia 11%
- 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) decreased by 6 percent compared to 2020, also Daily Active Users (DAU) decreased 2 percent compared to 2020. Monthly Unique Users (MUU) decreased with 11 percent. Average Monthly Unique Payers (MUP) decreased with 11 percent compared to 2020 but the average monthly spend, Monthly Average Gross Revenue Per Paying User (MAGRPPU) increased with 15 percent compared to the same period in 2020.

F2P	Q2 '21	Q2 '20	Change
Average MAU (mn)	6.7	7.1	-6%
Average MUP (thousands)	203.2	227.6	-11%
Average MUU (mn)	5.0	5.6	-11%
Average MAGRPPU (USD)	66.3	57.4	15%
Average DAU (mn)	1.7	1.8	-2%

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

## Releases during the quarter

The company released Hidden Epee (soft launch) during the quarter.

## January–June

### Revenue and gross profit

Revenue decreased with 4 per cent compared to the same period last year, impacted strongly by the SEK/USD exchange rate. Revenue amounted to SEK 663.6 M (688.3).

The group's cost of revenue was SEK 273.2 M (295.2).

Gross profit amounted to SEK 390.3 M (393.1), a decrease of 1 percent compared to the same period in 2020. Gross margin was 59 percent (57).

### Operating Costs

Operating costs decreased 8 per cent compared to the same period in 2020. User acquisition decreased to SEK 132.8 M (150.7). Excluding costs for user acquisition the operating costs amounted to SEK 154.5 M (158.8). The operational costs were impacted by depreciation and amortization of SEK 65.9 M (63.6) and write-downs of SEK 0.0 M (0.4).

Other operating income and costs impacted the period negatively with SEK -1.8 M (0.6), primarily attributed to exchange rate differences on operational assets and liabilities related to balance sheet items in the parent company.

### EBIT

EBIT was SEK 103.1 M (83.5) and the EBIT-margin was 15.5 percent (12.1) for the period.

## Net profit

Net profit was marginally affected by financial items. Tax affected the result with SEK -8.5 M (-10.5) corresponding to an effective tax rate of 8 percent (13).

Net profit amounted to SEK 94.0 M (72.8) which is corresponding to earnings per share before and after dilution of SEK 10.93 (8.14).

## Cash flow

During the second quarter, the group had an operating cash flow before changes in working capital of SEK 72.2 M (24.1). In the quarter taxes impacted the cash flow negatively with SEK -4.5 M (-52.1). Changes in working capital impacted the cash flow with SEK 19.3 M (-11.9). Capitalized development expenses impacted the cash flow negatively with SEK -39.1 M (-30.0).

Cash flow before financing activities amounted to SEK 12.2 M (-18.3). Financing activities were impacted by dividends of SEK -54.1 M (-21.9) and IFRS16 bookings related to lease of premises SEK -4.3 M (-3.0).

For the interim period Jan-Jun cash flow before changes in working capital amounted to SEK 162.8 M (94.5). The cash flow for the interim period amounted to SEK 20.0 M (-20.5).

Available cash on June 30, 2021 amounted to SEK 169.4 M (131.3).

## 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 230.6 M (217.3). 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	Jun 30 2021	Jun 30 2020
Released games	214.1	147.8
Not released games	16.5	69.5
Book value of games portfolio	230.6	217.3

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 452.8 M (384.2), which equals SEK 52.5 per share (43.4) and the equity/asset ratio is 67 percent (65).

Cash on hand amounted to SEK 169.4 M (131.3).

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 short-term 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.

### 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

Interim report Jan-Sep 2021	November 5, 2021
Year-end report 2021	February 10, 2022

## Teleconference

On August 11th, 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:

<https://corporate.g5e.com/investors/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

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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 August 10th, 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 August 11th, 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	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jul-Jun 20/21	2020
Net turnover	336,998	376,324	663,570	688,280	1,331,338	1,356,048
Cost of revenue	-138,408	-159,944	-273,223	-295,224	-547,727	-569,728
<b>Gross profit</b>	<b>198,590</b>	<b>216,379</b>	<b>390,347</b>	<b>393,056</b>	<b>783,611</b>	<b>786,320</b>
Research and Development expenses	-45,596	-50,710	-88,596	-100,082	-167,379	-178,866
Sales and Marketing expenses	-88,897	-93,756	-156,684	-173,178	-322,475	-338,970
General and Administrative expenses	-20,625	-17,809	-40,182	-36,891	-78,015	-74,724
Other operating income	196	-8,435	-1,055	1,936	20,935	23,925
Other operating expenses	-495	-906	-761	-1,303	-27,600	-28,142
<b>Operating result</b>	<b>43,173</b>	<b>44,764</b>	<b>103,069</b>	<b>83,537</b>	<b>209,076</b>	<b>189,544</b>
Financial income	31	45	53	233	100	280
Financial expenses	-306	-239	-650	-521	-1,133	-1,005
<b>Operating result after financial items</b>	<b>42,898</b>	<b>44,571</b>	<b>102,472</b>	<b>83,248</b>	<b>208,043</b>	<b>188,819</b>
Taxes	-2,688	-5,310	-8,490	-10,469	-19,573	-21,552
<b>NET RESULT FOR THE PERIOD</b>	<b>40,211</b>	<b>39,261</b>	<b>93,982</b>	<b>72,779</b>	<b>188,470</b>	<b>167,267</b>
<b>Attributed to:</b>						
Parent company's shareholders	40,211	39,261	93,982	72,779	188,470	167,267
<b>Earnings per share</b>						
Weighted average number of shares before dilution (thousands)	8,607	8,858	8,596	8,939	8,635	8,751
Weighted average number of shares after dilution (thousands)	8,607	8,858	8,596	8,939	8,635	8,751
Earnings per share (SEK), before dilution	4.67	4.43	10.93	8.14	21.83	19.11
Earnings per share (SEK), after dilution	4.67	4.43	10.93	8.14	21.83	19.11

## Statement of comprehensive income – Group

KSEK	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jul-Jun 20/21	2020
Net result for the period	40,211	39,261	93,982	72,779	188,470	167,267
<b>Items that later can be reversed in profit</b>						
Foreign currency translation differences	-6,453	-12,875	15,686	-2,006	33,378	15,686
<b>Total other comprehensive income for the period</b>	<b>-6,453</b>	<b>-12,875</b>	<b>15,686</b>	<b>-2,006</b>	<b>33,378</b>	<b>15,686</b>
<b>Total comprehensive income for the period</b>	<b>33,758</b>	<b>26,386</b>	<b>109,668</b>	<b>70,773</b>	<b>221,848</b>	<b>182,953</b>
<b>Attributed to:</b>						
Parent company's shareholders	33,758	26,386	109,668	70,773	221,848	182,953

## Balance sheet – Group

KSEK	Jun 30 2021	Jun 30 2020	Dec 31 2020
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Capitalized development expenses (Note 2)	230,608	217,317	204,649
Goodwill	-	-	-
	<b>230,608</b>	<b>217,317</b>	<b>204,649</b>
<b>Tangible fixed assets</b>			
Equipment	31,789	24,905	15,506
	<b>31,789</b>	<b>24,905</b>	<b>15,506</b>
Deferred tax receivable (Note 2)	77,322	54,275	57,672
<b>Total non-current assets</b>	<b>339,718</b>	<b>296,497</b>	<b>277,827</b>
<b>Current assets</b>			
Accounts receivable	0	32	558
Tax receivable	4,096	4,241	3,799
Other receivables (Note 4,6)	10,195	4,495	7,770
Prepaid expenses and accrued income	138,164	150,376	114,827
Short term investments	11,951	0	0
Cash and cash equivalents	169,379	131,289	188,411
<b>Total current assets</b>	<b>333,786</b>	<b>290,433</b>	<b>315,366</b>
<b>TOTAL ASSETS</b>	<b>673,504</b>	<b>586,930</b>	<b>593,192</b>
<b>Total shareholders' equity</b>	<b>452,786</b>	<b>384,173</b>	<b>431,807</b>
<b>Long-term liabilities</b>			
Other liabilities	651	12	627
Deferred tax liabilities	14,783	1,712	1,776
<b>Total long-term liabilities</b>	<b>15,435</b>	<b>1,724</b>	<b>2,403</b>
<b>Current liabilities (Note 5)</b>			
Short-term liabilities	4,652	52,271	4,605
Accounts payable	3,090	33,749	12,540
Other liabilities	14,100	15,330	4,673
Tax liabilities	100,031	31,607	70,616
Accrued expenses	83,412	68,076	66,548
<b>Total current liabilities</b>	<b>205,284</b>	<b>201,033</b>	<b>158,983</b>
<b>TOTAL equity and liabilities</b>	<b>673,504</b>	<b>586,930</b>	<b>593,191</b>

## Changes in shareholders' equity – Group

<b>KSEK</b>	<b>Share capital</b>	<b>Other capital contribution</b>	<b>Other reserves</b>	<b>Profit/loss brought forward</b>	<b>Shareholders' equity</b>
<b>Shareholders' equity 2020-01-01</b>	<b>928</b>	<b>50,615</b>	<b>23,660</b>	<b>310,404</b>	<b>385,607</b>
Net result for the year				72,779	72,779
Total other comprehensive income			-2,006		-2,006
<b>Total comprehensive income for the year</b>			<b>-2,006</b>	<b>72,779</b>	<b>70,773</b>
Dividend			-21,869		-21,869
Premiums paid on exercised/issued warrants			252		252
IFRS2 – Employee share schemes			-1,104		-1,104
<b>Total transactions with the owners recognized directly in equity</b>			<b>-72,207</b>	<b>0</b>	<b>-72,207</b>
<b>Shareholders' equity as of 2020-06-30</b>	<b>928</b>	<b>50,615</b>	<b>-50,553</b>	<b>383,183</b>	<b>384,173</b>
<b>Shareholders' equity 2021-01-01</b>	<b>928</b>	<b>-15,616</b>	<b>-9,307</b>	<b>455,802</b>	<b>431,807</b>
Net result for the year				93,982	93,982
Total other comprehensive income			15,686		15,686
<b>Total comprehensive income for the year</b>			<b>15,686</b>	<b>93,982</b>	<b>109,668</b>
Dividend			-54,097		-54,097
Repurchase of shares			-33,089		-33,089
IFRS2 – Employee share schemes			-1,503		-1,503
<b>Total transactions with the owners recognized directly in equity</b>			<b>-88,689</b>	<b>0</b>	<b>-88,689</b>
<b>Shareholders' equity as of 2021-06-30</b>	<b>928</b>	<b>-15,616</b>	<b>-82,310</b>	<b>549,784</b>	<b>452,786</b>

## Cash flow statement – Group

KSEK	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jul-Jun 20/21	2020
<b>Cash flow from operating activities</b>						
Profit after financial items	42,899	44,571	102,472	83,248	208,043	188,819
Adjusting items not included in cash flow	33,866	31,637	65,923	64,052	123,768	121,897
	<b>76,765</b>	<b>76,208</b>	<b>168,395</b>	<b>147,300</b>	<b>331,811</b>	<b>310,716</b>
Taxes paid	-4,530	-52,071	-5,594	-52,754	34,069	-13,091
<b>Cash flow before changes in working capital</b>	<b>72,235</b>	<b>24,137</b>	<b>162,801</b>	<b>94,546</b>	<b>365,880</b>	<b>297,625</b>
<b>Cash flow from changes in working capital</b>						
Change in operating receivables	-6,211	-11,439	-31,350	-42,087	-4,222	-14,959
Change in operating liabilities	-13,092	-450	22,692	24,329	-15,214	-13,577
<b>Cash flow from operating activities</b>	<b>52,932</b>	<b>12,248</b>	<b>154,143</b>	<b>76,788</b>	<b>346,444</b>	<b>269,089</b>
<b>Investing activities</b>						
Investment in fixed assets	-1,704	-520	-5,715	-1,067	-6,982	-2,335
Capitalized development expenses	-39,055	-30,039	-74,091	-60,970	-139,786	-126,664
<b>Cash flow from investing activities</b>	<b>-40,759</b>	<b>-30,559</b>	<b>-79,806</b>	<b>-62,037</b>	<b>-146,768</b>	<b>-128,999</b>
<b>Financing activities</b>						
Lease payments, IFRS16	-4,260	-2,989	-7,143	-5,978	-10,693	-9,528
Short term loan	-	41,800	-	41,800	-41,800	-
Dividend	-54,097	-21,869	-54,097	-21,869	-54,097	-21,869
Repurchase shares	1,050	-49,486	-33,089	-49,486	-50,086	-66,483
Premiums warrant program	-	252	-	252	-	252
<b>Cash flow from financing activities</b>	<b>-57,307</b>	<b>-32,292</b>	<b>-94,329</b>	<b>-35,281</b>	<b>-156,676</b>	<b>-97,628</b>
<b>CASH FLOW</b>	<b>-45,134</b>	<b>-50,603</b>	<b>-19,992</b>	<b>-20,530</b>	<b>43,000</b>	<b>42,462</b>
<b>Cash at the beginning of the period</b>	<b>214,732</b>	<b>185,746</b>	<b>188,411</b>	<b>152,268</b>	<b>131,289</b>	<b>152,268</b>
Cash flow	-45,134	-50,603	-19,992	-20,530	43,000	42,462
Exchange rate differences	-219	-3,854	960	-449	-4,910	-6,319
<b>CASH AT THE END OF THE PERIOD</b>	<b>169,379</b>	<b>131,289</b>	<b>169,379</b>	<b>131,289</b>	<b>169,379</b>	<b>188,411</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 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	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jul-Jun 20/21	2020
<b>At the beginning of the period</b>	<b>226,257</b>	<b>231,606</b>	<b>204,649</b>	<b>211,419</b>	<b>217,317</b>	<b>211,419</b>
Investments	39,055	30,039	74,091	60,970	139,785	126,664
Write-downs	0	-409	0	-409	0	-409
Amortization	-29,286	-27,144	-56,417	-55,228	-106,854	-105,664
<b>Net change during the period</b>	<b>9,769</b>	<b>2,486</b>	<b>17,674</b>	<b>5,333</b>	<b>32,931</b>	<b>20,590</b>
Currency exchange differences	-5,418	-16,775	8,285	565	-19,640	-27,361
<b>At the end of the period</b>	<b>230,608</b>	<b>217,317</b>	<b>230,608</b>	<b>217,317</b>	<b>230,608</b>	<b>204,649</b>

## NOTE 3

### Other receivables

Other receivables include SEK 3.0 M (1.2) 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	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jul-Jun 20/21	2020
Net turnover	336,998	376,324	663,570	688,280	1,331,338	1,356,048
Cost of revenue	-253,810	-292,044	-515,458	-513,088	-1,006,170	-1,003,800
<b>Gross profit</b>	<b>83,188</b>	<b>84,280</b>	<b>148,112</b>	<b>175,192</b>	<b>325,168</b>	<b>352,248</b>
Research and development expenses	-27	-29	-54	-59	-107	-112
Sales and Marketing expenses	-66,221	-3,023	-98,984	-11,101	-144,639	-56,756
General and administrative expenses	-22,513	-92,161	-57,280	-164,704	-181,862	-289,286
Other operating income	-5,595	-14,084	6,981	1,613	5,368	0
Other operating expenses	5,715	5,553	-8,140	-1,732	-11,631	-5,223
<b>Operating result</b>	<b>-5,453</b>	<b>-19,465</b>	<b>-9,366</b>	<b>-791</b>	<b>-7,704</b>	<b>871</b>
Financial income	60,013	4,882	60,025	4,982	60,048	5,004
Financial expenses	0	0	0	0	-140	-140
<b>Operating result after financial items</b>	<b>54,560</b>	<b>-14,583</b>	<b>50,659</b>	<b>4,191</b>	<b>52,205</b>	<b>5,736</b>
Taxes	1,120	3,915	1,924	-66	1,590	-399
<b>NET RESULT FOR THE PERIOD</b>	<b>55,680</b>	<b>-10,668</b>	<b>52,583</b>	<b>4,125</b>	<b>53,795</b>	<b>5,337</b>

## Statement of comprehensive income – Parent company

KSEK	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jul-Jun 20/21	2020
Net result for the period	55,680	-10,668	52,583	4,125	53,795	5,337
<b>Items that later can be reversed in profit</b>						
Foreign currency translation differences	-	-	-	-	-	-
<b>Total other comprehensive income for the period</b>	<b>55,680</b>	<b>-10,668</b>	<b>52,583</b>	<b>4,125</b>	<b>53,795</b>	<b>5,337</b>

## Balance sheet – Parent company

KSEK	Jun 30 2021	Jun 30 2020	Dec 31 2020
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>	30	41	39
Tangible fixed assets	30	41	39
<b>Financial fixed assets</b>			
Shares in group companies	70	70	70
Receivables from group companies	-	-	-
<b>Total fixed assets</b>	<b>70</b>	<b>70</b>	<b>70</b>
<b>Current assets</b>			
Account receivables	-	32	558
Receivables from group companies	473	37,110	1
Tax receivables	2,973	3,063	2,559
Other receivables	65,983	454	321
Prepaid expenses and accrued income	133,807	146,674	110,468
Cash and cash equivalents	138,226	108,754	171,054
<b>Total current assets</b>	<b>341,462</b>	<b>296,087</b>	<b>284,960</b>
<b>TOTAL ASSETS</b>	<b>341,562</b>	<b>296,198</b>	<b>285,069</b>
<b>Restricted equity</b>			
Share capital	928	928	928
<b>Non-restricted equity</b>			
Share premium reserve	50 996	50 554	50 996
Profit/Loss carried forward	-52 653	61 004	29 080
Net result for the period	52 583	-10 668	5 337
<b>Total equity</b>	<b>51 854</b>	<b>101 817</b>	<b>86 341</b>
<b>Current liabilities</b>			
Short term liabilities	-	41,800	-
Accounts payable	325	1,088	617
Tax Liability	-	-	-
Liability to group companies	275,407	148,213	184,408
Other liability	3,454	860	2,218
Accrued expenses	22,474	2,420	11,485
<b>Total current liabilities</b>	<b>301,659</b>	<b>152,581</b>	<b>198,727</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>353,514</b>	<b>254,398</b>	<b>285,069</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 (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 G5 Store, 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 Jewels of Rome™, Sherlock Hidden Match-3 cases, Hidden City®, Mahjong Journey®, Homicide Squad®, The Secret Society® Wordplay: Search Word Puzzle™ and Jewels of the Wild West™. G5 Entertainment AB (publ) is listed on Nasdaq Stockholm since 2014.