

G5 Entertainment AB

Interim Report Q3 2021

JANUARY – SEPTEMBER 2021



INTERIM REPORT JANUARY – SEPTEMBER 2021

July – September 2021

- Revenue for the period was SEK 327.6 M (332.4), a decrease of 1 percent compared to the same period in 2020 in SEK terms. In USD terms revenue grew 1 percent year-over-year.
- Gross margin increased to 64 percent (59 percent), as larger share of revenue is coming from own games together with the lowered store fees on the Microsoft platform that went from 30% to 12% from August 1, 2021.
- EBIT for the period was SEK 56.5 M (53.7).
- Net result for the period was SEK 50.0 M (48.5).
- Earnings per share for the period, before dilution, was SEK 5.82 (5.59).
- Cash flow amounted to SEK -39.2 M (32.1), affected by share repurchases of SEK -88.8 M (-4.6).
- Average Monthly Active Users (MAU) was 6.7 million, a decrease of 2 percent compared to the same period in 2020. Average Daily Active Users (DAU) was 1.8 million, an increase of 2 percent compared to the same period in 2020. Average Monthly Unique Payers (MUP) was 197.7 thousand, a decrease of 7 percent while Average Monthly Average Gross Revenue Per Paying User (MAGRPPU) was USD 68.1, an increase of 13 percent compared to the same period last year.

FINANCIAL KEY RATIOS

KSEK	Jul-Sep 2021	Jul-Sep 2020	Change %	Jan-Sep 2021	Jan-Sep 2020	Change %	Oct-Sep 20/21	2020	Change %
Revenue	327,557	332,437	-1%	991,127	1,020,716	-3%	1,326,458	1,356,048	-2%
Commission to distributors ¹	-80,867	-95,243	-15%	-274,123	-299,109	-8%	-370,888	-395,875	-6%
Royalty to external developers ²	-38,609	-41,339	-7%	-118,576	-132,697	-11%	-159,732	-173,853	-8%
Gross profit	208,081	195,854	6%	598,428	588,910	2%	795,838	786,320	1%
Gross margin	64%	59%		60%	58%		60%	58%	
Operating costs excluding costs for user acquisition	-84,842	-72,160	18%	-239,337	-230,982	4%	-311,512	-303,157	3%
EBIT excluding costs for user acquisition	123,239	123,695	0%	359,091	357,928	0%	484,326	483,163	0%
EBIT margin before costs for user acquisition	38%	37%		36%	35%		37%	36%	
Costs for user acquisition ³	-66,784	-70,010	-5%	-199,567	-220,707	-10%	-272,479	-293,619	-7%
Costs for user acquisition as percentage of revenue	-20%	-21%		-20%	-22%		-21%	-22%	
EBIT	56,455	53,684	5%	159,524	137,221	16%	211,847	189,544	12%
EBIT margin (%)	17%	16%		16%	13%		16%	14%	
Earnings per share before dilution	5.82	5.59	4%	16.76	13.50	24%	22.06	19.11	15%
Cash flow before financing activities	56,390	80,341		142,659	95,092		187,657	140,090	
Cash and cash equivalents	130,880	160,830		130,880	160,830		130,880	188,411	

¹ Variable costs paid to distributors. Main stores has the following fees: Apple App Store, Google Play, Amazon Appstore etc. has a fee of 30 percent, Microsoft Store 12 percent, G5 Store has single digit percent.

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: NEW GENERATION GAMES SET STAGE FOR RECORD 2021



The third quarter is behind us, and it is reassuring to see players continue to enjoy the games our developers worked so hard on. Already after September, we are close to topping the full year results from 2020. There is no doubt we are going to have a record year in terms of earnings, especially with the seasonally strong Q4 ahead.

Revenue during Q3 in USD terms rose 1% year-over-year and slipped 1% in SEK due to FX. Underpinning this performance, in USD terms, is the 36% year-over-year growth in our New Generation Games and 7% rise in Own Games. The New Generation Games, those titles released during the last two years (since summer 2019), made up half of the revenue during the past quarter after growing 1% sequentially from the second quarter, while Own Games accounted for 66% – both new records for G5 and a clear indication of just how compelling these games are. We are satisfied with the outcome considering that Q3 is historically weaker quarter because of seasonality which was further impacted this year by travel reopening and to some extent the IDFA situation.

I want to take a moment to talk about the company's gross margin, which crushed our previous record, reaching 64%, compared to 59% in the previous quarter. The boost is mostly

In USD terms, New Generation Games grew 36% representing more than 50% of net revenue

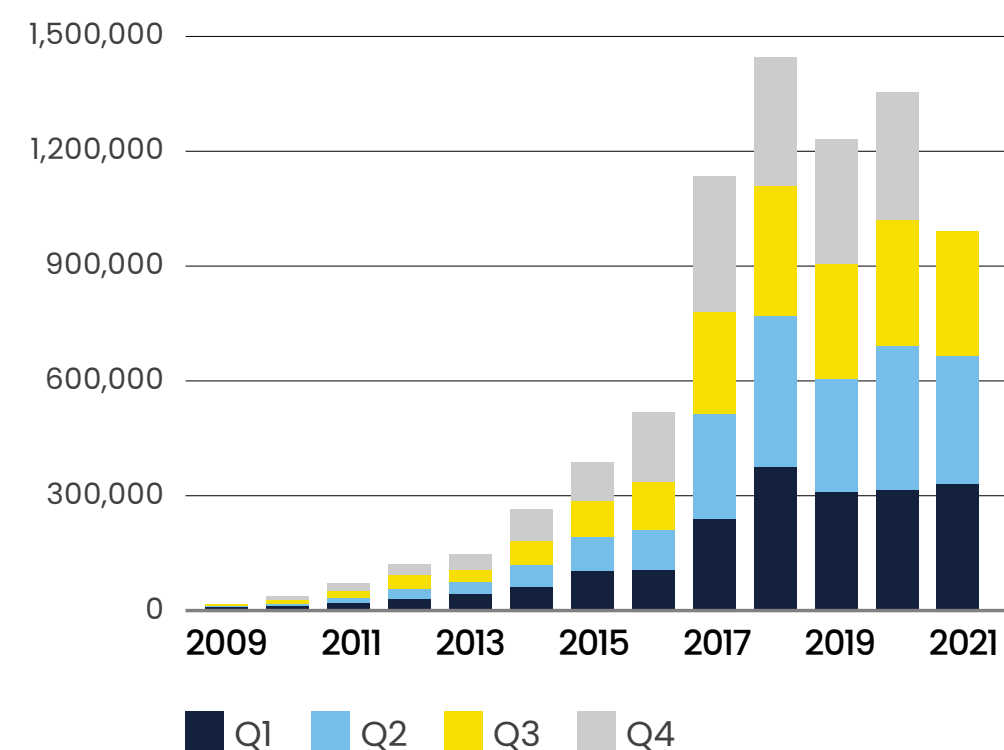
due to the fee reduction in the Microsoft Store that happened on August 1. Effective commission to distributors (store fees) was 24.7% in Q3 vs 29.1% in Q2. The new Microsoft Store fee only applied to the last two months of the quarter, so its full implications won't be visible until our Q4 results. G5's gross margin has been expanding over the past years though, driven by the growing share of revenue coming from Own Games, and we expect this trend to continue.

EBIT for the first nine months of 2021 was 160 MSEK, up 16% year-on-year and on track to exceed last year's EBIT when we close the fourth quarter. The same goes for G5's EPS, which was 16.8 SEK for January – September. G5's EBIT in the quarter expanded 5% year-over-year, while the EBIT margin adjusted for FX was 18% with user acquisition (UA) expenses amounting to 20% of gross revenue.

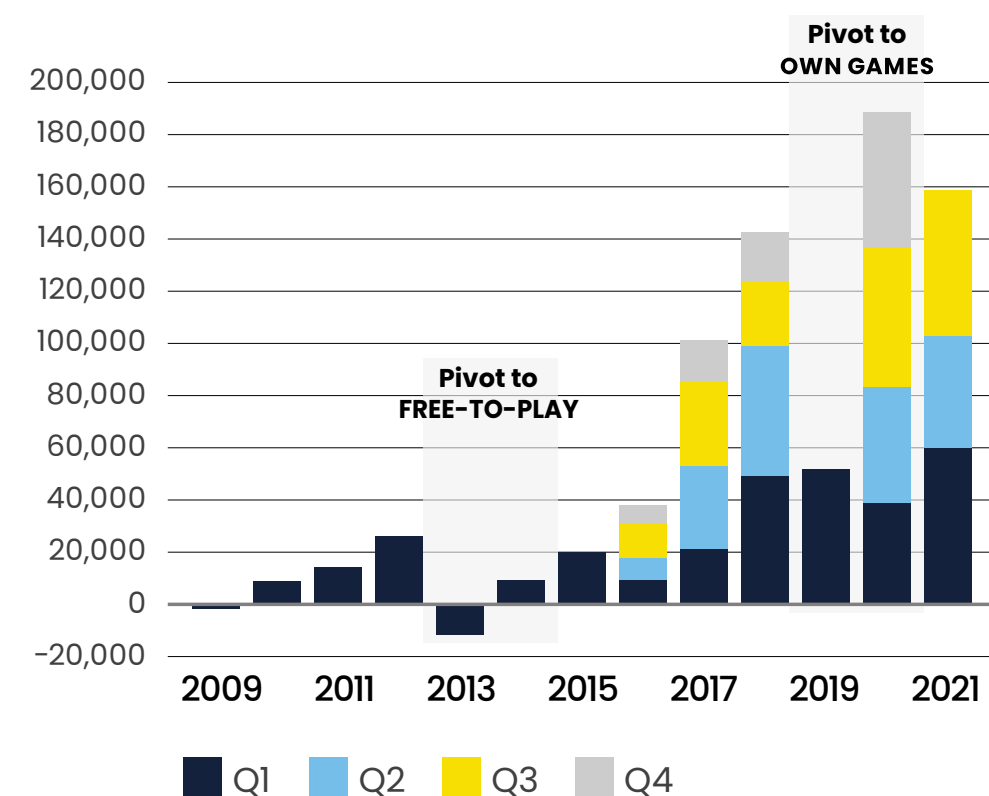
The company has shifted to a higher gear thanks to the great game titles the G5 development team has produced and excellent work of our marketing so we look forward to seeing how we perform in the seasonally strong Q4 and Q1.

As mentioned, G5 spent 20% of revenue on user acquisition during Q3, in the middle of our guidance of between 17-22%. Of course, this was done while also delivering an 17% EBIT margin, one of the most profitable quarters ever. At the same time, we ramped up the G5 staff count to 870 and spent 25% more on R&D, compared to a year earlier, improving our cross-platform engine, MARS suite of tools, the G5 Store and its billing platform. This shows we can clearly continue to invest in future growth while also maintaining our high EBIT margin levels.

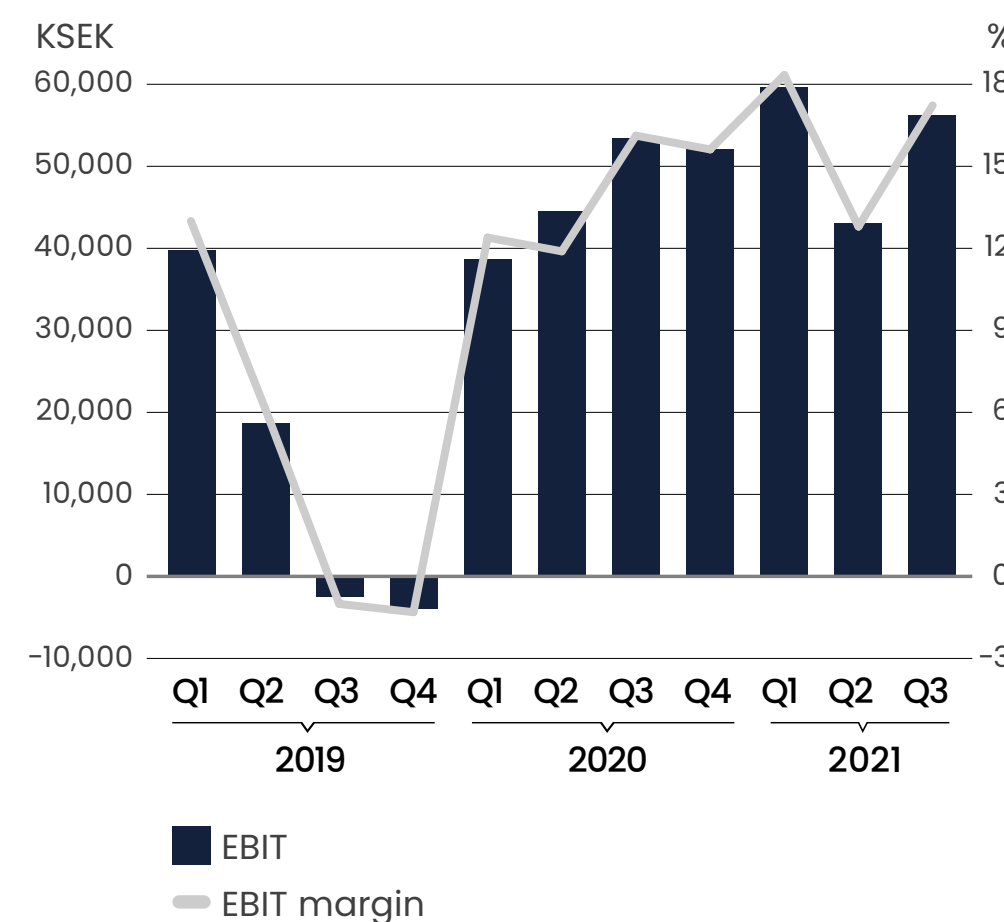
Revenue KSEK



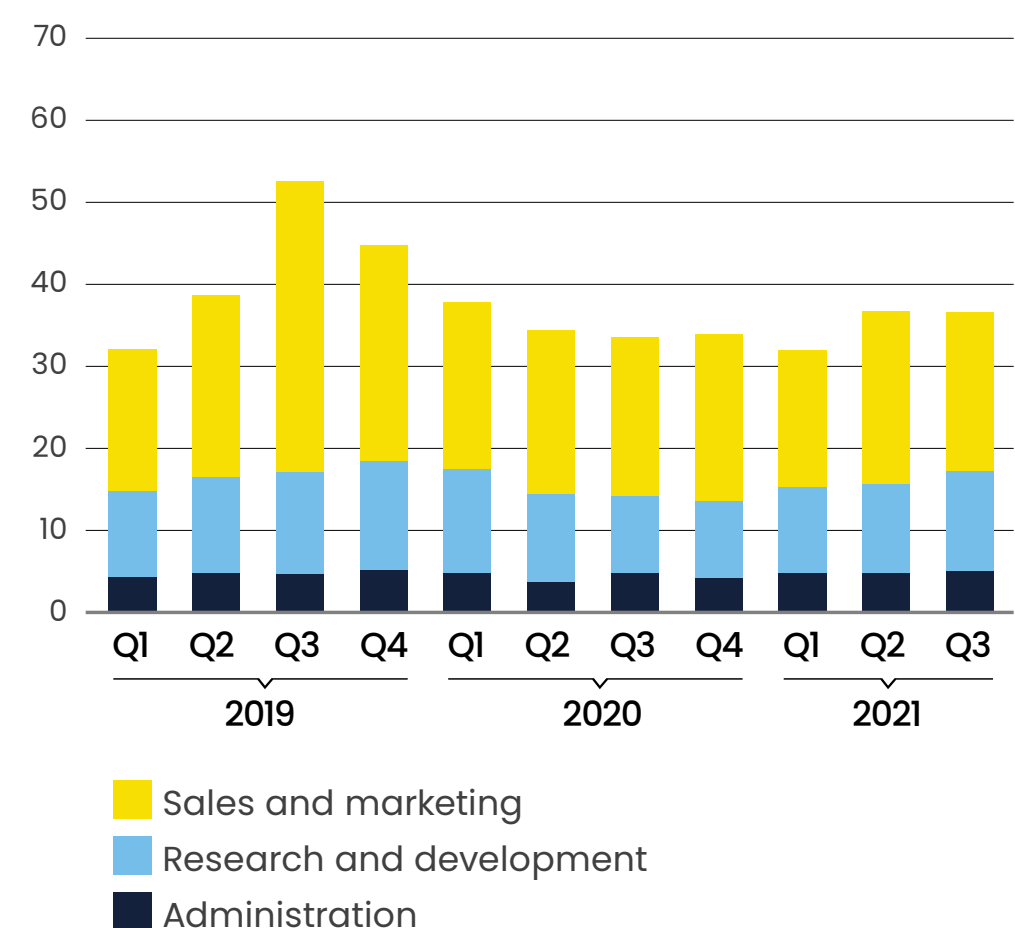
EBIT KSEK



EBIT (KSEK) | EBIT-margin (%)



Costs in % of revenue



Cash flow was -39 MSEK in the quarter, after share buybacks of 89 MSEK. At the end of the period, 8,450,000 shares were available in the market and we have through the repurchases now significantly reduced the amount of shares outstanding, despite also issuing shares under the long term incentive plans.

On the growth of our new generation games, Sherlock continued to advance and accounted for more than 10% of the quarter's revenue. We have variable compensation for the teams attached to the performance of the games and the teams for Sherlock and Jewels of the Wild West earned approximately 2.5 MSEK to share between them after each game reached a new threshold. Last quarter I talked about our long-term incentives, this is another part of our motivational scheme which is more closely aligned with the performance of the individual game team and we look forward to rewarding and acknowledging the teams again and again, when they have taken the games to the next level.

There is a lot happening in the industry when it comes to the various platforms and potential shift in store fees, so it is important to take a moment to talk about this. To start, G5 remains committed to mobile and remains a mobile-first company, but we also see ourselves as platform-agnostic company making casual games. Our players use mobile devices, but they also own personal computers, laptops, notebooks and tablets powered by Windows.

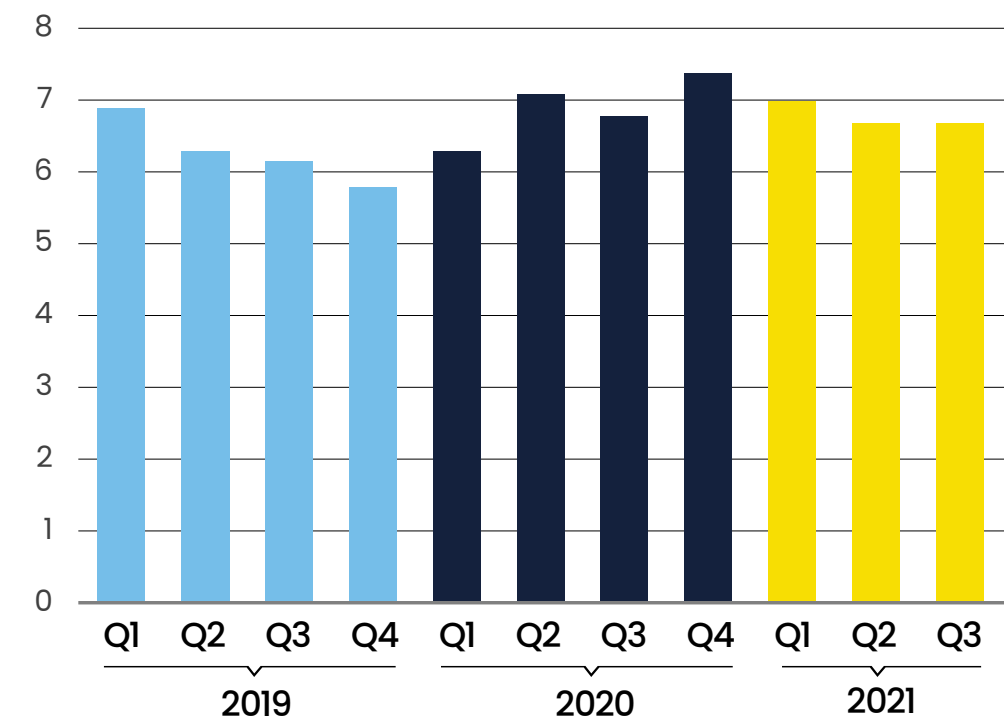
We are pleasantly surprised by G5 Store's growth as it is by far our fastest growing distribution channel. It works as a tool to acquire new players from the web ecosystem and

50% of our net revenue is derived outside of Apple & Google stores

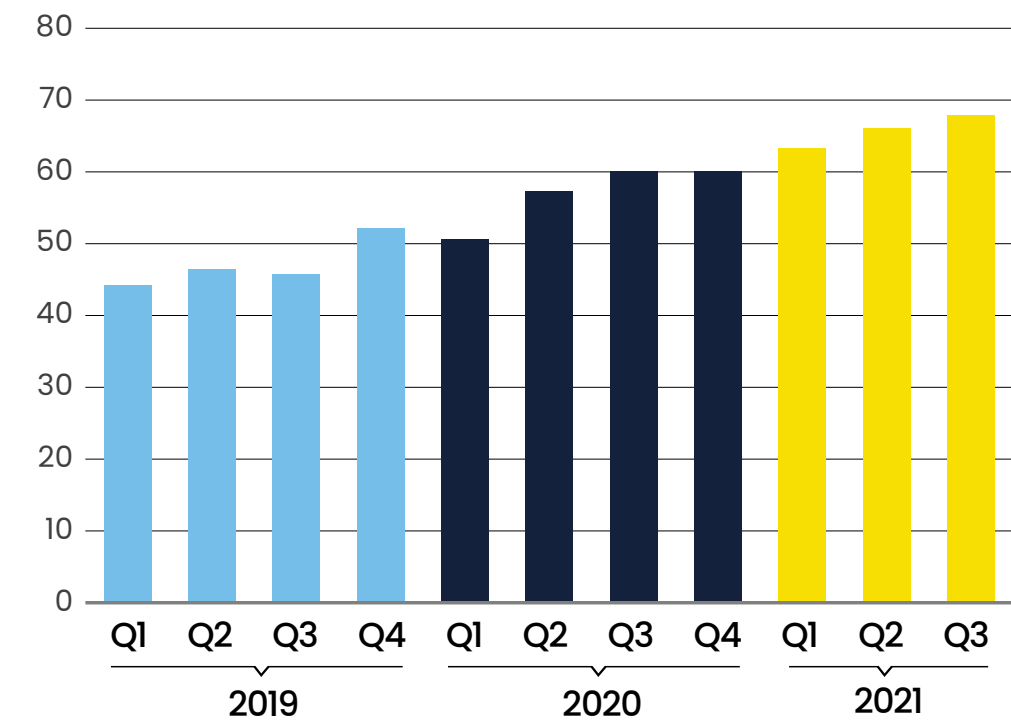
as a way for our loyal players to support their favorite games. We are grateful to our loyal players and will remain platform agnostic, distributing our games through third-party stores following their rules as well as offer our games in G5 Store. In the third quarter, net revenue derived from personal computers and from advertising reached 43%. This is revenue where store fees are significantly lower than 30%. For Microsoft Store they are 12%, for G5 Store they are single percentage points for third-party payment processing solutions and there are no applicable store fees for advertising revenue. Since our advertising revenue is growing but is still relatively small, this segment of revenue is largely unaffected by IDFA changes in Apple ecosystem.

It's impossible to talk about store fees and not comment quickly on the Apple vs Epic court decision. The judge's injunction says Apple is to stop prohibiting developers from providing links in their games to 3rd party payment processing. If we had the ability to provide such options in our games on iOS, we already have safe, secure, and convenient payment processing we use in G5 Store and we expect that at least some of the paying players will choose to support their favorite games directly by making purchases through G5 payment processing. This would result in effectively lowering the store fee on Apple App Store. Pressure is clearly building for app stores to lower the 30% store fees on games. If this happens, it would be an additional boost for our margins, but we will just have to wait and see for now. Of our net revenue 50% is derived outside of Apple & Google stores. We are therefore well-diversified across distribution channels and well positioned

MAU, mn



MAGRPPU, USD



to gradually achieve lower store fees.

Looking ahead, Q4 and Q1 are seasonally strong, and while traditional seasonality was disturbed last year by Covid, we see trends back to normal. We are now close to the middle of Q4, a quarter when players spend more time indoors enjoying fresh holiday updates. Based on our long experience this leads to new higher levels of engagement and monetization. In addition to 30 available games in our portfolio, we have nine games in the development pipeline for release in 2021-2022. Of these, three games are going to be soft-launched before the end of the year. One will be soft-launched in February 2022 (delayed from 2021), and soft-launch dates for other games will be some time in 2022. The games released in the fourth quarter won't affect this

year's results, but they can have an impact on upcoming quarters.

In October, we proudly celebrated a milestone, 20 years since G5's informal inception as one of the first mobile game development studios in the world. Last month also marked 15 years since our Stockholm IPO in 2006 when we listed shares at 3 SEK. In 2014, we moved to the Nasdaq Stockholm main market with a share price around 34 SEK. G5 has come a long way and we have so much more planned for the future.

Thanks for following us at G5.

San Francisco, November 5th, 2021
Vlad Suglovov, CEO, co-founder



July-September

Revenue and gross profit

Revenue amounted to SEK 327.6 M (332.4). Revenue decreased by 1 percent compared to the same period in 2020, in USD the revenue grew 1%.

Cost of revenue decreased to SEK 119.5 M (136.6). Cost of revenue includes commission to the distributors (Apple App Store, Google Play, Amazon Appstore, etc.). Most parties still charge up to 30 percent of gross revenue, except for Microsoft Store with commission fees of 12 percent since 1st August and G5 Store with commission fees in single digit percent for third-party payment processing. 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 64 percent (59). Gross profit for the quarter increased by 6 percent compared to the third quarter in 2020 and was SEK 208.1 M (195.9).

Operational Costs

Costs for research and development were SEK 49.7 M (39.2) during the period. The increase in costs for research and development is primarily driven by higher amortization as well as team bonuses paid two teams in the period of approx. SEK 2.5 M. Compared to last year the company has significantly increased its development capacity.

Sales and marketing decreased to SEK 79.5 M (80.7). Sales and marketing is primarily affected by the costs for user acquisition. During the quarter the cost for user acquisition was SEK 66.8 M (70.0).

Cost for user acquisition as a percentage of sales was 20 percent, compared to 21 percent in the same period in 2020. Sales and marketing, excluding user acquisition, increased to SEK 12.7 M (10.7).

General and administrative costs amounted to SEK 21.0 M (20.0). Other operating income amounted to SEK -1.1 M (2.8) and other operating expenses amounted to SEK -0.4 M (-5.0). Together they amounted to SEK -1.5 M (-2.2), primarily driven by currency effects on operational assets and liabilities.

EBIT

Depreciation and amortization have increased with the larger portfolio of games, and amounted to SEK 33.3 M (28.1). Capitalization of intangible assets amounted to SEK 41.3 M (32.3). During the quarter no write-downs were made. Net effect of capitalization and amortization, net capitalization, on intangible assets amounted to SEK 11.5 M (8.0).

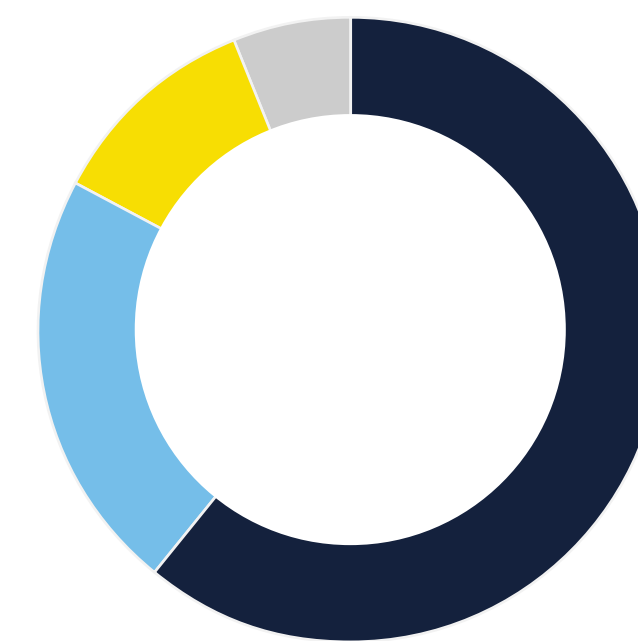
Earnings before interest and taxes (EBIT) amounted to SEK 56.5 M (53.7), corresponding to an EBIT margin of 17.2 percent (16.1).

Net profit

Net profit was marginally affected by financial items. Tax affected the result with SEK -4.4 M (-4.9).

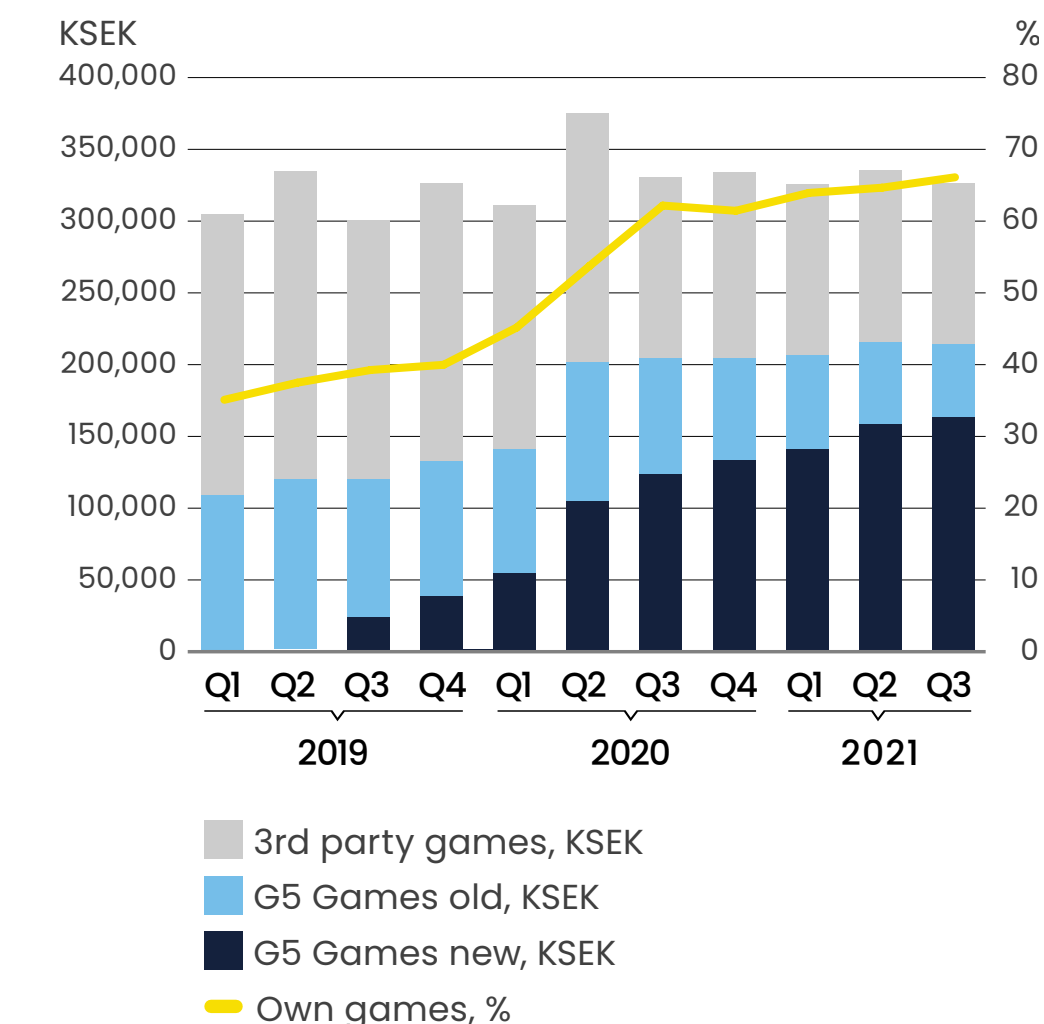
Net profit amounted to SEK 50.0 M (48.5) which equals an earnings per share, before and after dilution, of SEK 5.82 (5.59).

Revenue breakdown by geography Third Quarter 2021



■ North America 61%
■ Europe 22%
■ Asia 11%
■ ROW 6%

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



Operational metrics

F2P	Q3 '21	Q3 '20	Change
Average MAU (mn)	6.7	6.8	-2%
Average MUP (thousands)	197.7	212.4	-7%
Average MUU (mn)	4.9	5.2	-6%
Average MAGRPPU (USD)	68.1	60.2	13%
Average DAU (mn)	1.8	1.7	2%

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

Releases during the quarter

There were no significant releases during the quarter.

January–September

Revenue and gross profit

Revenue decreased with 3 per cent compared to the same period last year, impacted strongly by the SEK/USD exchange rate. Growth in USD for the interim period was 8%. Revenue amounted to SEK 991.1 M (1020.7).

The group's cost of revenue was SEK -392.7 M (-431.8). Gross profit amounted to SEK 598.4 M (588.9), an increase of 2 percent compared to the same period in 2020. Gross margin was 60 percent (58).

Operating Costs

Operating costs decreased 3 per cent compared to the same period in 2020. User acquisition decreased to SEK 199.6 M (220.7). Excluding costs for user acquisition the operating costs amounted to SEK 239.3 M (231.0). The operational costs were impacted by depreciation and amortization of SEK 99.2 M (91.8) and write-downs of SEK 0.0 M (0.4).

Other operating income and costs impacted the period negatively with SEK -3.3 M (-1.6), primarily attributed to exchange rate differences on operational assets and liabilities related to balance sheet items in the parent company.

EBIT

EBIT was SEK 159.5 M (137.2) and the EBIT-margin was 16.1 percent (13.4) for the period.

Net profit

Net profit was marginally affected by financial items. Tax affected the result with SEK -12.9 M (-15.3) corresponding to an effective tax rate of 8 percent (11).

Net profit amounted to SEK 144.0 M (121.3) which is corresponding to earnings per share before dilution of SEK 16.76 (13.50).

Cash flow

During the third quarter, the group had an operating cash flow before changes in working capital of SEK 83.2 M (121.8). In the quarter taxes impacted the cash flow negatively with SEK -9.6 M (40.3). Changes in working capital impacted the cash flow with SEK 16.3 M (-8.3). Capitalized development expenses impacted the cash flow negatively with SEK -41.3 M (-32.3).

Cash flow before financing activities amounted to SEK -95.6 M (-48.2). Financing activities were impacted by buybacks of SEK -88.8 M (-4.6), short term investments of SEK -3.9 M (0.0) and IFRS16 bookings related to lease of premises SEK -2.9 M (-1.8).

For the interim period Jan-Sept cash flow before changes in working capital amounted to SEK 246.0 M (216.3). The cash flow for the interim period amounted to SEK -59.2 M (11.6).

Available cash on September 30, 2021 amounted to SEK 130.9 M (160.8).

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 249.9 M (217.0). 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	Sep 30 2021	Sep 30 2020
Released games	227.3	141.7
Not released games	22.6	75.3
Book value of games portfolio	249.9	217.0

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 425.8 M (424.2), which equals SEK 49.6 per share (48.9) and the equity/asset ratio is 75 percent (70).

Cash on hand amounted to SEK 130.9 M (160.8).

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

Parent company

The parent company revenue decreased 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, 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

Outlook

G5 Entertainment does not publish forecasts.

Nomination Committee

In accordance with the resolution of the Annual General Meeting 2021, a Nomination Committee has been appointed consisting of representatives of the five largest shareholders at the end of August. The nomination committee consists of the following members:

- Jeffrey Rose (representing Wide Development Limited)
- Petter Nylander, Chairman of the Board (representing Purple Wolf Limited)
- Jan Andersson (representing Swedbank Robur)
- Sergey Shults (representing Proxima Limited)
- Tommy Svensk (representing Tommy Svensk)

Shareholders wishing to submit proposals to G5 Entertainment's nomination committee may do so by mail to G5 Entertainment AB (publ), Birger Jarlsgatan 18, 114 34, Stockholm, Sweden or by e-mail to nomination@g5e.com.

Please note that proposals must be received by the nomination committee by February 1, 2022.

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

Year-end report 2021	February 10, 2022
Interim report Jan-March 2022	May 5, 2022
Annual General Meeting 2022	June 15, 2022
Interim report Jan-Jun 2022	August 11, 2022
Interim report Jan-Sep 2022	November 9, 2022

Teleconference

On November 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: <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

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Assurance

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

Stockholm November 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 November 5th, 2021 at 07:30. This interim report has been subject to review by the company's auditors. This report is published in Swedish and English. In the event of any difference between the English version and the Swedish original, the Swedish version shall prevail.

Review report

(Translation from Swedish original)

G5 Entertainment AB corp. reg. no. 556680-8878
Auditor's review report for interim financial information in summary (interim report) prepared in accordance with IAS 34 and Chapter 9 of the Swedish Annual Accounts Act.

Introduction

We have reviewed the condensed interim financial information (interim report) of G5 Entertainment AB as of 30 September 2021 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in

an audit. The conclusion expressed based on a review does not have the same level of certainty as a review based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, November 5, 2021
Pricewaterhouse Coopers AB

Aleksander Lyckow
Authorized Public Accountant

INCOME STATEMENT - GROUP

KSEK	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Oct-Sep 20/21	2020
Net turnover	327,557	332,437	991,127	1,020,716	1,326,458	1,356,048
Cost of revenue	-119,476	-136,582	-392,699	-431,806	-530,620	-569,728
Gross profit	208,081	195,854	598,428	588,910	795,838	786,320
Research and Development expenses	-49,676	-39,243	-138,272	-139,325	-177,813	-178,866
Sales and Marketing expenses	-79,459	-80,698	-236,143	-253,876	-321,236	-338,970
General and administrative expenses	-21,039	-20,031	-61,221	-56,922	-79,023	-74,724
Other operating income	-1,059	2,770	-2,115	4,705	17,106	23,925
Other operating expenses	-392	-4,967	-1,153	-6,271	-23,025	-28,142
Operating result	56,455	53,684	159,524	137,221	211,847	189,544
Financial income	27	27	80	259	101	280
Financial expenses	-2,080	-329	-2,729	-850	-2,884	-1,005
Operating result after financial items	54,403	53,382	156,875	136,630	209,063	188,819
Taxes	-4,423	-4,851	-12,913	-15,320	-19,145	-21,552
Net result for the year	49,980	48,531	143,962	121,310	189,919	167,267
Attributed to:						
Parent company's shareholders	49,980	48,531	143,962	121,310	189,919	167,267

KSEK	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Oct-Sep 20/21	2020
Earnings per share						
Weighted average number of shares (thousands)	8,581	8,681	8,591	8,984	8,610	8,751
Weighted average number of shares after dilution, (thousands)	8,581	8,681	8,591	9,053	8,610	8,751
Earnings per share (SEK) before dilution	5.82	5.59	16.76	13.50	22.06	19.11
Earnings per share (SEK) after dilution	5.82	5.59	16.76	13.40	22.06	19.11

STATEMENT OF COMPREHENSIVE INCOME - GROUP

KSEK	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Oct-Sep 20/21	2020
Net result for the period	49,980	48,531	143,962	121,310	189,919	167,267
Items that later can be reversed in profit						
Foreign currency translation differences	9,935	-3,922	22,615	-8,136	44,229	-29,919
Total other comprehensive income for the period	9,935	-3,922	22,615	-8,136	44,229	-29,919
Total comprehensive income for the period	59,915	44,609	166,577	113,174	234,148	137,348
Attributed to:						
Parent company's shareholders	59,915	44,609	166,577	113,174	234,148	137,348

BALANCE SHEET - GROUP

KSEK	Sep 30 2021	Sep 30 2020	Dec 31 2020
Fixed assets			
Intangible fixed assets			
Capitalized development expenses (Note 2)	249,939	217,010	204,649
	249,939	217,010	204,649
Tangible fixed assets			
Equipment	27,826	19,775	15,506
	27,826	19,775	15,506
Deferred tax receivable	1,305	51,603	57,672
Total non-current assets	279,070	288,387	277,827
Current assets			
Accounts receivable	-	-	558
Tax receivable	8,746	6,109	3,799
Other receivables (Note 3,4)	9,537	6,283	7,770
Prepaid expenses and accrued income	128,229	141,105	114,827
Short term investments	14,016	-	-
Cash and cash equivalents	130,880	160,830	188,411
Total current assets	291,409	314,327	315,366
Total assets	570,479	602,715	593,192

KSEK	Sep 30 2021	Sep 30 2020	Dec 31 2020
Equity			
Total shareholders' equity	425,765	424,214	431,807
Long-term liabilities			
Deferred tax liabilities	673	129	627
Long-term liabilities	6,735	3,041	1,776
Total long-term liabilities	7,408	3,170	2,403
Current liabilities (Note 5)			
Short-term liabilities	7,455	6,012	4,605
Accounts payable	25,965	17,184	12,540
Other liabilities	16,137	13,883	4,673
Tax liabilities	24,130	67,572	70,616
Accrued expenses	63,618	70,680	66,548
Total current liabilities	137,306	175,331	158,983
Total equity and liabilities	570,479	602,715	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				121,310	121,310
Total other comprehensive income			-8,136		-8,136
Total comprehensive income for the year			-8,136	121,310	113,174
Dividend				-21,869	-21,869
Premiums paid on exercised/issued warrants		252			252
Repurchase of shares		-54,054			-54,054
IFRS2 - Employee share schemes			1,104		1,104
Total transactions with the owners recognized directly in equity		-53,802	1,104	-21,869	-74,567
Shareholders' equity as of 2020-09-30	928	-3,187	16,628	409,845	424,214
Shareholders' equity 2021-01-01	928	-15,616	-9,307	455,802	431,807
Net result for the year				143,962	143,962
Total other comprehensive income			22,615		22,615
Total comprehensive income for the year			22,615	143,962	166,577
Dividend				-54,097	-54,097
Repurchase of shares		-121,900			-121,900
IFRS2 - Employee share schemes			3,378		3,378
Total transactions with the owners recognized directly in equity		-121,900	3,378	-54,097	-172,619
Shareholders' equity as of 2021-09-30	928	-137,516	16,686	545,667	425,765

CASH FLOW STATEMENT - GROUP

KSEK	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Oct-Sep 20/21	2020
Cash flow from operating activities						
Profit after financial items	54,403	53,382	156,875	136,630	209,064	188,819
Adjusting items not included in cash flow	38,473	28,108	104,396	92,160	134,133	121,897
	92,876	81,490	261,271	228,790	343,197	310,716
Taxes paid	-9,640	40,267	-15,234	-12,487	-15,838	-13,091
Cash flow before changes in working capital	83,236	121,757	246,037	216,303	327,359	297,625
Cash flow from changes in working capital						
Change in operating receivables	10,921	7,240	-8,497	-34,847	11,391	-14,959
Change in operating liabilities	5,384	-15,538	28,076	8,791	5,708	-13,577
Cash flow from operating activities	99,541	113,459	265,616	190,247	344,458	269,089
Investing activities						
Investment in fixed assets	-1,843	-817	-7,558	-1,885	-8,008	-2,335
Capitalized development expenses	-41,308	-32,301	-115,399	-93,270	-148,793	-126,664
Cash flow from investing activities	-43,151	-33,118	-122,957	-95,155	-156,801	-128,999

KSEK	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Oct-Sep 20/21	2020
Financing activities						
Lease financing	-2,918	-1,839	-10,061	-7,817	-11,772	-9,528
Short term investments	-3,857	-	-15,789	-	-15,789	-
Short term loan	-	-41,800	-	-	-	-
Dividend	-	-	-54,097	-21,869	-54,097	-21,869
Repurchase shares	-88,811	-4,568	-121,900	-54,054	-134,329	-66,483
Premiums warrant program	-	-	-	252	-	252
Cash flow from financing activities	-95,586	-48,207	-201,847	-83,488	-215,987	-97,628
Cash flow	-39,196	32,134	-59,188	11,604	-28,330	42,462
Cash at the beginning of the period	169,379	131,289	188,411	152,268	160,830	152,268
Cash flow	-39,196	32,134	-59,188	11,604	-28,330	42,462
Exchange rate differences	697	-2,593	1,657	-3,042	-1,620	-6,319
Cash at the end of the period	130,880	160,830	130,880	160,830	130,880	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, except for the stated below.

Investments and other financial assets

(i) Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the income statement.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Note 2

Capitalized development expenses

KSEK	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Oct-Sep 20/21	2020
At the beginning of the period	230,608	217,317	204,649	211,419	217,010	211,419
Investments	41,308	32,301	115,399	93,270	148,793	126,664
Write-downs	0	0	0	-409	0	-409
Amortization	-29,776	-24,342	-86,193	-79,570	-112,288	-105,664
Net change during the period	11,532	7,959	29,206	13,292	36,504	20,590
Currency exchange differences	7,799	-8,266	16,084	-7,701	-3,575	-27,361
At the end of the period	249,939	217,010	249,939	217,010	249,939	204,649

Note 3

Other receivables

Other receivables include SEK 4.3 M (1.8) 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.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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

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	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Oct-Sep 20/21	2020
Net turnover	327,557	332,437	991,127	1,020,716	1,326,458	1,356,048
Cost of revenue	-254,841	-251,914	-770,299	-765,002	-1,009,097	-1,003,800
Gross profit	72,716	80,522	220,828	255,714	317,362	352,248
Research and development expenses	-27	-28	-80	-87	-105	-112
Sales and Marketing expenses	-69,546	-9,699	-168,531	-20,800	-204,486	-56,756
General and administrative expenses	-6,721	-72,723	-64,001	-237,428	-115,860	-289,286
Other operating income	4,522	-1,613	11,503	0	11,503	0
Other operating expenses	-5,669	-1,111	-13,809	-2,843	-16,189	-5,223
Operating result	-4,725	-4,653	-14,091	-5,444	-7,776	871
Financial income	117,436	11	177,462	4,993	177,473	5,004
Financial expenses	-1,809	-139	-1,809	-139	-1,809	-140
Operating result after financial items	110,902	-4,781	161,562	-591	167,888	5,736
Taxes	971	1,022	2,895	956	1,540	-399
Net result for the period	111,874	-3,760	164,457	365	169,428	5,337

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

KSEK	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Oct-Sep 20/21	2020
Net result for the period	111,874	-3,760	164,457	365	169,428	5,337
Items that later can be reversed in profit						
Foreign currency translation differences						
Total other comprehensive income for the period	111,874	-3,760	164,457	365	169,428	5,337

BALANCE SHEET – PARENT COMPANY

KSEK	Sep 30 2021	Sep 30 2020	Dec 31 2020
Fixed assets			
Tangible fixed assets	26	37	39
Tangible fixed assets	26	37	39
Financial fixed assets			
Shares in group companies	70	70	70
Deferred tax assets	-	-	-
Total fixed assets	96	107	108
Current assets			
Account receivables	-	-	558
Receivables from group companies	167,771	1	1
Tax receivables	7,705	4,835	2,559
Other receivables	2,333	225	321
Prepaid expenses and accrued income	122,479	137,497	110,468
Short term investments	14 016	-	-
Cash and cash equivalents	97 213	131 791	171 054
Total current assets	411 517	274 350	284 960
Total assets	411 612	274 457	285 069

KSEK	Sep 30 2021	Sep 30 2020	Dec 31 2020
Restricted equity			
Share capital	928	928	928
Non-restricted equity			
Share premium reserve	50,996	50,554	50,996
Profit/Loss carried forward	-141,464	41,650	29,080
Net result for the period	164,457	365	5,337
Total equity	74,917	93,497	86,341
Current liabilities			
Short term liabilities	-	139	-
Accounts payable	22,701	341	617
Tax Liability	-	-	-
Liability to group companies	310,121	169,989	184,408
Other liability	825	1,608	2,218
Accrued expenses	3,050	8,883	11,485
Total current liabilities	336,696	180,960	198,727
Total equity and liabilities	411 612	274 457	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 tech-

nology, 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's 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® Word-play: Search Word Puzzle™ and Jewels of the Wild West™. G5 Entertainment AB (publ) is listed on Nasdaq Stockholm since 2014.

G5 Entertainment AB (publ)

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