

Prospectus regarding listing on NASDAQ OMX Stockholm



Carnegie

INFORMATION TO INVESTORS

G5 Entertainment AB (publ) reg. no 556680-8878 has issued this English language prospectus (the "Prospectus") in connection with the contemplating listing of its shares on NASDAQ OMX Stockholm. In this Prospectus "G5 Entertainment", "G5" or "the Company" refers to G5 Entertainment AB (publ) or the group in which G5 Entertainment is the parent company, depending on the context. The term the "Group" refers to the group in which G5 Entertainment is the parent company.

This Prospectus is issued in accordance with the Swedish Financial Instruments Trading Act (1991:980) (Sw: lag (1991:980) om handel med finansiella instrument). The Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (Sw: Finansinspektionen) in accordance with the provisions of chapter 2, sections 25 and 26 of the Financial Instruments Trading Act (1991:980). The approval and registration do not imply that the Swedish Financial Supervisory Authority guarantees that statements of fact in the Prospectus are accurate or complete. This Prospectus is exempt by a decision from the Swedish Financial Supervisory Authority from the requirement of being prepared in Swedish.

This Prospectus has been prepared only in conjunction with an application for admission to trading the shares of G5 Entertainment on NASDAQ OMX Stockholm and does not contain any offer to subscribe for shares on other financial instruments in the Company. This Prospectus may not be distributed in jurisdiction where distribution would require additional prospectuses, registration or measures other than those pursuant to Swedish law or would conflict with regulations in such jurisdictions. No action has been taken, or will be taken, by G5 Entertainment to permit any public offering of the shares in any jurisdiction in connection with the listing. The shares of G5 Entertainment has not been and will not be registered pursuant to the United States Securities Act 1933 as currently in effect or pursuant to corresponding legislation in any other jurisdiction where the admission to trading the shares or distribution of the Prospectus would conflict with regulations or would require additional prospectuses, registration or measures other than those pursuant to Swedish law and may not be offered or sold, directly or indirectly, within or to persons domiciled within the United States or such other jurisdiction, other than in such cases as do not require registration in accordance with the United States Securities Act 1933. Acting in contravention of any of the said restrictions may be an offence under applicable securities regulations.

Potential investors should consult their own advisors before purchasing shares in the Company. An investment in G5 Entertainment's shares is associated with certain risks, see in particular the section titled "Risk Factors" below. The distribution of this Prospectus does not mean that the information contained herein is up to date as of any time after the date of this Prospectus, or that the G5 Entertainment's business, results or financial position has remained unchanged after this date. In the event that there are material changes in the information in the Prospectus during the period from the date of publication but before the listing of the shares, such changes will be made public according to the provisions of the Financial Instruments Trading Act, which regulates the publication of supplements to the Prospectus.

The figures reported in the Prospectus have in some cases been rounded up or down, which explains why certain sums in the tables do not always tally. Except as expressly stated herein, no other parts of the Prospectus have been reviewed or revised by the Company's auditors.

Disputes concerning or related to the Prospectus shall be settled exclusively in accordance with Swedish law and by Swedish courts, exclusively. The district court of Stockholm (Sw. Stockholms tingsrätt) shall be the court of first instance.

FORWARD-LOOKING INFORMATION

This Prospectus contains forward-looking statements made by the board of directors of the Company and is based on the board of director's knowledge of current circumstances with respect to G5, market conditions and other current states of affairs. The forward-looking statements are based on a number of assumptions that are subject to elements of risks and uncertainty that may be beyond the control of the Company. Forward-looking information may be distinguished by the fact that it does not exclusively refer to historic or current factual circumstances or that it contains such word as "may", "should", "expected", "believed", "estimated", "planned", "being prepared", "is estimated", "plans to", "forecast", "attempts" or "could" or negotiations of such terms and other variations thereof or comparative terms. Potential investors should note that these statements, like all forecasts, are subject to uncertainties, and projections and expectations may turn out to be incorrect. The section "Risk Factors" below contains a description of some, but not all, of the factors that may cause the actual result or performance to deviate significantly from forward-looking statements. The forward-looking statements only apply as of the date of this Prospectus. G5 Entertainment does not undertake to publish updates or revisions of the forward-looking statements based on new information, future events etc. other than what is required by applicable law.

INDUSTRY AND MARKET DATA

The Prospectus also contains information from third parties in the form of industry and market data as well as statistics and calculations derived from industry reports and studies, market research reports, public available information and commercial publications. Certain market share information and other statements in this Prospectus regarding the industry in which G5 Entertainment operates and its positions relative to its competitors are not based on published statistic data or information obtained from independent third parties. Rather such information and statements reflect the board of directors' best estimates based upon information obtained from trade and business organizations and associations and other contacts within in industry in which the Company competes, as well as information published by its competitors. The board of directors believes that such data are useful in helping investors understand the industry in which G5 Entertainment operates and its position within the industry. However, G5 Entertainment does not have access to the fact and assumptions underlying the numerical data, market data and other information extracted from publicly available sources and has not independently verified market data provided by third parties, industry or general publications. In addition, while the Company believes its internal research to be reliable, such research has not been verified by any independent sources and the Company cannot guarantee its accuracy. Readers should note that macroeconomic forecasts and sentiments change. G5 Entertainment has strived to use the latest available information from relevant sources. However, there are often long periods of time between publications of data which could negative influence the relevance. The board of directors does not assume any responsibility for the correctness of any market share or industry data included in this Prospectus. Such third party information has been accurately reproduced and, as far as the board of directors and is aware, no information has been omitted that would make the information reproduced inaccurate or misleading.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have been published prior to this Prospectus, are incorporated by reference and are thus part of this Prospectus. Information, which has been referred to by reference shall be seen and read as part of this Prospectus. The remainder of the parts in the below listed documents is not of relevance for the investors and is not a part of this Prospectus.

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|---|--|
| 1. Interim reports 1 January – 31 March 2014 | Interim report January – March 2014, page 7-13 |
| 2. Audited annual reports for 2013 | Annual report 2013, page 11-53 |
| 3. Audited annual reports for 2012 | Annual report 2012, page 10-33 |
| 4. Audited annual reports for 2011 | Annual report 2011, page 10-32 |
| 5. Auditor's report for the financial year 2013 | Annual report 2013, page 54 |
| 6. Auditor's report for the financial year 2012 | Annual report 2012, page 34 |
| 7. Auditor's report for the financial year 2011 | Annual report 2011, page 33 |

IMPORTANT DATES

First day of trading in G5's shares	10 June 2014
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DATES FOR PUBLICATION OF FINANCIAL INFORMATION

Interim report January – June 2014: on 15 August 2014
 Interim report January – September 2014: on 31 October 2014

OTHER INFORMATION

ISIN-code share	SE0001824004
Listing share	NASDAQ OMX Stockholm
The share's ticker symbol	G5EN

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Summary

This summary consists of items which shall contain certain specific information and which are listed in the Sections A – E (A.1 – E.7). The items are required in a summary regarding a listing of shares. Due to the fact that information with respect to certain items is not required, there are gaps in the numbering of the listed items. Even though an item is required to be listed in the summary, relevant information with respect to the item may be unavailable. In such cases, the summary will contain a brief description of the information requirement and the statement "Not applicable".

SECTION A – INTRODUCTION AND WARNINGS

Element	Disclosure requirement	Information
A.1	<i>Information and warnings</i>	<p>The following summary should be read as an introduction to the Prospectus and does not necessarily contain all of the information required for an investment decision. Accordingly, any investment decision should be based on the Prospectus as a whole.</p> <p>Anyone who brings action before a court due to the Prospectus might have to bear the costs of translating the Prospectus.</p> <p>Civil liability attached only to those who have tabled the summary if the summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus, or it does not provide, when read together with other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Company.</p>
A.2	<i>Financial intermediaries</i>	Not applicable. There are no financial intermediaries for the Shares.

SECTION B - ISSUER

Element	Disclosure requirement	Information
B.1	<i>Name of the Company and trade name</i>	The Company's legal name and trade name is G5 Entertainment AB (publ), corporate registration number 556680-8878.
B.2	<i>Domicile and legal form of the issuer</i>	G5 Entertainment is a company which was formed in Sweden. The Board of Directors' domicile is in Stockholm municipality. The Company's legal form is a limited liability company and its operations are regulated by the Swedish Companies Act (2005:551).
B.3	<i>Main operations of the issuer</i>	<p>G5 Entertainment is a publisher and developer of high-quality downloadable, casual free-to-play games for smartphones and tablets. G5's games are available on Apple's iPhone and iPad, Android phones and tablets, tablets and e-readers like Kindle Fire from Amazon, Mac, and Windows 8. G5's game portfolio includes popular games such as Virtual City Playground, The Secret Society, Stand O'Food, Supermarket Mania, Special Enquiry Detail and Mahjongg Artifacts.</p> <p>G5 was founded in 2001 to benefit from the anticipated growth of mobile devices, and developed a number of popular mobile games during the period of 2001-2008. In 2009, the Company transitioned from being a pure developer of mobile games to become both a publisher and a developer of games. The Company</p>

		is headquartered in Stockholm, Sweden with development offices located in Moscow, Russia and Kharkov, Ukraine and game procurement and licensing office in Malta. The Company also has small sales and marketing office in San Francisco, USA.
B.4a	<i>Trends in the industry of the Group</i>	<p>Over recent years, the market for mobile games has grown substantially following the rapid increase in the number of mobile handsets compatible with mobile gaming applications. As a result, the mobile application market has emerged and is expected to grow by 22 per cent per annum, on average, over the next five years, from USD 7.6 billion in 2012 to USD 16.7 billion in 2016¹.</p> <p>Penetration of smartphones and tablets is expected to increase in developing countries, regions where the population generally has less disposable income than the population of the western world.</p> <p>The trend within the mobile games segment is toward free-to-play games. Free-to-play games are expected to contribute the largest share of the mobile games market in the near future.</p>
B.5	<i>Description of the Group and the issuer's position within the Group</i>	G5 Entertainment AB is the parent company for the Group which consists of the operating companies G5 Holdings Ltd (incorporated in Malta), G5 UA Holdings Ltd (incorporated in Malta), G5 Entertainment Inc (incorporated in the US), G5 Holding Ukraine Llc (incorporated in the Ukraine) and G5 Holding RUS LLC (incorporated in Russia). All companies in the Group are directly or indirectly wholly-owned subsidiaries of G5 Entertainment AB.
B.6	<i>Major shareholders, control of the Company and insiders</i>	As of 30 April 2014, the number of shareholders in the Company amounted to 2,213. As of the same date, the largest shareholder was Försäkringsbolaget Avanza Pension, with a shareholding equivalent to around 14.34 per cent of the votes and share capital. The second largest shareholder was Nordnet Pensionsförsäkring AB with a shareholding equivalent to around 7.89 per cent of the votes and share capital. The third largest shareholder was Wide Development Ltd with a shareholding equivalent to around 6.59 per cent of the votes and share capital. The fourth largest shareholder was Swedbank Robur ny teknik BTI with a shareholding equivalent to around 6.25 per cent of the votes and share capital. The fifth largest shareholder was Proxima Ltd with a shareholding equivalent to around 6.16 per cent of the votes and share capital. The sixth largest shareholder was Purple Wolf Ltd with a shareholding equivalent to around 5.91 per cent of the votes and share capital. Other than these shareholders there were, as of 30 April 2014, no other shareholders who, directly or indirectly, held shares equivalent to 5 per cent or more of the votes and share capital.

¹ Yankee Group's Mobile Apps and Cloud Forecast October 2012

B.7

Summary of financial information and explanatory description

Group income statement

SEK thousand	1 JAN - 31 DEC			1 JAN - 31 MAR	
	2011	2012	2013	2013	2014
Revenue	46,611	80,928	100,007	27,557	39,111
Production cost	(19,199)	(37,638)	(78,925)	(12,976)	(22,140)
Gross profit	27,412	43,290	21,082	14,581	16,971
General and administrative expenses	(9,911)	(15,713)	(34,342)	(5,129)	(12,360)
Other operating gains	496	33	2,046	-	752
Other operating losses	(275)	(1,749)	(612)	(22)	(207)
EBIT (Operating profit)	17,722	25,861	(11,826)	9,430	5,156
Interest income and similar items	37	53	85	-	130
Interest expense and similar items	(93)	(110)	(301)	(625)	(38)
Profit after financial items	17,666	25,804	(12,042)	8,805	5,248
Income tax	(3,524)	(3,624)	378	(816)	(1,219)
Profit for the year	14,142	22,180	(11,664)	7,989	4,029

Group statement of financial position

SEK thousand	31 DEC			31 MAR	
	2011	2012	2013	2013	2014
Intangible fixed assets					
Capitalized development costs	17,386	40,429	48,299	39,960	51,132
Goodwill	2,322	2,319	2,318	2,272	2,307
Total intangible fixed assets	19,708	42,748	50,617	42,232	53,439
Tangible fixed assets					
Equipment	1,539	1,825	1,929	2,825	1,826
Deferred tax receivable	-	-	2,105	-	999
Total fixed assets	21,247	44,573	54,651	45,057	56,264
Current assets					
Accounts receivable	4,459	9,537	7,156	18,155	7,196
Tax receivable	2,517	5,741	4,437	-	4,465
Other receivable	5,134	11,012	6,915	19,130	7,101
Prepaid expenses and accrued income	2,948	4,260	10,916	-	13,701
Cash and cash equivalents	17,541	13,661	27,433	44,336	34,346
Total current assets	32,599	44,211	56,857	81,621	66,809
TOTAL ASSETS	53,846	88,784	111,508	126,678	123,073
Equity					
Share capital	800	800	880	880	880
Other capital contribution	19,872	19,971	54,032	53,934	54,032
Other reserves	80	(347)	22	780	(456)
Retained earnings	23,542	45,722	34,058	53,285	38,028
TOTAL SHAREHOLDERS' EQUITY	44,294	66,146	88,992	108,879	92,484
Non-current liabilities					
Deferred tax	-	590	-	-	590
Total non-current liabilities	-	590	-	-	590
Current liabilities					
Accounts payable	2,267	5,402	7,478	3,129	9,654
Other liabilities	99	2,254	464	1,539	790
Tax liabilities	6,457	10,251	6,505	10,673	5,761
Accrued expenses	729	4,141	8,069	2,458	13,794
Total current liabilities	9,552	22,048	22,516	17,799	29,999
TOTAL LIABILITIES	9,552	22,638	22,516	17,799	30,589
TOTAL EQUITY AND LIABILITIES	53,846	88,784	111,508	126,678	123,073

Group statement of cash flow

SEK thousand	1 JAN - 31 DEC			1 JAN - 31 MAR	
	2011	2012	2013	2013	2014
Operating activities					
Profit after financial items	17,666	25,804	(12,042)	8,805	5,248
Adjusting items not included in cash flow	6,587	11,537	39,114	2,992	4,354
Taxes paid	(721)	(2,384)	(4,583)	(4,082)	(103)
Cash flow before changes in working capital	23,532	34,957	22,489	7,715	9,499
Cash flow from changes in working capital					
Increase in operating receivables	(8,088)	(12,170)	(4,054)	(3,223)	(3,330)
Increase in operating liabilities	981	8,677	4,255	(3,813)	8,253
CASH FLOW FROM OPERATING ACTIVITIES	16,425	31,464	22,690	679	14,422
Investing activities					
Purchase of property and equipment	(1,347)	(1,273)	(1,118)	(86)	(303)
Capitalized development costs	(14,624)	(33,933)	(41,915)	(3,741)	(6,932)
Purchase or sale of subsidiary	589	-	-	-	-
CASH FLOW FROM INVESTING ACTIVITIES	(15,382)	(35,206)	(43,033)	(3,827)	(7,235)
Financial activities					
New share issue	12,479	-	34,019	34,043	-
Acquisition of subsidiary	(863)	-	-	-	-
Incentive program	-	-	122	99	-
CASH FLOW FROM FINANCING ACTIVITIES	11,616	-	34,141	34,142	-
CASH FLOW	12,659	(3,742)	13,798	30,994	7,187

Key ratios

	1 JAN - 31 DEC			1 JAN - 31 MAR	
	2011	2012	2013	2013	2014
Revenue (SEK million)	46.6	80.9	100.0	28	39.1
Revenue growth	104%	74%	24%	58%	42%
Gross profit (SEK million)	27.4	43.3	21.1	14.6	17.0
Gross margin	58.8%	53.5%	21.1%	52.9%	43.4%
EBIT (SEK million)	17.7	25.9	-11.8	9.4	5.2
EBIT margin	38.0%	32.0%	-11.8%	34.2%	13.2%
Profit (SEK million)	14.1	22.2	-11.7	8.0	4.0
Net profit margin	30.3%	27.4%	-11.7%	29.0%	10.3%
Return on equity	45.6%	40.2%	-15.0%	10.2%	4.0%
Return on assets	54.9%	36.3%	-11.7%	10.8%	4.2%
Equity to assets ratio	82.3%	74.5%	79.8%	85.9%	75.1%
Average number of shares	7,613,049	8,000,000	8,711,111	8,800,000	8,800,000
Earnings per share (SEK)	1.9	2.8	-1.3	0.9	0.5
Equity per share (SEK)	5.8	8.3	10.2	12.4	10.5
Net debt (SEK million)	-17.5	-13.7	-27.4	-44.3	-34.3
Number of employees	107	136	160	136	187.0

Significant events after 31 March 2014

There have been no important changes in the Company's financial position or market position except for those mentioned since the last reporting period.

B.8	<i>Selected pro forma financial information</i>	Not applicable. This Prospectus does not contain any pro forma financial information.
B.9	<i>Profit forecast</i>	Not applicable. The Company has not provided a profit forecast.
B.10	<i>Remark from the auditors</i>	Not applicable. There are no remarks in the auditor's report.
B.11	<i>Insufficient working capital</i>	Not applicable. The Company has sufficient working capital to continue operations for the next 12 months.

SECTION C - SECURITIES

Element	Disclosure requirement	Information
C.1	<i>Securities offered</i>	Shares in G5 Entertainment AB (ISIN code SE0001824004)
C.2	<i>Denomination</i>	The Shares are denominated in SEK.
C.3	<i>Total number of shares in the Company</i>	The Company's registered share capital amounts to SEK 880,000 divided among 8,800,000 shares. Each share has a quota value of SEK 0.1. All outstanding shares have been fully paid.
C.4	<i>Rights attached to the securities</i>	The Shares carry right to dividends from the first record date for dividends occurring after the Shares have been registered with the Swedish Companies Registration Office. The Shares have the same rights to dividends and distributions in connection with liquidation. The Shares carry the same voting rights in G5 Entertainment and each share is equivalent to one vote at the General meeting.
C.5	<i>Restriction on the free transferability</i>	Not applicable. The shares are freely transferable.
C.6	<i>Admission to trading</i>	The Shares will be traded on NASDAQ OMX Stockholm.
C.7	<i>Dividend policy</i>	G5 Entertainment is active in a market that grows quickly, and in order to benefit from this growth, the Company intends to continue re-investing profits in activities that promote organic growth, such as product development and marketing. The Company has not historically paid out dividend to its shareholders.

		<p>Future dividends will be subject to G5 Entertainment's future earnings, cash flows, working capital requirements, and general financial condition. In addition, investments in acquisitions as part of the Company's growth strategy may impact the level of future dividends. Although the Board of Directors has no reason to believe that dividend payments under this policy will not be made in the future, there can be no assurance that any annual dividend will actually be paid, nor can there be any assurance as to the amount to be paid in any given year.</p> <p>The Board of Directors intends to propose to the Annual General Meeting 2014 that no dividend is paid for 2013.</p>
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SECTION D - RISKS

Element	Disclosure requirement	Information
D.1	<i>Significant risks associated to the issuer or the industry</i>	<p>Investment in the G5 share is associated with a number of risks. Numerous factors affect or may affect G5's operations and share, both directly and indirectly. Apart from the following overview, an investor should consider the section "Risk Factors" and other information in this Prospectus.</p> <p>Market and Business related risks</p> <ul style="list-style-type: none"> • G5 operates in a rapidly evolving and immature industry. The growth of the mobile gaming industry and the level of demand and market acceptance of G5's games are subject to a high degree of uncertainty, which in the future may have a negative impact on G5's operations, financial position and profit. • G5 faces political, regulatory and economic risks as a result of its international operations and game development business, any of which could have adverse effect on the operations of G5. Political, economic and social instability, including the current hostilities in the Ukraine could potentially negatively impact the Company given that G5 has a development studio in Kharkov, Ukraine where it employs over 165 people of the total of 187 employees in the Group as of May 2014. • Although G5 is incorporated in Sweden, it has substantial operations outside EU, specifically in Russia and Ukraine, which is considered higher risk compared to investments within EU. • Competition is intense within the gaming industry and G5's players may be attracted to competing forms of entertainment. • Apple, Google, Amazon and Microsoft (Windows 8) are the primary distribution platform for G5's games. G5 generates substantially all of its revenue through these distribution channels and expects to continue to do so for the foreseeable future and G5 is therefore dependent on the continued relationship with its distributors. • The Company's success depends on the continued ability to identify, hire and retain qualified and experienced employees. • If G5's top games do not maintain their popularity, the results of the Company's operations, financial position and profit could be harmed. • G5 will need to continue spending resources to improve its technology infrastructure. Security breaches, computer malware and computer hacking attacks are possible in G5's industry and constitute a risk factor. • Evolving regulations concerning data privacy may result in

		<p>increased regulation and different industry standards, which could prevent G5 from providing its current games to its players, or require G5 to modify its games and thereby harm G5's business.</p> <p>Legal risks</p> <ul style="list-style-type: none"> • There is a risk that the G5 Group will not be able to sufficiently defend its intellectual property rights. Further, there is a risk that G5 may be regarded as infringing intellectual property rights held by external parties, which may have a negative impact on G5's operations, financial position and profit. • G5 operates in a number of jurisdictions and is subject to local rules, laws and regulations. Changes in rules, laws and regulations may adversely affect G5. • The tax position for the G5 Group, both for previous years and the present year may change as a result of the decisions of the tax authorities or courts concerned with regards to known or unknown tax risks or as a result of changed laws, treaties or regulations, which may have a negative impact on G5's operations, financial position and profit. • The companies within the G5 Group may become involved in disputes and risk being subject to claims in lawsuits, which in the future may have a negative impact on G5's operations, financial position and profit. <p>Financial risks</p> <ul style="list-style-type: none"> • The Company is exposed to currency risk as it has revenue and costs in different currencies and reporting is made in SEK, which may have a negative impact on G5's operations, financial position and profit. • Many of the Company's third party developers are smaller companies with limited financial resources and there is a risk that the developers are not going to be able to meet their obligations in case of breach of contract, including intellectual property infringement, which may have a negative impact on G5's operations, financial position and profit. • The Company is subject to the risk of not being able to adequately cover the operating cash needs of the business in the short and medium term, and the risk associated with raising new capital, which in the future may have a negative impact on G5's operations, financial position and profit. <p>There may be risks relevant to the Company and the industry that are not known to the Company at this time.</p>
D.3	<i>Significant risks associated with the securities</i>	<p>Sale of large quantities of the Company's shares, regardless whether it concerns sale of existing shares or shares acquired through issuing of new shares, could have a negative impact on the shares current market price. There is a risk that it may not be an active market for trading the G5-shares or, if such a market would occur, that it will remain even after the completion of the listing. The liquidity and market price may be affected after the listing because of large fluctuations in response to many factors. The Company is currently expecting to invest potential profit in product development and the Company is not during the near future expected to recommend or pay any dividend.</p>

SECTION E – THE RIGHTS ISSUE

Element	Disclosure requirement	Information
E.1	<i>Issue amount and issuing costs</i>	Not applicable. The Company does not offer any new shares.
E.2a	<i>Reasons for and use of issue proceeds</i>	Not applicable. The Company does not offer any new shares.
E.3	<i>Terms and conditions of the offer</i>	Not applicable. The Company does not offer any new shares.
E.4	<i>Interests that is material to the Rights Issue</i>	Not applicable. The Company does not offer any new shares.
E.5	<i>Lock-up agreement</i>	Not applicable. No lock-up agreement exists regarding sale of new shares.
E.6	<i>Dilution effect</i>	Not applicable. The Company does not offer any new shares.
E.7	<i>Costs imposed on the investor by the issuer or offeror</i>	Not applicable. There are no expense charges to the investors by the Company.

RISK FACTORS

Investment in G5 shares is associated with a number of risks. Numerous factors affect or may affect G5's operations, both directly and indirectly. Risk factors and major circumstances deemed to be of importance for G5's business and future development are described below in no particular order of priority and without claim to be exhaustive.

Other risks as yet unknown to the Company, or which the Company at present deems to be insignificant, may in the future have a pronounced adverse effect on G5's business, financial position, or profits. Such risk factors may also cause a considerable decline in the price of G5's shares and investors could lose part or whole of their investment. Apart from this section, an investor should also consider the other information in this Prospectus.

This Prospectus contains statements about the future which may be affected by future events, risks and uncertainties. The Company's actual results may be considerably different to the expected results in statements about the future due to many factors, among them, but not limited to, the risks described below and elsewhere in this Prospectus.

Risks associated with the issuer

MARKET AND BUSINESS RELATED RISKS

Market conditions

The Company operates in a new and rapidly changing industry, which makes it difficult to evaluate the business and prospects. Mobile gaming market, from which G5 derives substantially all of its revenue, is an immature market and a new and rapidly evolving industry. The growth of the mobile gaming industry and the level of demand and market acceptance of G5's games are subject to high degree of uncertainty. The Company's future operating results will depend on numerous factors affecting the mobile gaming industry, many of which are beyond the Company's control, including changes in consumer demographics and public tastes and preferences, the availability and popularity of other forms of entertainment, the worldwide growth of sales of smartphones, tablets and other connected mobile devices, and the rate of any such growth and general economic conditions, particularly economic conditions adversely affecting discretionary consumer spending.

The ability to plan for game development, distribution and promotional activities will be significantly affected by the Company's ability to anticipate and adapt to relatively rapid changes in the tastes and preferences of its current and potential players. New and different types of entertainment may increase in popularity at the expense of mobile gaming. A decline in the popularity of mobile gaming in general, or the Company's games in particular would harm its business and prospects.

Political risk

G5 faces political and economic risks as a result of its international operations and game development business, any of which could have adverse effect on the operations of G5. Political, economic and social instability, including the current hostilities in Ukraine could potentially negatively impact the Company given that G5 has a development studio in Kharkov, Ukraine where it employs over 165 people of the total of 187 employees in the Group as of May, 2014. Current political instability in Ukraine can have negative effect on Company's operations under certain dramatic scenarios of future events.

Although G5 is incorporated in Sweden, it has substantial operations outside EU, specifically in Russia and Ukraine, which is considered higher risk compared to investments within EU.

Competition

G5 is of the opinion that its success depends on the Company's ability to develop and/or license new and innovative games. Competition within the broader entertainment industry is intense and G5's existing and potential customers may be attracted to competing forms of entertainment such as offline and traditional online games, television, movies and sports, as well as other entertainment options on the Internet.

G5's customers face a vast array of entertainment choices. Other forms of entertainment, such as offline, traditional online, personal computer and console games, television, movies, sports and the Internet, are much larger and more well-established markets and may be perceived by G5's customers as offering greater variety, affordability, interactivity and enjoyment. These other forms of entertainment compete for the discretionary time and income of G5's customers. If G5 is unable to sustain sufficient interest in its mobile games in comparison to other forms of entertainment, including new forms of entertainment, there is a risk that the business model may no longer be viable.

There are relatively low barriers to entry in the mobile gaming industry compared to other gaming markets and competition is intense when it comes to the development of games. G5 expects more companies to enter the sector and a wider range of games to be introduced. The Company's competitors that develop games for mobile devices vary in size and include large international game publishers such as Electronic Arts, Zynga, Gameloft, as well as global game networks like DeNA and Gree, and smaller publishers like Gamevil and Glu Mobile, as well as more focused mobile casual game providers including Rovio and others. Free-to-play competitors include King.com, Supercell and Pocket Gems. In addition, traditional online game developers and distributors who are currently primarily focused on specific international or video games market segments, such as Activision in USA or Tencent Holdings Limited in Asia, may decide to develop mobile games that would compete with games of G5. These current and potential competitors have resources for developing and/or acquiring rights to additional mobile games, may be able to incorporate their existing brands and assets into their mobile games, have a more diversified set of revenue sources than G5 does and may be less affected by changes in consumer preferences, regulations or other developments that may impact the mobile games industry. G5 expects new mobile game competitors to enter the market and existing competitors to allocate more resources to develop and market competing games and applications.

Risk related to distribution channels

The Company depends on continuing co-operation with its distributors. Apple, Google, Amazon and Microsoft operate primary distribution platforms for G5's games, with Apple and Google being the most important. G5 generates substantially all of its revenue and majority of its customer leads through these distribution channels and expects to continue to do so for the foreseeable future. Deterioration in G5's relationship with these companies can harm G5's business.

G5 is subject to Apple's, Google's, Amazon's and Microsoft's standard terms and conditions for application developers, which govern the promotion, distribution and operation of games on relevant platforms stores: Apple App Store, Google Play, Amazon Appstore and Windows 8 Store.

G5's business would be harmed if any of the above mentioned distributors discontinue or limit access to its respective platform by G5, modify its terms of service or other policies, including the provisions on revenue share, and on how the personal information of its users is made available to application providers on the respective platform, establish more favorable relationships with one or more of G5's competitors, or develop their own competitive mobile game offerings. The distributors have broad discretion to change the terms of service and other policies with respect to G5 and other game providers, and those changes may be unfavorable to the Company.

G5 and other game providers have benefited from the distributors' strong brand recognition and large user bases. If one or more of the distributors lose their market position or otherwise fall out of favor with their user base, G5 will need to identify alternative channels for marketing, promoting and distribution of its games, which may require substantial resources and investments, and may not be effective. G5 has also benefited from the free promotion of its games in distributors' stores, granted by the decision of the distributors' editorial teams and at their sole

discretion. If G5 fails to receive the recognition from the distributors' editorial teams in the future, G5 may need to spend additional resources on marketing and promotional activities which may not be as effective.

Customers

Among players who were active in G5's games during any period, only a small number of players would be paying customers during such period. During 2013, G5 had approximately 5 million unique players a month, on average. G5 loses players in the ordinary course of business. In order to sustain the Company's revenue levels, G5 must attract, retain and increase the number of players or more effectively monetize its existing players. To retain players, the Company must devote resources so that the games they play retain players' interest and/or attract players to G5's other games. If G5 fails to grow or sustain the number of its active players, or if the rates at which G5 attracts and retains players decline, or if the average amount its players spend declines, there is a risk that the Company's business may not grow, and the financial results may suffer.

Historically, G5 did not depend on any one game or a small number of games for a majority of its revenue, relying on balanced portfolio approach, before the Company started releasing free-to-play games. The situation recently started to change as successful free-to-play games generate disproportionately more revenue per game than unlockable games. As of right now, G5 depends on a small number of free-to-play games. In the future, G5 will strive to reduce such dependency by launching more free-to-play games and will therefore build a portfolio. However, there is a risk that Company's new free-to-play games may not be as successful as existing, or that some of Company's new free-to-play games may be outselling all other games substantially. Therefore, dependency on a small number of games for a majority of revenue may or may not continue in the future.

G5's growth depends on its ability to consistently launch new games that achieve popularity. Each of its games requires engineering, marketing and other resources to develop, release and sustain via regular upgrades and expansions. G5's ability to successfully develop and/or license, release, sustain and expand games that attract and retain players largely depends on its ability to anticipate and effectively respond to changing game player interests and preferences; anticipate or respond to changes in the competitive landscape; attract, retain and motivate talented game designers, product managers and engineers; develop, sustain and expand games that are fun, interesting and compelling to play; effectively market new games and enhancements to its existing players and new players; minimize release delays and cost overruns on new games and game expansions; minimize downtime of its games and servers and other technical difficulties; and acquire high quality assets, personnel and companies.

It is difficult to consistently anticipate player demand on a large scale, particularly as G5 develops new games in new genres or for new markets. If G5 does not launch games that successfully attract and retain sufficient number of players and extend the life of its existing games, the market share, reputation, and financial results will be harmed.

Key employees

The Company's success depends largely on the continued ability to identify, hire, train and retain qualified and/or experienced executives, game designers, product managers, engineers and other key employees. G5's ability to hire and retain qualified personnel depends on a number of factors, some of which are beyond G5's control, including the competitive environment on the local employment markets in which the Group operates. The loss of an executive, experienced game designer, product manager, engineer, or another key employee due to, for example, such employee leaving to work for a competitor, may result in loss of important know-how and may significantly delay or prevent the achievement of development objectives or the implementation of the Group's business strategy. If the companies within the Group are unable to hire or retain qualified and experienced executives, game designers, product managers, engineers and other key employees, this may have an adverse effect on the Company's business, financial position and profits in the future.

G5 is relatively dependent on the three founders: Chief Executive Officer, Vlad Suglobov, Chief Operating Officer, Alexander Tabunov and Vice President of Finance, Sergey Shults. These three founders have had key roles with the Company since inception and G5 believes they are important for the continued success of the Company on the mobile gaming market. The notice period for the CEO is currently set to 3 months. Moreover, some of the founders of G5 are among the largest shareholders in G5.

Reputation risk

G5's top free-to-play games require maintenance. If G5's top games do not maintain their popularity, the results of the Company's operations could be harmed. In addition to creating new games that are attractive to players, G5 must extend the life of its existing games, in particular its most successful games. For a best-selling free-to-play game to remain popular, G5 must continuously enhance, expand or upgrade the game with new content and/or features that players find attractive. Such continuous enhancement requires investment of resources, which reduces product profit margin. G5 may not be able to successfully enhance, expand or upgrade its existing free-to-play games beyond a certain point. Persistent reduction in the number of players of its most popular games, decrease in the popularity of such games, breach of transaction security or prolonged server interruption, loss of rights to intellectual property in such games, or other adverse developments relating to G5's most popular games, could harm the Company's results of operations.

While G5 carries out thorough quality assurance of its products, no software product, including G5's games or game updates can be completely free of defects. G5's games or game updates may contain errors, bugs, flaws or corrupted data, and such defects may only become apparent after they are released, particularly as G5 launches new games and rapidly releases new updates to existing games under tight time constraints. G5 believes that if its players have prolonged negative experience with G5's games, they may be less inclined to continue or resume playing its games or recommend its games to other potential players. Undetected programming errors, game defects and data corruption can disrupt G5's operations, adversely affect the game experience of its players, harm the Company's reputation, cause G5's players to stop playing its games, divert resources and delay market acceptance of its games, any of which could harm G5's operating results.

Technical Risk

To effectively manage the growth of the Company's business and operations, G5 will need to continue spending resources to improve its technology infrastructure, its operational, financial and management controls, and its reporting systems and procedures. In particular, to manage the growth G5 will need to continue to monitor and update its technology infrastructure to maintain high performance and minimize down time; enhance information and communication systems to ensure that the Company's employees and offices around the world are well-coordinated and can effectively communicate with each other; enhance its internal controls to ensure timely and accurate reporting of all of its operations; and appropriately document its information technology systems and its business processes.

These enhancements and improvements will require capital expenditures and allocation of valuable management and employee resources. If G5 fails to implement these enhancements and improvements effectively, its ability to manage its expected growth and comply with the rules and regulations that are applicable to public reporting companies will be impaired. In addition, if G5's operating costs are higher than expected or if G5 does not maintain adequate control of its costs and expenses, its operating results will suffer.

G5 uses a cross-platform game engine, Talisman, which has been developed by the Company and is used internally for development of games across multiple mobile platforms. G5 will need to continue spending resources to improve and update this tool to keep up with the emergence and development of new and existing platforms. These enhancements and improvements will require capital expenditures and allocation of employee resources. If G5 fails to implement these enhancements and improvements effectively, it may not be able to release new games in a timely manner, which can negatively affect launch schedule of its internal games and growth of the business.

Data privacy

Evolving regulations concerning data privacy may result in increased regulation and different industry and platform standards, which could potentially prevent G5 from analyzing behavioral and monetization patterns of its players, affect G5's ability to measure effectiveness of its marketing channels, require G5 to modify its games, or possibly make G5 games inaccessible to players, thereby harming G5's business. G5 processes, stores and uses personal information and other data, which is subject to governmental regulation and other legal obligations related to privacy, and G5's actual or perceived failure to comply with such obligations could harm its business.

LEGAL RISKS

Intellectual property rights

Intellectual property is an essential element in G5's business. The Company relies on a combination of property rights, trademarks, trade secrets and intellectual property laws. Despite G5's efforts to protect its intellectual property rights, unauthorized parties may attempt to copy or otherwise attempt to obtain and use G5's technology and games. Monitoring unauthorized use of games is difficult and costly and there is no guarantee that the actions taken by G5 to prevent unauthorized use of games will prevent piracy and other unauthorized distribution and use of technology and games.

G5 is working to protect its games, trademarks, domain names and other intellectual property rights that are critical to its operations. However, there is a risk that the actions taken by the G5 Group will not be sufficient to defend its games, trademarks, domain names and other intellectual property rights. Further, there is a risk that G5 may be regarded as infringing trademarks, patents, or other intellectual property rights held by other parties. Should G5 fail to protect and retain its intellectual property rights or should it be regarded as infringing intellectual property rights of other parties, this may have an adverse impact on G5's business, financial position and profits in the future.

G5 cannot exclude allegations in the future that G5 has infringed the trademarks, copyrights, patents and other intellectual property rights of third parties. Intellectual property litigation may be protracted and expensive, and the results are difficult to predict. As the result of any court judgment or settlement G5 may be obligated to cancel the launch of a new game, stop offering certain features, pay royalties or settlement costs, purchase licenses or modify its games and features while developing substitute products.

The Company has entered into a Coexisting Agreement with G4 Media LLC regarding the Company's use of the mark *G5* and the mark *G5 GAMES*. Should G5 fail to comply with the terms of the agreement there is a risk that G4 Media LLC may interfere with the Company's use of *G5* and *G5 GAMES* marks.

Statutory requirements and other regulations

G5 operates in a number of jurisdictions and is subject to local laws, rules and regulations applying within each of these jurisdictions and to international rules and regulations. Changes in the local laws, rules or regulations where G5 operates may adversely affect its business, financial position and profits in the future.

In the future, G5 may become established in markets and countries where it has not previously operated. New establishment, in particular in developing countries, may involve unforeseen costs, for example due to delays in obtaining business-related permits, which may have an adverse impact on G5's business, financial position and profits in the future.

Tax related risks

G5 manages its operations through companies in a number of countries. The business, including transactions between companies and how the Group is structured, is operated according to G5's understanding or interpretation of current tax laws, tax treaties and other tax law stipulations and in accordance with G5's understanding and interpretation of the requirements of the tax authorities concerned. Given the complexity of G5's business operations, including purchase and sales of assets and services between the Company's different subsidiaries in different jurisdictions, it cannot be ruled out that G5's understanding or interpretation of the above-mentioned laws, treaties and other regulations is incorrect in some aspects. Nor can it be ruled out that the tax authorities of the countries concerned will make assessments and take decisions which deviate from G5's understanding or interpretation of the abovementioned laws, treaties and other regulations. The tax position for the G5 Group, both for previous years and the present year may change as a result of the decisions of the tax authorities or courts concerned or as a result of changed laws, treaties and other regulations. Such decisions, rulings or changes, possibly retroactive, may have an adverse impact on G5's business, financial position and profits in the future.

In connection with investigating the Group's tax situation, it has been observed that a risk of additional taxation could affect three of the subsidiaries. The Group has in the interim report 1 January – 31 March 2014, reported an amount equivalent to the maximum possible taxable amount as a contingent liability. It is the Group's assessment that the reported contingent liability of SEK 3.5 million would cover any future possible tax claims from relevant tax authorities.

Disputes

The companies within the Group may become involved in disputes within the framework of their normal business activities and, like other players in G5's markets, risk being subject to claims in lawsuits concerning agreements, product liability, and intellectual property rights, disputes and claims of this kind can be time consuming, disrupt normal operations, involve financial resources and result in considerable costs. Moreover, it can be difficult to predict the outcome of complex disputes. Finally, the risk and complexity is further magnified by G5's international character with operations in many different jurisdictions. Should the Group become involved in disputes as described it may have an adverse impact on G5's business, financial position and profits in the future.

FINANCIAL RISKS

Currency risks

Currency risk relates to the fluctuations in foreign currency exchange rates which will affect the Company's financial results, which is reported in SEK. The primary currency exposure is due to the fact that the Company finances a certain part of the development work undertaken by the Group using funds from share issues in SEK. The Company also receives the majority of its revenue in USD and EUR. At the same time it incurs expenses for employee compensation and other

operating expenses at non-Swedish locations in RUB², UAH³, EUR, and USD. The Company's sub-contractors and licensors are primarily paid in USD. Until these costs have been recouped through sales of the finished games, the Company has a claim on certain subsidiaries that is not fully netted by the corresponding assets in those subsidiaries. This net exposure has to be re-calculated every quarter, and the resulting currency effects are booked as a financial income or cost for the Group. Thus, currency risks, i.e. exchange rate changes, may have an adverse impact on G5's business, financial position and profits in the future.

Credit risks

Credit risk means a risk when counter parties do not fulfill their obligations towards the Company. For example, if the Company would be obligated to pay compensation in case any of its games would infringe a third party's intellectual property right, the third party developers of the game may have an obligation to compensate the Company. However, many of the Company's third party developers are smaller companies with limited financial resources and there is a risk that the developers are not going to be able to meet their obligations in case of intellectual property infringement. These risks may lead to credit losses for G5, which may have an adverse impact on G5's business, financial position and profits in the future.

Liquidity and capital risks

The Company is subject to the risk of not being able to adequately cover the operating cash needs of the business in the medium and long term. Although G5 assesses that its access to liquid funds is good, it cannot be excluded that it may suffer liquidity problems which can have an adverse impact on G5's business, financial position and profits in the future.

If G5 is not able to raise funds, in time, at all, or on acceptable conditions, or if the Company fails to meet its obligations under the Company's credit arrangements, it may have an adverse effect on G5's business, financial position and profits, and on G5's ability to obtain additional financing, should this be needed.

Capitalized development costs

G5 capitalizes development costs. Such costs are recognized as assets on the balance sheet, if the expenses are expected to result in identifiable probable future financial benefits that are under the control of the Group, and it is technologically and financially possible to complete the asset. Ongoing capitalized development cost, where amortization has not started, is tested for impairment annually. In the event that such tests in respect of sustained decreases in the value of capitalized development costs should lead to impairment, this may have an adverse impact on G5's financial position and profits in the future. Unlockable games are amortized linearly over a two-year period and free-to-play games are amortized over a rolling two-year period. As a result of the shift to free-to-play games, and as a consequence of changing market conditions for unlockable games, G5 made a write down of capitalized development costs and advances to external developers during 2013, based on evaluation of the Company's portfolio of unlockable games. The write-down equals more than 50 per cent of the total amount of capitalized development costs and advances to external developers. The write down does not impact liquidity. In the event that such future tests in respect of sustained decreases in the value of capitalized development costs should lead to impairment, this may have an adverse impact on G5's business, financial position and profits in the future.

² Russian Ruble.

³ Ukrainian Hryvnia.

Risks Associated With the Shares

FUTURE SALES OF SHARES BY MAJOR SHAREHOLDERS AND NEW ISSUES

Sales of large quantities of the Company's shares, irrespective of whether this involves the sale of existing shares or shares acquired through new issues could have an adverse impact on the current market price of the shares.

THE MARKET PRICE OF THE G5 SHARE

There is a risk that an active market for trading in the shares of G5 will not evolve or, if one should emerge, that it will remain after the listing is completed. The liquidity and market price after listing may be affected by major fluctuations as a reaction to many factors, including fluctuations in actual and forecasted profits, or that analyst profit expectations are not met, changes in trading volumes of G5's shares, changed macroeconomic conditions, the actions of competitors and suppliers, changed market valuations of similar companies, changed investor or analyst opinions of G5 or the sector, changes in the regulatory environment in which G5 operates and other factors mentioned in this section, as well as equity market fluctuations and general macroeconomic conditions which may have an adverse impact on the share price and liquidity, irrespective of G5's actual results or the conditions in its markets.

G5'S ABILITY TO DISTRIBUTE DIVIDENDS

The holders of shares in G5 are entitled to future dividends. The size of any future dividends depends on the Company's future profits, financial position, cash flow, working capital needs and other factors which are material in the opinion of the Board of Directors of the Company. The Company currently anticipates investing any potential profit in product development. Therefore, no dividend is expected to be recommended or distributed in the near future.

Background and reasons for the listing on NASDAQ OMX Stockholm

G5 Entertainment was founded in 2001, and is a publisher and developer of casual free-to-play games for tablets and smartphones, with players worldwide. The Company has its headquarters in Stockholm, Sweden, with development offices in Moscow, Russia and in Kharkov, Ukraine, game procurement and licensing office on Malta and a small sales and marketing office in San Francisco, USA. G5's business is based on consumers' preference for casual games in their mobile handsets and the Company believes it will continue to benefit from the growing demand for mobile games worldwide.

G5 has developed a business model that it believes is both successful and scalable, as illustrated by the Company's history. Coupled with the underlying market conditions and trends in the mobile games market, G5 aims to continue to expand its game portfolio and increase revenue and operating profits.

G5 will continue to build on its strong position and reputation as a publishing platform for mobile casual free-to-play games. G5's Board of Directors and its major shareholders believe that the timing is right to apply for the listing of its shares on NASDAQ OMX Stockholm.

The listing will provide G5 with further access to the Swedish and international capital markets to support its growth and continued development. G5's Board of Directors expects that the listing of the shares will generate increased attention and brand awareness among existing and potential customers, developers and consumers. Moreover, the larger institutional investor base active on NASDAQ OMX Stockholm will allow the Company to attract capital at a lower cost and with greater ease, should external capital be needed.

Shareholders in G5 do not need to undertake any specific actions with regards to the listing. For further information, please advise this Prospectus. The listing on NASDAQ OMX Stockholm is taking place after the delisting from Aktietorget.

The Board of Directors of the Company is responsible for the content of this Prospectus. The Board of Directors hereby declares that all reasonable caution has been taken to ensure that the information in this Prospectus is, to the best of their knowledge, in accordance with the truth and contains no omission likely to affect its meaning.

Stockholm, 26 May 2014

G5 Entertainment AB (publ)
Board of Directors

Message from the CEO

We are witnessing probably the largest and, by some account, the fastest technological revolution since the days of introduction of personal computers and the Internet to the mass population. Smartphones and tablets are replacing mobile phones, personal computers and other consumer electronics in our everyday lives. One can do a lot of things with the modern smartphone/tablet device; make calls, read emails, shop and listen to music, watch movies, read books, create presentations, browse the Internet, use online services, and, of course, play games. The whole range of consumer electronic devices such as personal computers, organizers, car navigators, cellphones and feature phones, radios, music players, DVD players, and video games consoles are being replaced by one integrated device that becomes the center of the person's digital life.

When personal computers just arrived, it took people a while to learn how to use them. Same goes for the Internet. The implementation of smartphones and tablets did not experience that hurdle. They bring all familiar and frequently used services, but with unprecedented mobility, connectivity, and outstanding user experience. No wonder people stick to using these devices once they got the opportunity to try. The effects of this revolution of people's preferences are already apparent. Worldwide shipments of personal computers continue to slide, while sales of smartphones and tablets have grown rapidly. It also had substantial effect on the gaming industry. Smartphones and tablets are going to bring high-performance devices with high-quality screens in the hands of virtually everyone. This is already the largest videogame platform by install base. It is also the ideal platform for so called casual games, the type of games that G5 publishes and develops.

We at G5 sensed the change in the market in 2009 and re-focused the Company solely on being publishers and developers of games for smartphones and tablets, leaving everything else behind. We achieved early success bringing existing casual PC games to smartphones and tablets; we then extended to developing original mobile-exclusive casual games; and continued by extending our portfolio to include successful free-to-play games, the type of games that has been gaining increasing popularity recently.

During our journey, we have established G5 as one of the preferred game brands for millions of players, we have created some best-selling mobile franchises like *Supermarket Mania*, we have built important partnerships with distributors and over 50 independent game development studios, we have built our knowledge of the market and key company functions, and brought around 100 games to the market, both developed internally and licensed from our development partners. Our focus is on free-to-play games that bring the highest user engagement and revenue per user. Successful free-to-play games developed internally, such as *Virtual City Playground*, and games licensed from third party developers, such as *The Secret Society*, validate our portfolio approach and publishing model. Our cost structure and presence in key territories ensure our ability to further scale our operations profitably.

Our sales are global, almost equally distributed between USA, EU, and the rest of the world. Our listing on NASDAQ OMX Stockholm is motivated by the desire to make it possible for investors worldwide to invest in the Company, but also to better prepare the Company for continued growth by improving the internal processes, corporate governance, and financial disclosing. As the market continues to grow, we will work to establish G5 as one of the leading game providers for smartphones and tablets. Our strategy is to increase the number of high quality free-to-play games in the portfolio while continuing to scale our user base. This strategy should bring us to the goal we have set ourselves to achieve in the coming years.

Stockholm, 26 May 2014

Vlad Suglobov

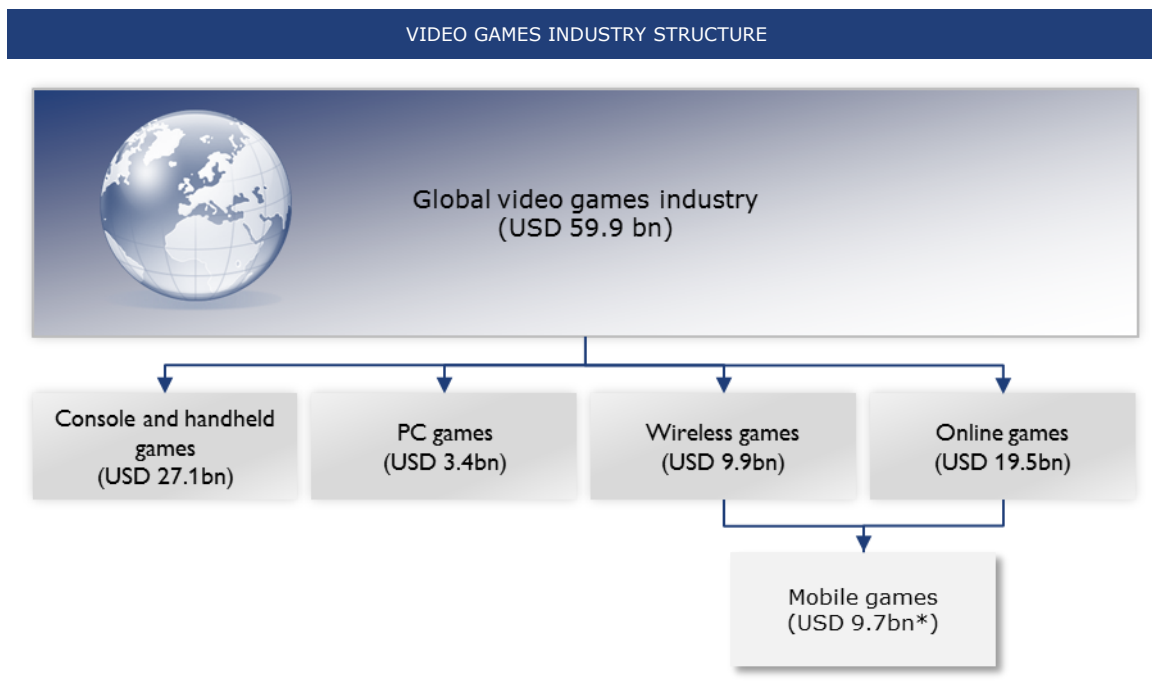
CEO of G5 Entertainment AB (publ)

Market

The information about market growth, market size and G5 Entertainment's market position compared to its competitors as specified in this Prospectus, is G5's overall assessment based on both internal and external sources. In the Prospectus, G5 has endeavored to accurately reproduce information from these sources, although it has not itself verified the information from these sources. To the best of G5's knowledge and evaluation abilities, no significant facts have been omitted that would make the information incorrect or misleading. Readers should note that macroeconomic forecasts and sentiments change. G5 has strived to use the latest available information from relevant sources. There are, however, often long periods of time between publications of data, which could negatively influence the relevance. The information from third parties has been reproduced accurately.

Review of the video games industry

The global video games industry had an annual turnover of about USD 60 billion in 2012, excluding any hardware-related spending⁴. Traditionally, the industry has been classified into sub-industries in accordance with the platform used, each with distinguishing attributes. The traditional sub-industries are console and handheld games, PC games, wireless games and online games.



Source: PwC, *Yankee Group, Mobile apps and Cloud forecast, October 2012

The industry is changing, however, both in terms of the platforms used and the type of games played. From games primarily being played by a relatively narrow audience with dedicated users on traditional consoles and computers, the ongoing shift is moving the industry towards games being played by a wider audience on high-performance portable devices, primarily smartphones and tablets. The increased connectivity has led to a strong development of online games, and the high growth of touch-based smartphones has led to the emergence of a new niche within the video game industry, i.e. casual games for smartphones and tablets.

⁴ PwC, Global entertainment and media outlook: 2012-2016, June 2012 ("PWC")



Console and handheld games

The market for console and handheld games, which includes games for platforms such as Xbox 360, PlayStation 3, Nintendo Wii, Nintendo DS and PlayStation Portable, had a global annual turnover of about USD 27 billion in 2012⁵. This market has experienced declining sales during recent years, mainly due to the aging generation of consoles. Games produced for consoles and handheld devices are mainly directed towards more dedicated players and are relatively time-consuming to play. The emergence of Nintendo Wii and camera control devices, however, has led to an increase in casual entertainment games played on consoles by a wider audience. The overall trend is to connect consoles with handheld devices and thus make the user experience portable and more flexible to the end user.

PC games

The global market for PC games had an annual turnover of about USD 3.4 billion in 2012⁶. The segment has experienced declining sales during recent years, as developers face increased competition and margin pressure from piracy. The declining sales of PC games can also be explained by desktop computers having gradually become less popular, and laptops not having enough powerful hardware to run high-capacity demanding games. While more capacity-demanding PC games sales have declined, casual downloadable PC entertainment and games played on laptops have increased, as casual games do not require high-performance hardware.

Wireless games

Wireless games include games played on mobile phones and tablets, and had an annual turnover of about USD 10 billion in 2012⁷. Wireless games have experienced double-digit growth in recent years. The development of smartphones, increased connectivity and the emergence of application stores have contributed to the evolving market for mobile games.

Online games

In 2012, the online games segment had a turnover of USD 19.5 billion globally⁸. This segment has experienced strong growth, largely as a result of the trend shifting towards multiplayer games and social playing, coupled with the increased broadband penetration and greater confidence in online consumer spending. In contrast to traditional platforms, online games are not restricted to a single platform. Online games incorporate all games that involve some sort of interaction between players and need access to the Internet. The growth of mobile games is to a large extent interconnected with the development of online-based games and the changing playing habits among consumers.

Transition to mobile games

The video game market was, to a large extent, revolutionized when Apple released its touch-based iPhone and its application store. Google quickly adopted the same approach, incorporating Android Market, later re-named Google Play, in Android devices. The emergence of tablets followed, which also utilized the same application distribution mechanics. The touch-based interface of smartphones and tablets running iOS and Android OS, in combination with their hardware characteristics, provided a perfect interface for so-called casual games. With the introduction of in-game purchases of virtual items, free-to-play games took off and now dominate top grossing

² PWC

³ PWC

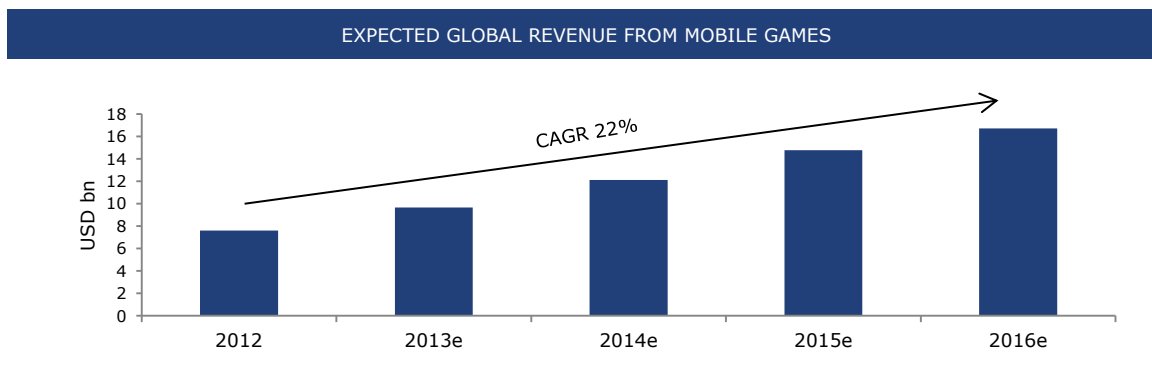
⁷ PWC

⁸ PWC

rankings in application stores. The continuously enhanced hardware performance in combination with the increased connectivity is reducing the gap between smartphone and tablet games, and console and PC games. Technical features such as increasing memory and processor capacity, high-performance touch screens and gyroscope technology, are constantly improving the user experience. Consequently, a continued shift from console and PC games to mobile online games is expected.

The mobile games segment

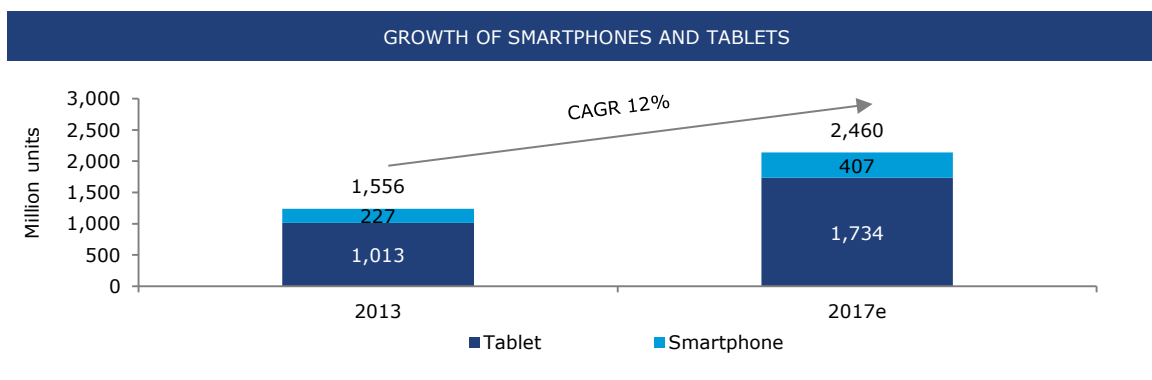
The mobile games segment has emerged with the growth of smartphones and tablets as an overlap of the wireless and online games segments, and is expected to be sized at approximately USD 9.7 billion globally in 2013⁹. The segment has experienced high growth rates over the last years, mainly due to the global increase in availability of mobile devices in combination with the technological development of smartphones and tablets. Games for mobile devices were initially preinstalled on mobile phones, with quality depending on the hardware it came with, and the variety of games was fairly limited. But with the emergence of smartphones and tablets that offer open platforms and full operating insight to game developers, the market has multiplied.



Source: Yankee Group's Mobile Apps and Cloud Forecast, October 2012

Growth of smartphones and tablets

In recent years, the shipment of smartphones, tablets and other connected mobile devices have experienced significant growth. In 2013, it is estimated to be approximately 1,013 million smartphones and 227 million tablets in use, and the market is expected to continue to increase by about 16 per cent and 14 per cent annually over the next four years, for smartphones and tablets, respectively¹⁰. The market for tablets has experienced the most significant growth over the last couple of years as Apple, the market leader and pioneer of computer tablets, is challenged by other players, leading to price pressure on products and quicker consumer adoption.



Source: IDC Worldwide Quarterly Smart Connected Device Tracker, September 11, 2013

⁹ Yankee Group, Mobile apps and Cloud forecast, October 2012

¹⁰ IDC Worldwide Quarterly Smart Connected Device Tracker, September 11, 2013

Smartphones and tablets are expected to cannibalize on other hardware devices, and are nowadays seen as substitutes to more traditional game consoles. Although the latter currently have some technology advantages, smartphones and tablets are becoming increasingly sophisticated in terms of technology, which contributes to the growth of the smartphone and tablet user base.

Proliferation of mobile applications

Mobile applications experience huge demand from users of devices built on platforms such as Apple's iOS and Google's Android. In 2012, users downloaded a total of 64 billion mobile applications¹¹. This number is expected to increase to 269 billion by 2017, which is an increase of 33 per cent per year on average¹². The key driver for the massive expansion of downloads is that mobile phone manufacturers have made their operating systems and application stores accessible to developers, and thus have enabled new content to be produced. In 2012, mobile games constituted about two thirds of the revenue from downloaded applications¹³. It is further estimated that around 72 million smartphone owners in the EU5 (France, Germany, Italy, Spain, UK) play mobile games every month, while 18 million are estimated to play mobile games on a daily basis¹⁴.



Introduction of casual games

Casual games first appeared on video game consoles and PCs when they became ubiquitous. Casual games are simple to learn and play, and are enjoyed by a wide audience of people. They can be divided into the five broad genres Puzzle, Hidden object, Time management, Strategy, and Adventure games. Many casual games are designed in a similar fashion as traditional parlour games, allowing users to experience the social aspect of interacting with friends - without depending on the physical location.

The proliferation of easy-to-use touch-based smartphones and tablets has created a new market with unique characteristics and explosive growth for casual games. Portability enables playing wherever and whenever the user has spare time, and casual games are specifically tailored to provide short play sessions for such occasions. Declining purchase prices for premium and unlockable casual games, and the development of free-to-play monetization schemes in casual games, contribute to their increasing adoption and popularity. Moreover, casual games are typically less expensive to develop with shorter time to market than other type of games.

Categories of mobile games

Mobile games can be divided into three major categories based on the following monetization schemes:

- Premium games – purchased upfront by customers
- Unlockable games – free trial period with the opportunity to unlock the full game
- Free-to-play games – monetization through in-game purchases of virtual goods

¹¹ Gartner, Press release; Gartner says mobile app stores will see annual downloads reach 102 billion in 2013

¹² Gartner, Press release; Gartner says mobile app stores will see annual downloads reach 102 billion in 2013

¹³ Newzoo, Mobile games trend report, 2013

¹⁴ Comscore, State of the Market: Mobile Gaming in Europe, January 2013

Players have been moving from premium to unlockable games, and recently to free-to-play games.

Premium games

Premium games use the traditional type of monetization scheme, where users buy the game upfront. The game is not restricted by any means, and it is not possible to purchase virtual items or aids while playing. The monetization happens solely when the actual purchase occurs. This monetization model is increasingly uncommon, as the trend is clearly pointing towards free-to-play games.

Unlockable games

Unlockable games are free or unrestricted up to a certain level. When the given limit is reached, the user has to purchase the game in order to unlock it and continue playing. Different genres have different styles and options for the unlockable content. Depending on genre, the unlockable content varies from additional items available, enhancements in the game, unlocking new levels, additional characters available, and so on.

Free-to-play games

Free-to-play games can be played without paying an initial purchase price or a subscription fee. With outstanding efforts from players, free-to-play games can be played and completed without purchasing any in-game items or aids. Free-to-play games offer in-game purchases of virtual goods that enhance the game process and user experience, or increase the speed of progression in the game and allow the player to skip rather tedious aspects or levels of the game. Monetization in free-to-play games occurs when users purchase such virtual items within the game. Users can choose to continue playing the game without spending money, or decide to purchase virtual goods if they please. This monetization model is increasingly popular, especially in games for smartphones and tablets.

The key to success in free-to-play games is to provide users with tempting virtual goods that they can purchase when playing. Successful free-to-play games can generate substantially higher revenue per user and maintain higher retention rates than other monetization schemes over longer periods of time. As free-to-play games can only be successful when they provide enough content and are interesting enough to keep players attention for prolonged periods of time, they tend to be more complex and expensive to produce, and require greater understanding of player psychology and fine-tuning of monetization principles. Free downloads in application stores are expected to account for 91 per cent of downloaded applications in 2013¹⁵.

The value chain of mobile games

Development

A game development studio is creating, designing and programming new games. The size of a game development studio can range from a single person to a large business. Some games are partly or entirely funded by a publisher. An established development studio usually has an internal producer that manages the development team, consisting of members with one or several specific functions. The development team usually contains different types of designers, programmers, sound engineers and testers. Recently, however, it has been increasingly common to outsource a growing number of content-creation functions to external studios. There are outsourcing studios that specialize on specific parts of the creative process, e.g. producing the artwork in a game. The workload tends to vary depending on the different stages of the game's development cycle, and specializing in just one part of the game development improves the efficiency and reduces the costs of the entire process.

Over the past 15 years, Eastern and central Europe and Russia have become the global center for the development of casual games, and provide an attractive combination of a low-cost environment together with a cluster of skilled development studios with talented professionals available in the area. This trend is seen both for independent full-scale development studios, as well as for specialized outsourcing studios.

¹⁵ Gartner, Press release; Gartner says mobile app stores will see annual downloads reach 102 billion in 2013

Publishing

A game publisher's main goal is to bring games to the market, and maximize the user base and revenue stream opportunities. In the long run, however, publishers are also interested in producing and popularizing game franchises, in order to continue reaping the benefits of best-selling games. A publisher is responsible for marketing and advertisements of games in its game portfolio, which can be both in-house developed and externally developed games. A publisher's main distribution channel is application stores, of which Google Play and Apple App Store are the two largest that reach the most users. When using a publisher to market its games, a development studio gets access to the publisher's user base, and benefits from increased visibility from the publisher's brand awareness, as well as cross-selling between other applications provided by the publisher.

A publisher also provides advice and assists in financing, quality assurance, customer support, game development and monetization. The role of a publisher, however, has been changing in recent years. In traditional video games, the publishing business was more related to physical marketing, designing the boxes and managing marketing campaigns aimed at getting people to come to the stores to buy the games. In mobile games, the distribution aspect is much less costly than in retail stores, the function of the publisher is shifting towards co-development and co-financing of the game from its early stages, and advising on the entire development process. In this sense, publishers are acting more as a producer, rather than functioning only as a pipeline for bringing games to the market.

Distribution channels

Smartphone and tablet applications are primarily distributed via large application stores such as Google Play and Apple App Store. As of now, App Store and Google Play combined carry over 1 million applications, and reach hundreds of millions of users worldwide. Developers either approach application stores directly or via a publisher, if they are cooperating with one. When Apple pioneered with its App Store, it offered unprecedented 70 per cent revenue share to developers for distributing their applications through the App Store. It was the best distribution option to developers, and Apple created a strong momentum for small developers seeking to develop new applications for iPhone, and later also for iPad. As Google entered the market, it applied the same revenue sharing mechanism in its application store, which since then is industry standard that continues to date.

With the increasing number of games available, the competition in the application stores has become an entry barrier in itself. As very large game publishers and developers have entered the market, smaller development studios on shoestring budgets struggle to provide high-quality content and to stand out among the crowd. It is increasingly difficult to get exposure in the application stores, hence marketing and user acquisition are more important than ever, and so is the existing user base.

MARKET CHARACTERISTICS

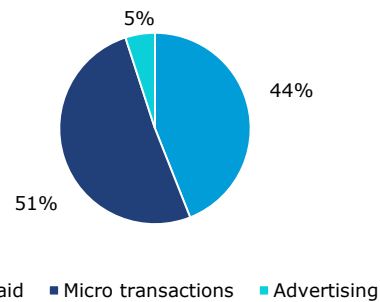
Scalability of mobile games

- Zero incremental cost of selling additional games
- Asset-light business with low working capital requirements
- Global reach without requirements of physical presence

Monetization

Computer and video games have traditionally generated revenue as premium games, i.e. via an upfront purchase price. The monetization has changed with the emergence of online games, which pioneered with a mixed model where the upfront purchase price is paid together with a monthly subscription fee that allows the user to continue playing the game. The most recent trend, however, is the entry of micro transactions within free-to-play games, also known as in-game purchases, where the user can purchase virtual goods for specified amounts within the game. A single in-game purchase is usually much cheaper than upfront or monthly subscription payments, but accumulated over time, this pricing scheme has the potential to generate greater revenue per user than other monetization models. For the first half of 2013, micro transactions accounted for more than 50 per cent of global mobile and portable games revenue, which is an increase from 40 per cent in 2012¹⁶.

GLOBAL MOBILE AND PORTABLE GAMES REVENUE BY SOURCE OF INCOME

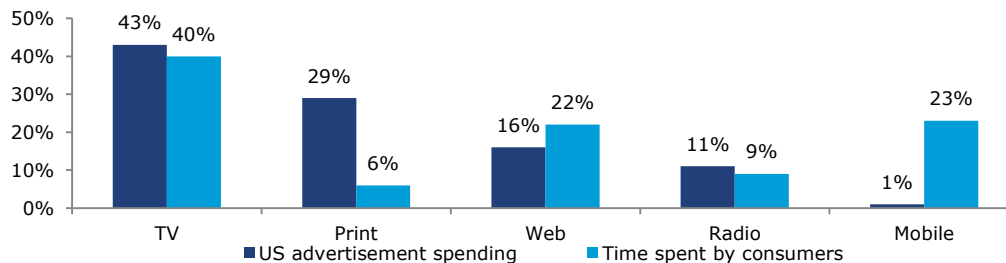


Source: IDC and App Annie, *The future of Mobile & Portable Gaming*, June 2013

Advertisement

Advertisers are turning to games as a way of reaching specific demographical groups. The graph below shows the current distribution of US advertisement in different type of media. A disproportionate share of resources is spent on advertisement in the mobile segment compared to the proportion of time spent by consumers, relative to other type of media. Additionally, there is an increasing number of games, primarily online games and games on smartphones and tablets, which allow for in-game advertising. This should provide plenty of growth opportunities, and consequently monetary incentives for continued investment in mobile games.

US ADVERTISEMENT SPENDING AND CONSUMER TIME SPENT BY MEDIA



Source: Flurry, *Mobile App Generation*, 2012

Geographical reach

The mobile games segment is largely dominated by developed countries, which is a result of the high concentration of smartphones and tablets in these countries. About 97 per cent of the tablet market is concentrated in North America, Western Europe, Japan and Korea¹⁷. In developed countries, the phase of the most rapid growth of smartphone and tablet install base is over, but monetization per player and the percentage of players willing to spend money in games is higher than in developing countries. There are also distribution-specific differences: Android is open platform, and in some Asian countries, many local alternatives have appeared. In China, where Google Play is unavailable, many local alternatives to Google's application store are present.

¹⁶ IDC and App Annie, *The future of Mobile & Portable Gaming*, June 2013

¹⁷ VentureBeat, 97% of global 2013 tablet revenues in USA, Europe, Japan and Korea, July 2013

Similar local alternatives to Apple's application store also exist in China, although with unclear legal status.

Globalization

Globalization presents unique challenges and opportunities in the mobile games industry. The increased globalization raises competition from low cost countries, but also enables producers to launch games worldwide. Seamless distribution through application stores with similar functionality on devices worldwide makes it possible for smaller publishers to enter foreign markets with their products, as there is no need for physical presence or vast distribution networks. This has created a globally competitive marketplace, where know-how, cost structure, and access to development and financial resources are of great importance to success.

Competition

The mobile games market is still developing, and characterized by frequent product introductions, rapidly emerging mobile platforms, new technologies and mobile application storefronts. As the industry evolves, it is expected that more game providers enter the market and a wider range of games will be introduced.

Competing platforms

Many of G5's competitors are active both within the industry of mobile games as well as within games for other platforms. The user experience on consoles and handheld devices is largely dependent on hardware upgrades, and it has consequently suffered in the absence of new generation console platforms. PC games have similarly experienced decreasing sales, partly due to an increasing threat from pirate copies, and partly due to fewer new game releases than the historical average.

Online and mobile games are highly compatible and interactive segments. The growth of mobile games is to a large extent interconnected with the development of online games within social networks on personal computers, as well as with the changing playing habits among users. The user migration from online games on traditional game platforms to mobile games on mobile platforms reflects changes in consumer preferences towards smartphones and tablets. This trend is confirmed by declining sales of personal computers (where online games are traditionally played) and by the continued growth of smartphone and tablet sales. The strong growth of online and mobile games is also partly due to the shifting trend towards multi-playing and social playing, coupled with the increased broadband penetration and greater confidence in online consumer spending.

Key competitors in mobile games

G5's competitors include game giants such as EA Mobile, Zynga, and Gameloft; global mobile game networks and publishers such as DeNA, Gree, and Glu Mobile; as well as more focused mobile casual games providers including Gamevil and Rovio. Focused casual free-to-play games competitors include King.com (Candy Crush Saga), Supercell (Hay Day and Clash of Clans), Pocket Gems (Tap Paradise Cove, Secret Passages) and TeamLava (Jewel Mania, Restaurant Story). Additional competitors are former PC casual games companies that are now actively entering the mobile space, such as Big Fish Games.

The competition for customers' time and spending is primarily achieved through factors such as quality, brand recognition and distribution channels. G5 is positioned as a publisher and developer of mobile casual games. As the Company generates all of its revenue from mobile games, it is exposed to a strong underlying market growth. The largest competitors of G5 are not only active within mobile games for smartphones and tablets, most of them have a large share of their revenue stemming from segments on other platforms, most of them stagnating or declining, which affect their top-line growth.

Overall, the novel market of mobile casual games is still emerging, and new mobile game competitors are expected to enter the market in the coming years. Existing competitors are expected to allocate more resources to development and marketing of competing games and applications.

SELECTED COMPETITORS

Competitor	Ownership	Sales 2012	Game platform			Popular games
			Console/ handheld games	PC Games	Mobile games	
Big Fish Games (USA)	Private	SEK 1.5bn		✓	✓	Big Fish Casino, Fairway Solitaire, Big Fish Bingo, Dark Manor
Mobage (JPN)	Public	SEK 15.3bn			✓	Marvel War of Heroes, Rage of Baharnut, D.O.T Defender of Texel, Fantasia
EA Mobile (USA)	Public	SEK 2.9bn	✓	✓	✓	Bejeweled, Plants vs. Zombies, Madden NFL, Tetris, Monopoly, Real Racing, The Simpsons: Tapped Out
Gameloft (FRA)	Public	SEK 1.8bn	✓	✓	✓	Asphalt 8: Airborne, Despicable Me: Minion Rush, NFL Pro 2014, Brothers In Arms 2, My Little Pony
Gamevil (KOR)	Public	SEK 0.4bn			✓	Baseball Superstars 2013, Fishing Superstars, Zenonia 5, Monster Warlord, Air Penguin, Cartoon Wars
Glu Mobile (USA)	Public	SEK 0.6bn			✓	Contract Killer, Gun Bros, Deer Hunter
Gree (JPN)	Public	SEK 12.9bn			✓	War of Nations, Knights & Dragons, NFL Elite 2013, Jackpot Slots, Clinoppe, Driland, Monster Quest
GungHo (JPN)	Public	SEK 2.2bn	✓	✓	✓	Puzzle & Dragons
King.com (GBR)	Public	SEK 12.3bn			✓	Candy Crush Saga, Bubble Witch Saga, Pet Rescue Saga
Pocket Gems (USA)	Private	n.a.			✓	Tap Paradise Cove, Campus Life, Animal Voyage, Secret Passages, Tap Pet Hotel, Tap Zoo
Rovio (FIN)	Private	SEK 1.3bn	✓		✓	Angry Birds, Bad Piggies, Icebreaker: A Viking Voyage, Tiny Thief
Supercell (FIN)	Private	n.a.			✓	Clash of Clans, Hay Day
Storm8 (USA)	Private	n.a.			✓	Jewel Mania, Dragon Story, Farm Story 2, Bubble Mania Castle Story, Home Design Story
Zynga (USA)	Public	SEK 8.7bn			✓	FarmVille, Draw Something, World With Friends, New Scramble With Friends, Poker by Zynga,

Company description

G5 Entertainment is a publisher and developer of high-quality downloadable, casual free-to-play games for smartphones and tablets. G5's games are available on Apple's iPhone and iPad, Android phones and tablets, tablets and e-readers like Kindle Fire from Amazon, Mac, and Windows 8-based devices. G5's game portfolio includes popular games such as Virtual City Playground, The Secret Society, Stand O'Food, Supermarket Mania, Special Enquiry Detail and Mahjongg Artifacts.

G5 was founded in 2001 to benefit from the anticipated growth of mobile devices, and developed a number of popular mobile games during the period of 2001-2008. In 2009, the Company transitioned from being a pure developer of mobile games to become both a publisher and a developer of games. The Company is headquartered in Stockholm, Sweden with development offices located in Moscow, Russia and Kharkov, Ukraine and game procurement and licensing office on Malta. The Company also has a small sales and marketing office in San Francisco, USA.

Vision, business concept, goals and strategies

VISION

G5 strives to become one of the world's leading developers and publishers of downloadable casual free-to-play games for smartphones and tablets.

BUSINESS CONCEPT

The business model of the Company is to operate as a publisher of a balanced portfolio of in-house developed games and third party developed licensed games; to maximize cross-selling and cross-promotional opportunities between games and platforms; and to maintain a constant stream of new games and experiences to the users in order to keep them actively engaged with G5's products.

FINANCIAL GOALS

The market for casual mobile games continues to grow quickly, and G5 Entertainment aims at continuing to grow revenue in line with or faster than the market.

Investments in activities that promote organic growth may from time to time have a negative effect on the operating margin, but the company aims at achieving an operating margin of 30 per cent over time.

Dividend policy

G5 Entertainment is active in a market that grows quickly, and in order to benefit from this growth, the company intends to continue re-investing profits in activities that promote organic growth, such as product development and marketing. The Company has not historically paid out dividend to its shareholders. Future dividends will be subject to G5 Entertainment's future earnings, cash flows, working capital requirements, and general financial condition. In addition, investments in acquisitions as part of the Company's growth strategy may impact the level of future dividends. Although the Board of Directors has no reason to believe that dividend payments under this policy will not be made in the future, there can be no assurance that any annual dividend will actually be paid, nor can there be any assurance as to the amount to be paid in any given year.

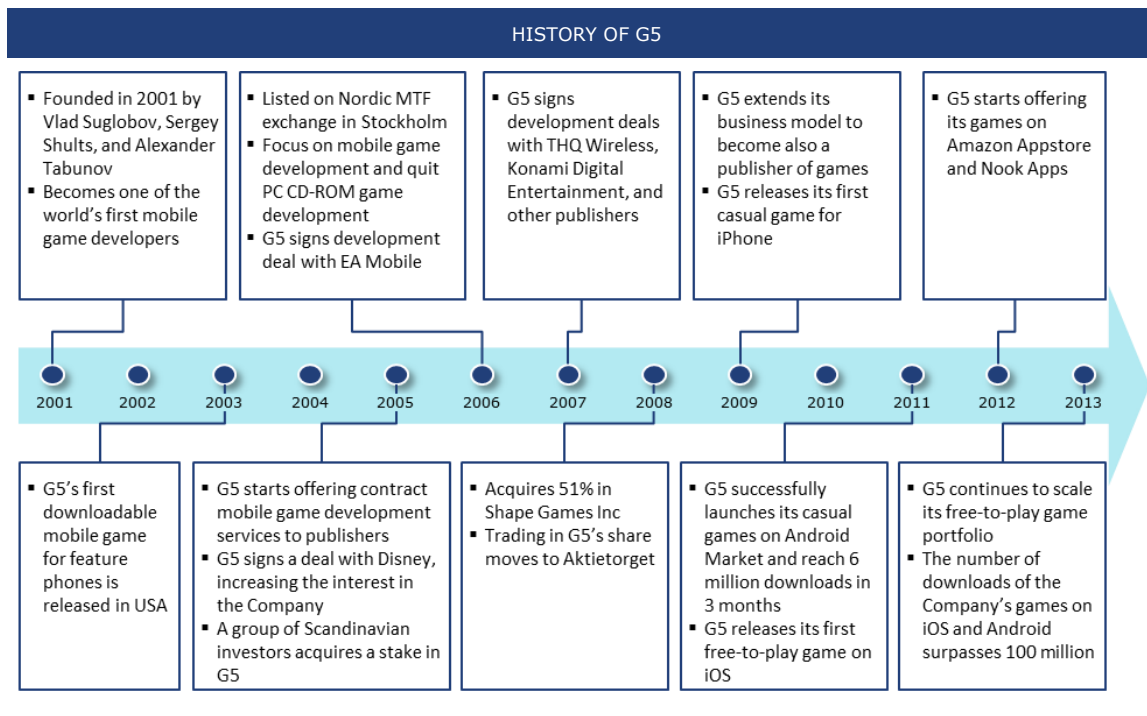
The Board of Directors intends to propose to the Annual General Meeting 2014 that no dividend is paid for 2013.

STRATEGIES

G5 is going to pursue the following strategy in order to reach its financial goals:

- Scale the success with free-to-play games by releasing more high quality free-to-play games and mastering user acquisition practices
- Work to improve engagement and monetization through regular updates to its best-selling F2P games
- Maximize cross-selling opportunities between games in the portfolio to achieve maximum revenue per user and savings in user acquisition costs
- Continue to release unlockable casual games while it remains profitable business
- Use the opportunities to extend its reach to new promising platforms for app gaming

- Facilitate the growth of the user base across the game portfolio through organic and paid user acquisition
- Facilitate long term user retention by continuously providing new game apps for the audience, within the portfolio approach



Strength factors

G5 has shown strong organic growth over the last three years. G5 assesses that the Company's success has stemmed from a number of strength factors, which are described below. G5 will continue to benefit from these factors in the future, and combined with the Company's strategy, it forms the foundation for achieving persistent profitability and growth.

EXPERIENCED PUBLISHER AND DEVELOPER OF GAMES

Diversified portfolio of high-quality games

The Company operates a game portfolio with a number of highly ranked games that appeal to both genders and people in all ages. The game portfolio comprises a variety of game genres, including Adventure & Hidden object games, and Strategy & Time management games.

Publishing platform for casual games

G5 has developed a publishing platform that attracts external developers for distribution of their games, allowing the Company to scale its business faster. The Company has developed its own in-house expertise within game monetization models, sales and marketing, customer support, licensing, distributor relations and enhanced quality assurance, and has a position as a publisher of casual games that is attractive to users as well as to third party developers.

Mix of licensing and in-house development

The game portfolio of G5 includes a mix of third party licensed and in-house developed games. This combination allows G5 to regularly release new games under the G5 brand, while the Company can ensure that high-quality genre-defining games are developed internally.

In-house development studios with strong track-record

The game development studios in Moscow, Russia and Kharkov, Ukraine have accumulated game development experience and industry expertise since 2001, when the Company became one of the first mobile game developers in the world. The studios are responsible for developing best-selling games such as Virtual City Playground, Supermarket Mania 2 and Stand O'Food 3. Game developers at G5 learn from previous experiences from both internal as well as external game development projects, increasing the aggregated knowledge of game design among the staff.

Internal game development is led by the Moscow development studio, where the extended senior management team is located. The largest development studio is located in Kharkov, Ukraine in order to remain competitive in its cost structure, while it is able to attract top development talent from the region.

Experienced management team

The G5 management team has a long experience in the industry and has, during the development of the market, managed to steer the company from a small mobile game development studio to acclaimed publisher of casual games.

PRESENCE IN HIGH-GROWTH MARKET

Strong growth in smartphone and tablet usage

The strong growth of smartphones and tablet devices is expected to continue over the coming years, with global shipments of smartphones and tablets estimated to grow from roughly 1,556 million devices in 2013 to over 2,460 million devices by 2017, representing an annual growth of 12 per cent¹⁸. The increased growth will expand the user base, and thereby also increase the number of potential customers.

Proliferation of applications following the growth in hardware

As sales of smartphones, tablets and other connected mobile devices increase rapidly worldwide, there is significant demand for applications on mobile platforms such as Apple iOS and Android. More specifically, games are the most popular category of applications, representing approximately one third of all applications downloaded and two thirds of the revenue from all applications¹⁹. The revenue from mobile games is expected to grow from USD 9.7bn in 2012 to USD 16.7bn in 2016, representing an annual growth of about 22 per cent, which is in line with the growth of smartphones and tablets²⁰.

Migration of players from PC and other platforms to mobile games

As mobile devices become increasingly compatible with high-quality content games, mobile platforms emerge as the preferred platform for users, which leads to player migration from traditional platforms to mobile gaming. The constantly improving hardware of smartphones and tablets is reducing the gap in user experience compared to other platforms. Additionally, casual games are substantially extending the player audience by providing games that are easy to start playing and appealing to people of any gender and age.

Continued shift towards free-to-play games

As free-to-play games attract wider audience of players than unlockable games, and are characterized by higher player retention and engagement, the growth of free-to-play games is expected to continue. G5 is in a position to leverage on the continued growth, and has already positioned itself with a game portfolio of high-quality free-to-play games, such as Virtual City Playground (developed by G5's in-house studio) and The Secret Society (published under licensing business model). The shift provides concrete opportunities for G5 to continue to grow with free-to-play games.

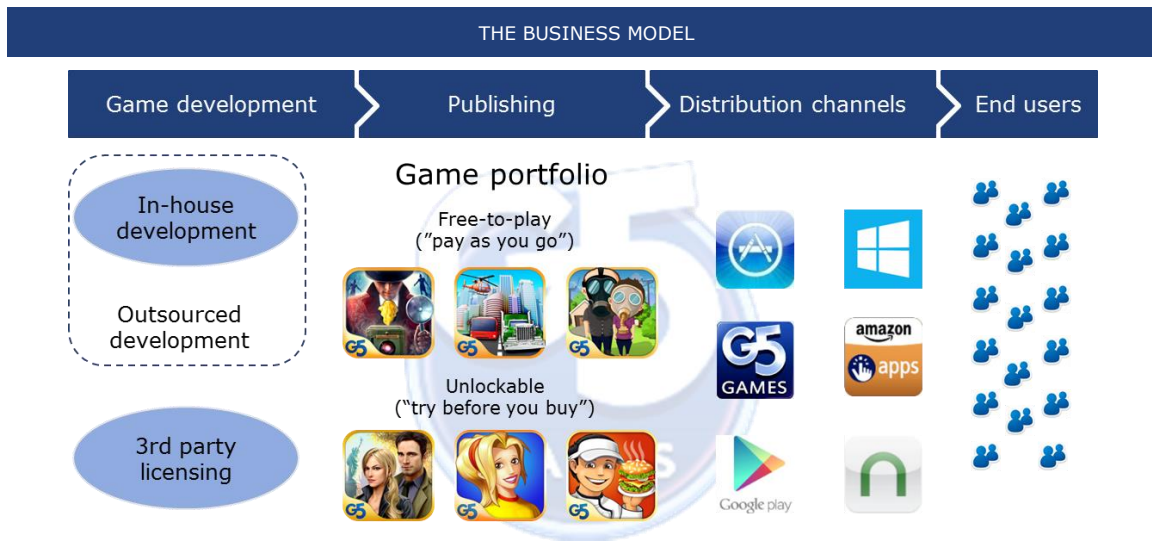
The business model

The G5 business model can be illustrated as a flow chart, starting with game development, to publishing, and distribution to the end customer. The Company generates all of its revenue from publishing of casual games via various distribution channels such as Apple, Google, Amazon, and Microsoft, to the end user. G5 currently has no advertising revenue from its games and strives to monetize its user base through in-game purchases. Advertising revenue remains an opportunity for the future.

¹⁸ IDC Worldwide Quarterly Smart Connected Device Tracker, September 11, 2013

¹⁹ Newzoo, Mobile games trend report, 2013

²⁰ Yankee Group's Mobile Apps and Cloud Forecast, October 2012



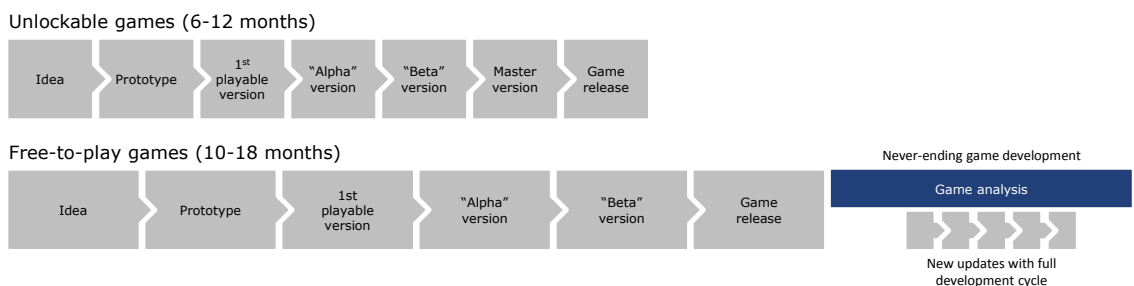
GAME DEVELOPMENT AND PUBLISHING

In-house development

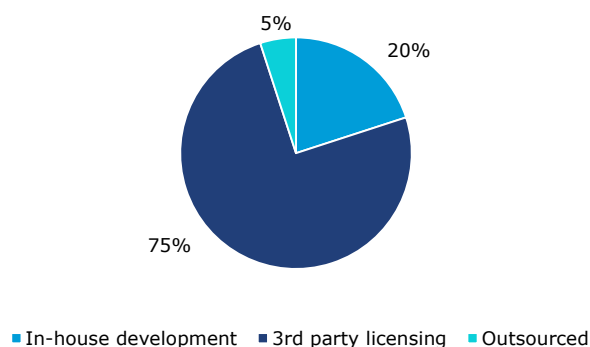
In-house development starts with the idea of a product in a genre, where the studio has a competitive advantage, and where the Company can identify an underserved market. G5’s game development studio in Kharkov, Ukraine led by the senior development team in Moscow office, is capable of developing four to five games simultaneously. G5 can also outsource the development of game projects to third party developers, retaining all intellectual property rights and closely following the development process to ensure that quality meets company standards. The decision to outsource original game development to a third party developer is taken in cases where either the third party developer has genre competences that the Company’s internal studio does not have, or when the internal studio does not have resources available. Developing games internally is costly in terms of time and capital requirements, which is why the Company focuses on allocating internal resources to produce high-quality genre-defining games with long shelf time and substantial profit opportunity. Developing unlockable games usually takes around 6-12 months, while high-quality free-to-play games take 10-18 months. The cost of developing free-to-play games is generally several times higher than the cost of developing unlockable games.

At the time being, roughly 20 per cent of the number of games in the Company’s portfolio are developed internally where G5 owns the intellectual property and about 5 per cent are outsourced to third party developers under G5’s supervision, where G5 also owns the intellectual property. The remaining 75 per cent is licensed from third party developers, where intellectual property is also licensed.

COMPARISON OF GAME DEVELOPMENT CYCLES FOR UNLOCKABLE GAMES AND FREE-TO-PLAY GAMES



G5 GAME PORTFOLIO BY INTELLECTUAL PROPERTY OWNERSHIP



Third party licensing

A large number of games in the G5 portfolio are licensed from third party developers, which allows the Company to scale its business faster. About 75 per cent of all games in the portfolio are created, developed, and subsequently licensed to G5 by over 50 independent developers around the world. The network of independent studios is primarily located in Eastern Europe and Russia, and provides the ability to source high quality content without investing in the full development cycle. Through its new business model and efforts to attract talented developers, G5 is a well-known and reputable publisher among casual game developers in Eastern Europe and Russia, and receives multiple game publishing offers every day. G5 strives for long-term relationships with their developers, and the minimum game distribution contract length is usually five years, with option to extend at G5's request.

Licensing agreements involve certain revenue-sharing terms, which vary between 30 per cent and 70 per cent of the retail revenue, after the application store has taken their 30 per cent share of the total sales. The size of the revenue share the developer is entitled to depends on the contribution and risks assumed by the respective parties. Marketing expenses and some other costs incurred by G5 are often recouped before the revenue sharing starts, and the average split after G5 breaks even is about 50 per cent. The licensed distribution terms commonly comprise exclusive worldwide publishing rights on specified platforms. In some cases, the Company may agree to a deal that involves minimum revenue or installation guarantees to retain distribution rights over a long period of time.

Game development and quality assurance

The process of choosing which external developers to cooperate with is a systematic process to assure that the quality standards of the Company are met. The Company has a licensing team, which is led by the Licensing Director in the Maltese office that reviews proposed games by third party developers. If the game is deemed interesting, it is sent forward to a group of experienced producers for further review. After further scrutiny, the group of producers decides whether the Company should initiate cooperation with the developer and publish the game. G5 tends to work only with development studios with a proven track-record of successful games.

The Company has adopted a quality assurance procedure to review and improve games in the Company's game portfolio. The quality assurance team involves up to 60 employees, responsible for securing the quality of both internally as well as externally developed games. The quality assurance process also involves so-called focus tests, where users are invited to participate in tests of games. The users are asked to play a certain game and provide comments on the user experience while playing, while the game session is recorded on camera. The outcome of these focus tests is analyzed by the producer and shared with the developer of the game for improvements and updates.

G5's publishing platform

G5 has built a publishing platform that helps studios and independent developers lacking the expertise in game monetization, quality assurance, and marketing, to access the audience, and contributes with financial strength required to increase the likelihood of success. G5 is usually co-financing the development through revenue share advance payments. G5 also provides advice on game design and monetization practices to partners, as well as cross-platform quality assurance and localization services at no cost to developers. The platform also provides access to G5's

growing user base, brings the game in front of editorial committees of application stores, invests in marketing efforts, cross-selling with other portfolio games, and user acquisition throughout the game's lifecycle. Such publishing platform provides value to the development partners and is a competitive advantage of G5. At the same time, the publishing platform constitutes a strong foundation for the development and marketing of the Company's in-house developed games which allow for substantially higher profit margins.

Publishing games developed by external developers

G5 has currently about 50 partnerships with development studios around the world, supplying the company with new games. The Company provides external developers a route to market by giving them access to a platform with a well-balanced game portfolio, relations with game distributors, and brand awareness, which has been built up through sales and marketing efforts of the G5 brand. The Company also assists with creating a thorough game development plan as well as a budget for the game, as well as aspects of free-to-play or unlockable monetization issues. G5 also performs quality assurance throughout the development process, in order to control that the quality of the game is meeting the Company's standards. When the game is launched, G5 integrates the game into its cross-promotional network and undertakes other marketing efforts to reach as many users as possible. Usage data is collected and analyzed, and improvements are made to realize the game's maximum market potential.

Proprietary technology platform

Talisman is a proprietary technology of G5, which allows the Company to efficiently build and convert internally developed games from one platform to another. G5's internal development studio creates games based on Talisman technology and tools, which aggregate years of experience in building games for multiple mobile platforms. Talisman technology currently supports iOS, Android, Mac, and Windows 8 platforms. G5 develops games first for iOS, then adapts to other platforms. Cross-platform adaptation is otherwise a time-consuming task, but it only takes the Company a couple of weeks to convert a game built on Talisman technology to other supported platforms.

G5 analytics platform

The Company has developed and operates its own G5 Analytics Platform. Each game in its portfolio is integrated with the platform and returns usage data - without personal details. The data allows G5 to track usage patterns, activity levels, revenue per user, identify user cohorts to gain insight into how games can be improved to provide additional value to users as well as to increase the monetization of the game. Since neither G5, nor Apple, Google, and other application store owners, collect personal details, G5 uses external market research services such as Flurry, to obtain estimates on user age and gender distribution. With their own software, Flurry is providing estimates based on information available for roughly 15-20 per cent of the players of G5's games. The age and gender distribution of users of a specific game depends largely on the type and genre of game, as well as on which platform the game is played.

Game pipeline

G5 currently has about 25 unique unlockable and free-to-play games on the way to the market, each game to be released on several platforms. The Company has announced that it aims to bring the number of free-to-play games in its portfolio to more than 10 during 2014.

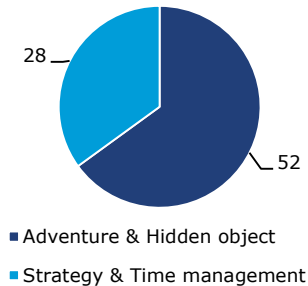
CURRENT GAME PORTFOLIO

G5's current game portfolio consists of 94 unique games, which provides for a total of 343 downloadable games across iOS, Android, Mac, and Windows 8 platforms. If all different versions of a game are included, the total number of applications in the Company's game portfolio is 543. The Company's main game genres are family-friendly Adventure & Hidden object games, and Strategy & Time management games, which appeal to both genders and all ages. The game portfolio comprises of two categories of games: unlockable and free-to-play games, and consists of a mix of in-house developed and externally developed games.

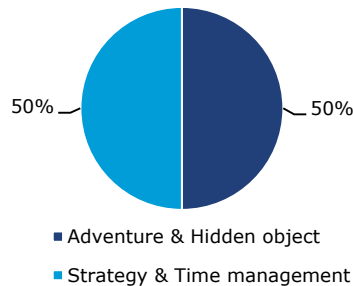
The Company's top ten grossing games have each generated more than USD 1 million in revenue after deducting the application stores' fees, over their lifetime up until today, with the number of downloads ranging between 3-9 million each.

TOP TEN REVENUE GENERATING GAMES				
	Game category		Intellectual property	
	Free-to-play	Unlockable	G5	Licensed
1. The Secret Society	✓			✓
2. Virtual City Playground	✓		✓	
3. Virtual City		✓	✓	
4. Mystery of the Crystal Portal		✓		✓
5. Special Enquiry Detail		✓	✓	
6. Supermarket Mania		✓	✓	
7. Supermarket Mania 2		✓	✓	
8. Stand O'Food		✓	✓	
9. Stand O'Food 3		✓	✓	
10. The Island Castaway		✓		✓

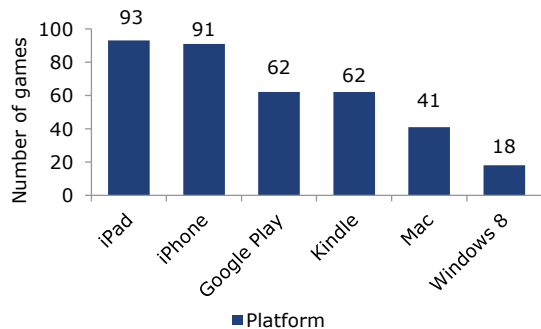
NUMBER OF GAMES



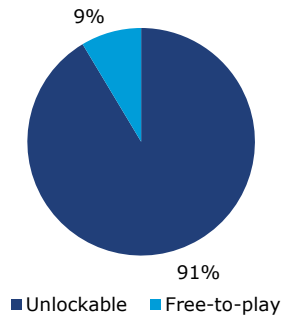
GAMES BY REVENUE



NUMBER OF GAMES BY PLATFORM



GAMES BY CATEGORY



Unlockable games

Unlockable games are free to try over a certain trial period. After the trial period, G5 charges users a fee ranging between USD 1.99-6.99 in order to continue playing the game. The unlock-price for the game depends on its novelty, genre, and the level of quality. The majority of G5's unlockable Adventure & Hidden object games for iPad are priced at USD 6.99. When G5 first entered the publishing business on iOS, the Company initially targeted the lower price segment. Returning customers, however, have been proven to value high-quality games and to be relatively insensitive to the price. This tendency has inclined G5 to adjust their pricing to higher price segment, where the unlock-price ranges between USD 4.99-6.99 for a premium Adventure game, which is approximately market standard, and still affordable to the wider audience.

Unlike free-to-play games, unlockable games have relatively short play time and do not generate revenue after the unlock-fee is paid. However, unlockable games require little if any support after the launch date, allowing the Company to focus on developing new games. While revenue per player in unlockable games is limited by the price of the unlocking, a typical player within this format has a tendency to purchase several games. Consequently, it is important to maintain a large portfolio of high-quality games in order to increase revenue per player within unlockable games.

CASE STUDY: SUPERMARKET MANIA 2



Game: Supermarket Mania 2
Genre: Time Management

Description: Operate supermarket stores in a virtual city – make sure the shelves are stocked with goods and try to keep your customers satisfied!

Revenue: >USD 1 million
Downloads: >3.5 million
Release date: March 2011
Price range: USD 1.99-6.99 (depending on platform and discounts)



CASE STUDY: SPECIAL ENQUIRY DETAIL



Game: Special Enquiry Detail
Genre: Hidden Object

Description: Investigate and try to prevent murders in New York City with the help of detective Turino and detective Lamone!

Revenue: >USD 1 million
Downloads: >5.5 million
Release date: July 2011
Price range: USD 2.99-6.99 (depending on platform and discounts)



With G5's average conversion rate and budget for unlockable games, a typical game in this format on the iPad device needs around 350,000 downloads to fully recoup its budget for all platforms. Furthermore, there is additional revenue from downloads to iPhone, Android and possibly other platforms. With negligible costs of retaining the game in the application stores, any revenue after the game has reached breakeven is essentially pure project profit. The Company has achieved over 150 million downloads (not counting updates) with about 90 games, most of which is unlockable. Multiple unlockable games bring recurring sales, which increases with new game releases. G5's portfolio of unlockable games accounted for 34 per cent of total revenue in Q1 2014.

A typical unlockable game would produce a peak of revenue during the first one or two months of sales, especially if promoted by the stores, and then revenue would decline to some non-zero but lower level at which sales can stay for several years, generating most of the game's lifetime revenue.

Free-to-play games

Free-to-play games can be played without paying an initial purchase price - revenue is instead originating from micro transactions within the game. Players choose to buy virtual merchandise in order to enhance the user experience and get ahead in the game. The games are continuously updated with new content in order to retain players longer, increasing the likelihood of additional monetization events through users' purchase of virtual merchandise. Consequently, continued improvement and development of games after the initial release increases the time and money spent in games by users. Thus, the business model of the free-to-play format is quite different from unlockable games. The underlying business model of unlockable games is to generate revenue by producing new games, whereas the focus of the free-to-play business model is on continuously developing and improving a smaller number of games. The Company strives to release new content updates for its free-to-play games every month. Due to the possibility of multiple monetization events of the same user in a free-to-play game, such games have much higher earning potential per user, compared to unlockable games.

The Company uses a "premium currency" approach to monetization in its free-to-play games, where virtual items can be purchased for a special kind of currency, which in turn can only be purchased for real money. The currency is available in packages priced from USD 0.99 to USD 99.99. The Company is currently working on developing a loyalty program, encouraging large-spending users to spend more in Company's games and stay engaged longer.

CASE STUDY: VIRTUAL CITY PLAYGROUND



Game: Virtual City Playground
Genre: City Simulation

Description: Build the city of your dreams... and then run it!

Revenue: >USD 5 million
Downloads: >9 million
Updates: >5 million
Release date: August 2011
Price range: Free to download, in-game purchases available



CASE STUDY: THE SECRET SOCIETY



Game: The Secret Society
Genre: Hidden Object

Description: Join the mysterious Order of Seekers and explore numerous enchanting worlds!

Rank: Up to top 15 grossing game on iPad in USA
Comments: Highest grossing G5 game since Q2 2013
Release date: November 2012
Price range: Free to download, in-game purchases available



With G5's ability to direct traffic through its cross-selling platform, together with the cost structure of its development studios and the average revenue per daily active user (DAU), the free-to-play games only need an audience of around 10,000-20,000 daily active users to reach break-even and be profitable for the Company.

A successful free-to-play game starts off rather slow as players make themselves comfortable and get used to playing every day, ideally. As the user acquisition kicks in, first through cross-selling with other games and later with paid advertising, the revenue starts to grow²¹. Continued successful updates ensure better retention and spending from existing players, and eventually game's revenue reaches maximum. Depending on the game and promotion strategy, the peak revenue can be reached in a year or more. Lifecycle of free-to-play games tends to be longer than that of unlockable games, while off-peak revenue can be substantially higher. G5's portfolio of free-to-play games accounted for 66 per cent of total revenue in Q1 2014 and grew 254 per cent year on year.

DISTRIBUTION

G5 distributes its games through various application stores, predominantly connected to mobile devices. To ensure an efficient distribution of the games, G5 partners up exclusively with the largest distribution channels, which control their own platforms, and do not compete as game developers or publishers. With only a few but large distributors, G5 is able to maintain close client relationships while minimizing internal efforts to reach as many users as possible.

The application stores typically retain 30 per cent²² of the retail price that customer pays for the Company's games, which is industry standard. This fee covers hosting of the Company's game files, transaction costs for processing customer payments, and some degree of marketing exposure in the application stores. The Company's game files are often very large, sometimes exceeding 1 gigabyte in size; therefore, reliable hosting allowing for millions of free downloads would be expensive for the Company to maintain on its own. Additionally, a typical transaction within the Company's games is only a few dollars, and processing many such small credit card transactions would be expensive for the Company to handle. There is also substantial value in exposure to end-users through the ranks in the application stores. Application stores often choose to promote G5 games to users with the help of promotional inventory on their websites. Successful games that achieve high rankings are awarded additional exposure through ranks achieved in the application stores. The higher the game is placed in the top charts of the application stores, the higher is the "organic" traffic and installs of the application due to more players seeing the game. Such effect is very pronounced and therefore there is a lot of competition to achieve and remain in the high ranks of the application stores in order to maximize exposure to new users.

Sales and Marketing

The Company's marketing strategy is a combination of direct-to-consumer marketing (web, email, proprietary mobile cross-sell network, online CPM ads, mobile CPI ads), marketing through specialist media (PR through gaming press), and point-of-sale marketing (POS) on distribution portals. G5 has all sales and marketing competences within the Company.

G5 strives to establish direct connection with its users by means of email newsletter and social networks. G5 operates a Facebook fan page (approximately 675,000 fans), a Twitter account (137,000 followers), and a YouTube channel (over 12 million views to date), as well as a consumer-friendly company website that generates between 0.5-1.0 million views per month. The Company also circulates e-mail newsletter to hundreds of thousands users on a regular basis, containing news and updates about G5's game portfolio. The audience of the Company's newsletter, website, and social network sites is constantly growing.

Cross-promotional network

G5 operates a cross-promotional network within games in its portfolio. Each game has a catalogue of all other G5 games available. This approach has proven to be effective and generates millions of additional downloads every year. This cross-promotional network is an important discovery tool for the Company and for the licensing partners, and it substantially reduces overall marketing spending. Now that the iOS and Android application stores have over 1,000,000 applications combined, and cost-per-install advertising is more expensive than ever, the ability to reach target audience becomes crucial for the success of a particular game. G5's ability to direct users to new products through its online and in-game channels is an important competitive advantage and adds value for licensing partners. The Company's choice of focusing marketing efforts can be viewed as

²¹ G5 spends only a limited amount of resources on external advertising today

²² Apple and Google keep 30 per cent of gross revenue

a strategic endeavor, concentrating more on lifetime value of users acquired into the G5 ecosystem of applications, rather than the explicit marketing of a specific game.

Apple and Google editorial teams

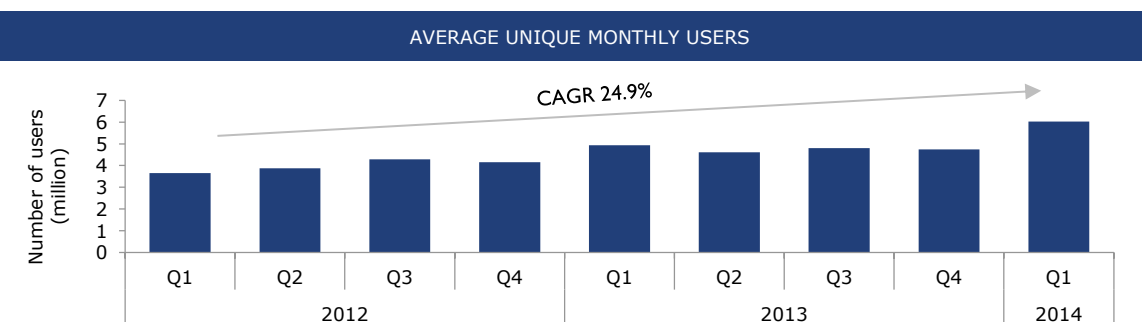
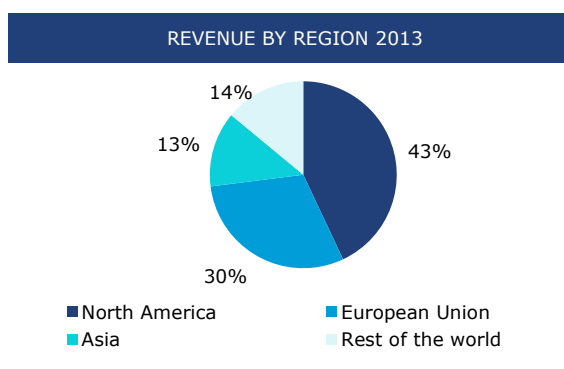
G5 presents its games to editorial teams at Apple and Google and keeps them informed about the Company’s games in order to enable featuring of Company’s games in the application stores, should the editorial committee of Apple and Google decide so. Both Apple and Google have editorial teams with the objective to find the highest-quality original content among applications in their stores, and using marketing inventory in iTunes and Google Play to promote the most interesting games. If chosen for promotion, the game achieves additional exposure and increases its new user gaining rate. The promotion, however, cannot be purchased by publishers - the decision to promote a game lies with the application stores editorial team.

Social network integration

G5 uses social network integration to gradually roll out the support for social game play features (gifts, visits, collaboration) in free-to-play games, in order to facilitate user engagement. G5 games most often provide the user with the opportunity to post information about the achievements made and levels completed to major social networks like Facebook and Twitter, which contributes to the game spreading to new users. Another aspect of collaboration with social networks is user acquisition, where social networks have come to play a more important role as a marketing channel to acquire new users, as their audience quickly migrates to using their social network applications on mobile devices. Social networks will over time probably develop into one of the important user acquisition sources for the Company’s games.

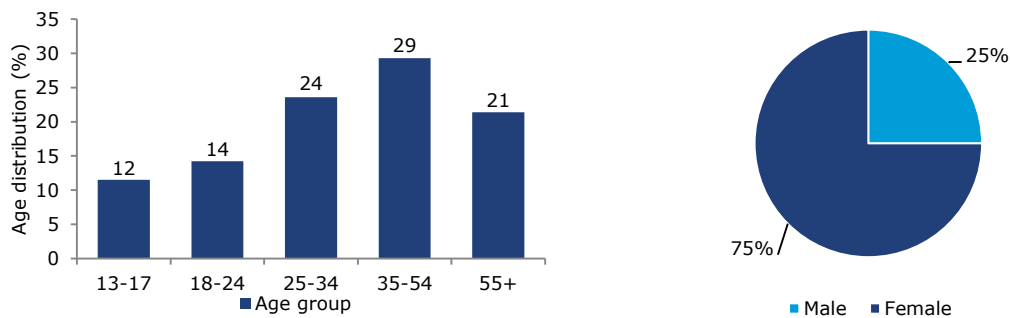
End users

G5 has a widespread audience of users across all ages and both genders. Nearly half of the Company’s revenue in 2012 was generated from users within the European Union, nearly a third from North America, and more than a fifth of the revenue from Asia or other regions. The distribution of the Company’s revenue has changed in 2013, with US generating 43 percent, EU – 30 percent, and the remaining revenue generated in Asia and the rest of the world.



Note: Average unique monthly users refer to the number of unique devices running any of G5 games per month, averaged over a particular quarter. The cumulated average growth rate (CAGR) is calculated on an annual basis. Source: G5 Analytics platform

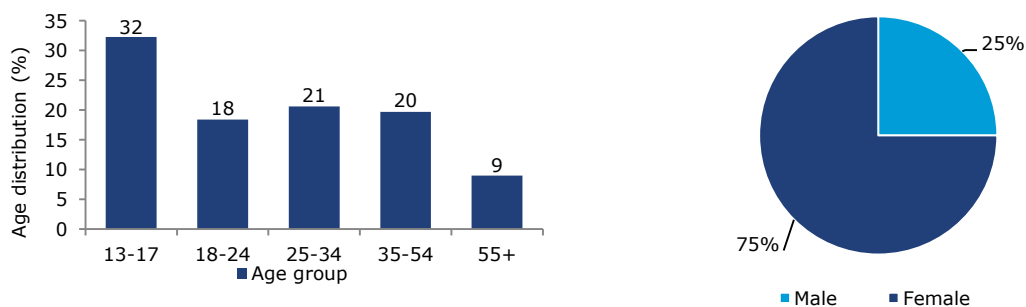
G5 HIDDEN OBJECT GAME AUDIENCE ON IPAD BY AGE AND GENDER



Source: Flurry estimates for G5 games, iPad, worldwide, by the end of 2013

The audience of G5's Time Management games, which are more dynamic by nature and require fast decision making and precise controls from the players, tends to have the same gender distribution as Hidden object games, but is generally younger, with more than 70 per cent of the players being younger than 34.

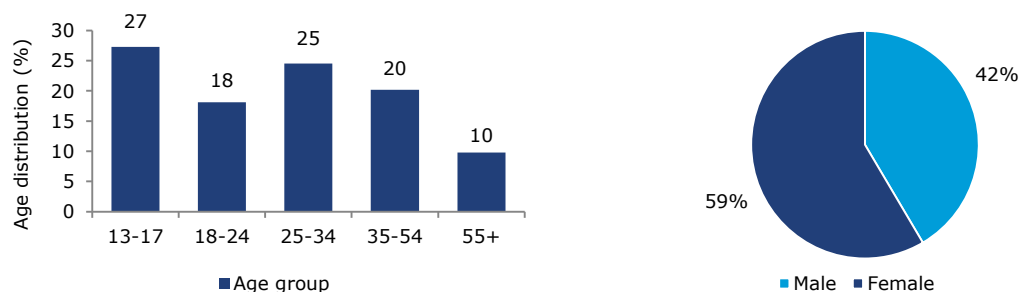
G5 TIME MANAGEMENT GAME AUDIENCE ON IPAD BY AGE AND GENDER



Source: Flurry estimates for G5 games, iPad, worldwide, by the end of 2013

The audience of G5's Strategy games has an age distribution similar to Time Management games, but a substantially different gender distribution, with male and female users more evenly distributed.

G5 STRATEGY GAME AUDIENCE ON IPAD BY AGE AND GENDER



Source: Flurry estimates for G5 games, iPad, worldwide, by the end of 2013

Unlockable games customers

Retention rates, i.e. how long players keep returning to the game after installing it, vary substantially between unlockable and free-to-play games. Unlockable games have limited replayability and usually provide a few hours of game time. Once all scenes or levels in the game are

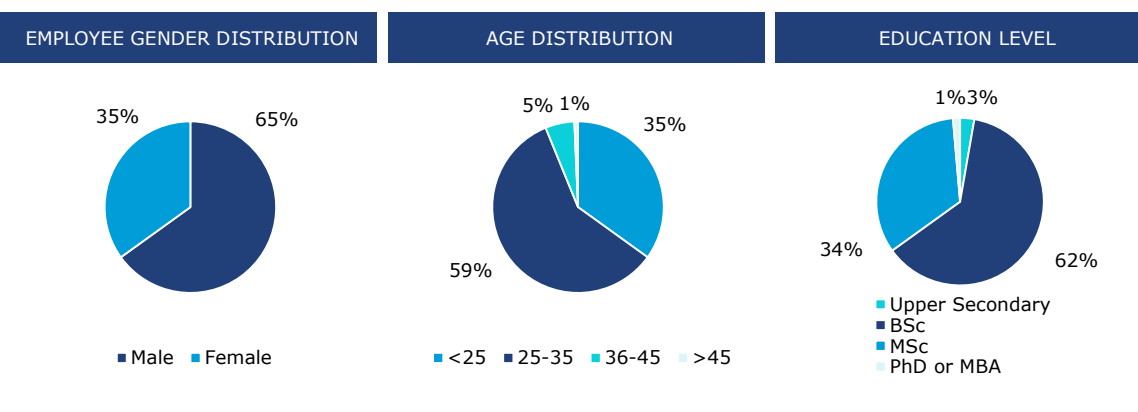
completed, there is little incentive for the user to return to that specific unlockable game. The key to retaining users of unlockable games within the Company’s game portfolio is effective cross-selling between games to direct the user from one unlockable game to another. A certain number of active players end up unlocking multiple games. The quality and number of unlockable games in the portfolio are therefore important to improve user retention within this format.

Free-to-play games customers

Free-to-play games are usually played for longer periods of time, often providing enough content to play for months. Additionally, free-to-play games can be updated and extended to keep the player occupied and entertained even longer. In G5’s free-to-play games, life time of the user in the game can reach several months, and revenue per paying user can reach hundreds of dollars. To improve retention rates in its free-to-play games, G5 aims at regularly releasing updates with new content and functionality, and design free-to-play games with longer play time.

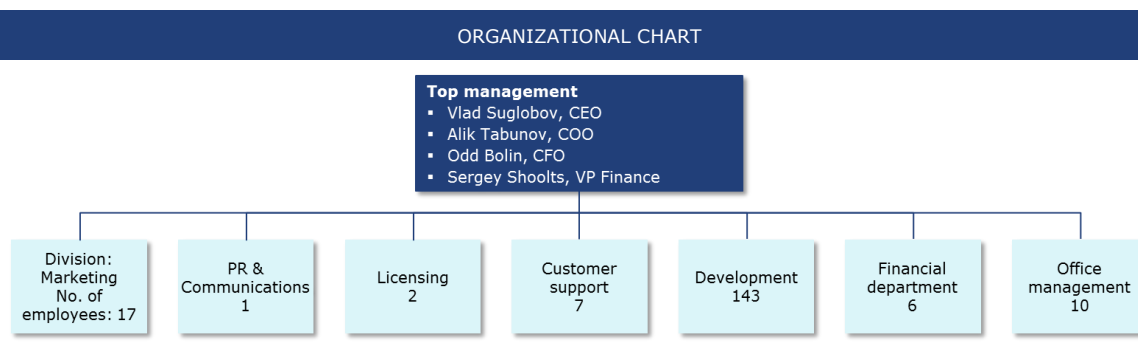
Employees

G5 currently has around 187 employees across five locations, including Stockholm (1), Moscow (16), San Francisco (3), Malta (2) and Kharkov (165). The majority of the staff is employed locally, some of them being skilled engineers. G5 constantly strives to attract employees that are essential for the Company to maintain a strong market position. The Company’s HR department in Kharkov cooperates with local universities to scout for candidates. G5 has a training program, where new engineers and designers initially start as associates and increasingly get involved in the Company’s projects under supervision and coaching of more senior colleagues. The same applies for corporate functions within its operations department. The Company is providing a competitive compensation package for its employees, which is in line with, or above the local standards.



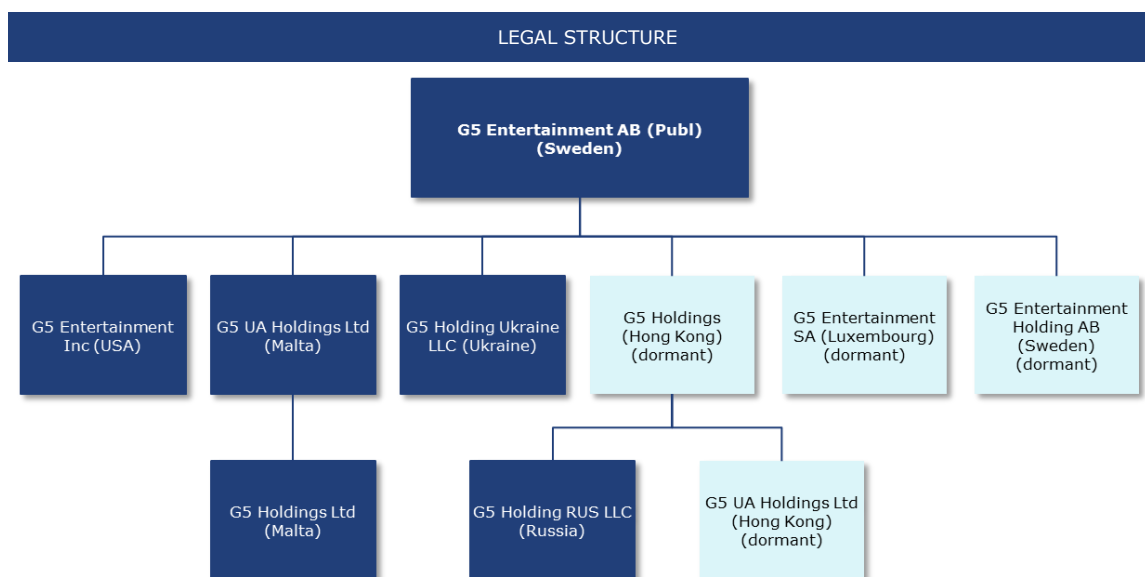
Organizational structure

The Company comprises eight different functions, of which development is the largest. The CEO is based in San Francisco, but spends several months per year in Moscow. The CFO is stationed in Stockholm, while the majority of senior level directors are based in Moscow. The Ukrainian office is the largest in terms of number of employees, and is where most of the game development takes place. The VP of Finance and Licensing is based in Malta.



Legal structure

Legal chart²³



The G5 Group consists of a parent company, G5 Entertainment AB ("G5 Sweden"), located in Sweden, and a number of operational subsidiaries: in Russia, Ukraine, the US, and Malta. In addition, there are a number of inactive companies. The Russian and Ukrainian operations are primarily in-house development studios, while the US operation primarily is a PR and marketing office.

G5 Holdings Ltd ("G5 Malta") owns most of the Group's intellectual property rights (IPRs), and procures development work for existing and new games from external subcontractors, and from G5 Holdings RUS Llc ("G5 Russia") and G5 Holding Ukraine ("G5 Ukraine"). G5 Malta employs the Group's Vice President Finance and the director of Licensing. More personnel is in the process of being transferred to Malta. Licensing games for G5's portfolio and procuring game development work is the primary function of G5 Malta. G5 Malta also procures other services, such as support and some financial services, from G5 Russia and G5 Ukraine.

G5 Sweden, the parent company, still owns some historical IPRs. No new IPRs are however added. The parent company is the sole owner of all group subsidiaries, and acts as the financing vehicle for the Group. The parent company employs the Group CEO and CFO, and the IR function. All internal processes and policies are set by the parent company. G5 Sweden procures some internal development work through G5 Malta. No new projects are started from G5 Sweden, but some existing games are still being developed further.

²³ (a) The Company acquired all shares in G5 Holding UKR LLC (incorporated in the Ukraine) from Sergey Serdechnyi on 1 January 2011 according to signed share purchase agreement between the parties. According to Ukrainian law, a shareholder must be registered with the Ukrainian Authorities. Registration of the Company as the owner of the shares was made with the Ukrainian Authorities on 16 October 2013.

(b) G5 Entertainment SA (incorporated in Luxembourg) was liquidated and dissolved on 4 October 2013.

(c) G5 Holdings RUS LLC (incorporated in Russia) is to be transferred from G5 Holdings Ltd (incorporated in Hong Kong) to the Company. The process to transfer the shares has been initiated, but is not yet completed.

(d) The Company's intention is to liquidate G5 Holdings Ltd (incorporated in Hong Kong) and G5 UA Holdings Ltd (incorporated in Hong Kong).

G5 Russia and G5 Ukraine are the Group's two internal development studios. G5 Ukraine also includes the support department, a major part of the marketing department, and part of group finance. G5 Russia and G5 Ukraine have only internal customers.

G5 Entertainment Inc ("G5 USA") manages PR and marketing towards the US market, in close collaboration with the marketing department within G5 Ukraine. The Group CEO is based in G5 USA to facilitate the establishment and development of US operations.

Financial development in brief

The following section describes G5 Entertainment's financial information for the years ended 31 December 2011, 2012 and 2013, and for the three months ended 31 March 2013 and 2014. G5's financial statements for these periods have been prepared in accordance with International Financial Reporting Standards (IFRS).

This section should be read in conjunction with the section "Comments to the financial development in brief", the Company's consolidated accounts for the 2011, 2012 and 2013 financial years, and the interim report for the three months ended 31 March 2014. For full information about the Company's profits and financial position, please refer to G5's annual reports 2011, 2012 and 2013 and the interim report for the three months ended 31 March 2014. The financial statements for 2011, 2012 and 2013 included in the annual reports for these years are incorporated in the Prospectus through reference. All reports can be found on G5's website www.g5e.com.

G5's financial statements in the annual reports 2011 and 2012 have been audited by Mazars SET Revisionsbyrå AB by Thomas Ahlgren as the main responsible authorized public accountant and 2013 by Bengt Ekenberg as the main responsible authorized public accountant, both partners and authorized public accountants. The auditor's reports have been included in the annual reports for the respective years. The auditor's reports comply with the standard format and contain no remarks. Besides auditing and reviewing the financial statements as mentioned above, G5's auditors have not audited or reviewed other information in this Prospectus.

Group income statement

SEK thousand	1 JAN - 31 DEC			1 JAN - 31 MAR	
	2011	2012	2013	2013	2014
Revenue	46,611	80,928	100,007	27,557	39,111
Production cost	(19,199)	(37,638)	(78,925)	(12,976)	(22,140)
Gross profit	27,412	43,290	21,082	14,581	16,971
General and administrative expenses	(9,911)	(15,713)	(34,342)	(5,129)	(12,360)
Other operating gains	496	33	2,046	-	752
Other operating losses	(275)	(1,749)	(612)	(22)	(207)
EBIT (Operating profit)	17,722	25,861	(11,826)	9,430	5,156
Interest income and similar items	37	53	85	-	130
Interest expense and similar items	(93)	(110)	(301)	(625)	(38)
Profit after financial items	17,666	25,804	(12,042)	8,805	5,248
Income tax	(3,524)	(3,624)	378	(816)	(1,219)
Profit for the year	14,142	22,180	(11,664)	7,989	4,029

Group balance sheet

SEK thousand	31 DEC			31 MAR	
	2011	2012	2013	2013	2014
Intangible fixed assets					
Capitalized development costs	17,386	40,429	48,299	39,960	51,132
Goodwill	2,322	2,319	2,318	2,272	2,307
Total intangible fixed assets	19,708	42,748	50,617	42,232	53,439
Tangible fixed assets					
Equipment	1,539	1,825	1,929	2,825	1,826
Deferred tax receivable	-	-	2,105	-	999
Total fixed assets	21,247	44,573	54,651	45,057	56,264
Current assets					
Accounts receivable	4,459	9,537	7,156	18,155	7,196
Tax receivable	2,517	5,741	4,437	-	4,465
Other receivable	5,134	11,012	6,915	19,130	7,101
Prepaid expenses and accrued income	2,948	4,260	10,916	-	13,701
Cash and cash equivalents	17,541	13,661	27,433	44,336	34,346
Total current assets	32,599	44,211	56,857	81,621	66,809
TOTAL ASSETS	53,846	88,784	111,508	126,678	123,073
Equity					
Share capital	800	800	880	880	880
Other capital contribution	19,872	19,971	54,032	53,934	54,032
Other reserves	80	(347)	22	780	(456)
Retained earnings	23,542	45,722	34,058	53,285	38,028
TOTAL SHAREHOLDERS' EQUITY	44,294	66,146	88,992	108,879	92,484
Non-current liabilities					
Deferred tax	-	590	-	-	590
Total non-current liabilities	-	590	-	-	590
Current liabilities					
Accounts payable	2,267	5,402	7,478	3,129	9,654
Other liabilities	99	2,254	464	1,539	790
Tax liabilities	6,457	10,251	6,505	10,673	5,761
Accrued expenses	729	4,141	8,069	2,458	13,794
Total current liabilities	9,552	22,048	22,516	17,799	29,999
TOTAL LIABILITIES	9,552	22,638	22,516	17,799	30,589
TOTAL EQUITY AND LIABILITIES	53,846	88,784	111,508	126,678	123,073

Group cash flow statement

SEK thousand	1 JAN - 31 DEC			1 JAN - 31 MAR	
	2011	2012	2013	2013	2014
Operating activities					
Profit after financial items	17,666	25,804	(12,042)	8,805	5,248
Adjusting items not included in cash flow	6,587	11,537	39,114	2,992	4,354
Taxes paid	(721)	(2,384)	(4,583)	(4,082)	(103)
Cash flow before changes in working capital	23,532	34,957	22,489	7,715	9,499
Cash flow from changes in working capital					
Increase in operating receivables	(8,088)	(12,170)	(4,054)	(3,223)	(3,330)
Increase in operating liabilities	981	8,677	4,255	(3,813)	8,253
CASH FLOW FROM OPERATING ACTIVITIES	16,425	31,464	22,690	679	14,422
Investing activities					
Purchase of property and equipment	(1,347)	(1,273)	(1,118)	(86)	(303)
Capitalized development costs	(14,624)	(33,933)	(41,915)	(3,741)	(6,932)
Purchase or sale of subsidiary	589	-	-	-	-
CASH FLOW FROM INVESTING ACTIVITIES	(15,382)	(35,206)	(43,033)	(3,827)	(7,235)
Financial activities					
New share issue	12,479	-	34,019	34,043	-
Acquisition of subsidiary	(863)	-	-	-	-
Incentive program	-	-	122	99	-
CASH FLOW FROM FINANCING ACTIVITIES	11,616	-	34,141	34,142	-
CASH FLOW	12,659	(3,742)	13,798	30,994	7,187

Group key figures

	1 JAN - 31 DEC			1 JAN - 31 MAR	
	2011	2012	2013	2013	2014
Revenue (SEK million)	46.6	80.9	100.0	28	39.1
Revenue growth	104%	74%	24%	58%	42%
Gross profit (SEK million)	27.4	43.3	21.1	14.6	17.0
Gross margin	58.8%	53.5%	21.1%	52.9%	43.4%
EBIT (SEK million)	17.7	25.9	-11.8	9.4	5.2
EBIT margin	38.0%	32.0%	-11.8%	34.2%	13.2%
Profit (SEK million)	14.1	22.2	-11.7	8.0	4.0
Net profit margin	30.3%	27.4%	-11.7%	29.0%	10.3%
Return on equity	45.6%	40.2%	-15.0%	10.2%	4.0%
Return on assets	54.9%	36.3%	-11.7%	10.8%	4.2%
Equity to assets ratio	82.3%	74.5%	79.8%	85.9%	75.1%
Average number of shares	7,613,049	8,000,000	8,711,111	8,800,000	8,800,000
Earnings per share (SEK)	1.9	2.8	-1.3	0.9	0.5
Equity per share (SEK)	5.8	8.3	10.2	12.4	10.5
Net debt (SEK million)	-17.5	-13.7	-27.4	-44.3	-34.3
Number of employees	107	136	160	136	187.0

Definitions

Earnings per share

Profit for the year divided by the average number of shares outstanding

EBIT margin

Operating profit as a percentage of the year's revenue

Equity to assets ratio

Reported equity as a percentage of total assets

Equity per share

Reported equity in relation to the number of outstanding shares

Gross margin

Gross profit/loss as a percentage of the year's revenue

Net debt

Interest-bearing liabilities, less interest-bearing assets, everything calculated at end of period

Net profit margin

Net profit as a percentage of total revenue

Return on assets

Operating profit plus financial revenue as a percentage

Return on equity

Profit for the year in relation to average reported equity

Comments on the financial developments in brief

The following commentary should be read in conjunction with the "Financial development in brief" section, and the audited consolidated financial statements for the financial years 2011, 2012 and 2013 and the consolidated interim financial statements for the three months ended 31 March 2013 and 2014.

Key factors and items affecting revenue and profit

REVENUE

The main part of G5's revenue comes from sales through paid downloads and in-application purchases of game unlocks and virtual currency.

G5's most important distribution channels are Apple, Google, and Amazon. The most critical factor determining the success of G5's games is however G5's ability to produce games that are attractive to the players. Although the distribution channels have some influence over the success over the games, e.g. by promoting certain games, there are many other factors contributing to that success, including cross selling and direct marketing by e-mail, direct and indirect marketing through social media such as Facebook etc. Although G5 receives its aggregated revenue through its distribution channels, G5 considers the end users to be the Company's actual customers.

PRODUCTION COSTS

G5 produces its own games, and licenses games from independent development studios. G5's internal work processes ensure that once a new game project is started, the likelihood that it will produce a game ready for sale is high, and that the production process is efficient, so that the work done is of direct benefit to the sellable game.

GENERAL AND ADMINISTRATIVE EXPENSES

Administration expenses consist of remuneration to non-development staff, including, senior management, and Board of Directors. The parent company employs only the executive management and subcontracts certain administrative tasks to subsidiaries.

OTHER OPERATING GAINS AND OPERATING LOSSES

Other operating gains consist of currency exchange gains and write-off of liabilities. Other operating losses consist of currency exchange losses.

FINANCIAL INCOME AND COSTS

Finance income comprises interest income on cash and cash equivalents and current investments, dividend income, and foreign exchange gains.

Interest income on financial instruments is recognised using the effective interest rate method. Dividend income is recognised when the right to receive the dividend has been established.

Finance costs comprise interest expenses and foreign exchange losses.

Accounting policies

CLASSIFICATION

Fixed assets and non-current liabilities exclusively comprise amounts expected to be recovered or paid after more than 12 months from year-end. Current assets and current liabilities exclusively comprise amounts expected to be recovered or paid within 12 months of year-end.

CONSOLIDATED PRINCIPLES

Subsidiaries

Subsidiaries are companies over which G5 Entertainment AB has a controlling interest. Controlling interest means, directly or indirectly, the right to formulate a company's financial and operational strategies with the aim of receiving economic benefits. When judging whether there is a

controlling interest, potential voting shares that can be used or converted immediately are taken into account.

Acquisitions

Subsidiaries are recognized using acquisition accounting. With this method, acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis establishes the fair value of acquired identifiable assets and assumed liabilities on the acquisition date, as well as any non-controlling interest. Transaction expenses, except for transaction fees attributable to issued equity or debt instruments are recognized directly in profit/loss for the year.

In business combinations in which the transferred payment, any non-controlling interest, and fair value of previously held interest (for incremental acquisitions) exceeds the fair value of acquired assets and assumed liabilities that are recognized separately, the difference is recognized as goodwill. When the difference is negative, it is recognized directly in profit/loss for the year. Contingent considerations are recognized at fair value on the date of acquisition. In cases where contingent considerations are presented as equity instruments, no revaluation is done and adjustments are made in equity. Other contingent considerations are revalued at each reporting date and the change is recognized in profit/loss for the year.

Non-controlling interest arises in cases where the acquisition does not include 100 per cent of the subsidiary. There are two options for recognizing non-controlling interest: (1) recognize the non-controlling interest's share of proportional net assets, or (2) recognize non-controlling interest at fair value, which means that non-controlling interest is part of goodwill. Choosing between the two options for recognizing non-controlling interest can be done individually for each acquisition.

For incremental acquisitions, goodwill is determined on the date control is taken. Previous holdings are assessed at fair value and changes in value are recognized in profit/loss for the year. Disposals leading to loss of controlling interest but where holdings are retained are assessed at fair value, and the change in value is recognized in profit/loss for the year.

Subsidiaries' financial statements are included in the consolidated accounts from the acquisition date until the date on which the controlling influence ceases.

Acquisition of non-controlling interest

Acquisition from non-controlling interest is recognized as a transaction in equity, that is, between the parent company's owners (in retained profits) and the non-controlling interest. The change in non-controlling interest is based on its proportional share of net assets.

Sale of non-controlling interest

Sale of non-controlling interest, where some controlling interest is retained, is recognized as a transaction in equity; that is, between the parent company's owners and the non-controlling interest. The difference between retained liquidity and the non-controlling interest's proportional share of acquired net assets is recognized in retained profits.

Transactions eliminated in consolidation

Intra-group receivables and liabilities, income or expenses, and unrealized gains or losses that arise from intra-group transactions between group companies are entirely eliminated in preparation of the consolidated accounts.

FOREIGN CURRENCY TRANSLATION

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognized in the income statement. Exchange rate differences on trading and liabilities are included in operating profit and loss as other operating gains or other operating losses. Difference in financial receivables and liabilities are accounted in financial items.

Group companies

The result and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- Income and expenses for each income statement are translated at average exchange rates
- All resulting exchange differences are recognized as a separate component of equity

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are translated as assets and liabilities of the foreign entity and translated at the closing date.

REVENUE RECOGNITION

Revenue is recognized on an accrued basis in accordance with the substance of the relevant agreements.

For the G5 group this normally means that revenue is recognized at the time when applications are downloaded or in-game purchases are made by the smartphone and tablet users. The revenue is reported net of the application stores' fees, which usually are 30% of the price that the end-users pay.

Interest income is reported continuously and dividends received are reported after the right to the dividend is deemed secure.

In the consolidated accounts, intra-group sales are eliminated.

PRODUCTION COSTS

G5 considers all directly attributable development work ahead of the release of a game to be production costs. Production costs also include royalties paid to external development studios when licensing and selling their games.

LEASES

Operating leases

Costs pertaining to operating leases are recognized in the income statement on a straight-line basis over the lease term. Incentives received in conjunction with signing a lease agreement are recognized in the income statement as a reduction of the leasing payments on a straight-line basis over the lease term. Variable charges are expensed in the periods when they arise.

FINANCIAL REVENUE AND EXPENSES

Financial revenue and expenses comprise interest income on bank balances and receivables, interest expenses on liabilities and exchange rate differences.

INTANGIBLE ASSETS

Goodwill

Goodwill is the positive difference between the acquisition value of a business combination and the net fair value of acquired identifiable assets, liabilities and contingent liabilities. Goodwill can be viewed as a payment for future financial benefits that cannot be separately identified, nor accounted separately.

Goodwill is valued at acquisition value less potential accumulated write-downs. Goodwill is divided to cash-generating units and is not amortized but subject to impairment tests at least annually, see heading "Write-downs of tangible and intangible assets".

Capitalized development costs

Development costs are only capitalized if the expenses are expected to result in identifiable future financial benefits that are under the control of the group, and it is technologically and financially possible to complete the asset. The costs that can be capitalized are costs that are invoiced externally, direct costs for labor and a reasonable portion of indirect costs. Other development costs are expensed in the income statement as they arise. Capitalized development costs are accounted at acquisition value, less deductions for accumulated amortization.

Amortization of capitalized development cost starts when the asset is available for use. Ongoing capitalized development cost, where amortization not has started, is tested for impairment as described in heading "Write-downs of tangible and intangible assets".

Supplementary expenditure for capitalized intangible assets is accounted as an asset only if it increases the future financial benefits for the specific asset to which they are attributable. The carrying amount of the asset is removed from the balance sheet upon disposal, or when no future financial benefits are expected from the use or disposal of the asset. The gain or loss resulting when an intangible fixed asset is removed from the balance sheet is accounted in the income statement. The gain or loss is calculated as the difference between the potential net revenue from the divestment and the asset's carrying amount.

TANGIBLE FIXED ASSETS

Expenditure for tangible fixed assets is accounted in the balance sheet when it is likely that the future financial benefits associated with the asset will arise for the Group and the asset's acquisition value can be reliably calculated. Tangible fixed assets are accounted at acquisition value less accumulated depreciation according to plan and potential write-downs. The acquisition value comprises the purchase price directly attributable to the asset. The carrying amount of the asset is removed from the balance sheet upon disposal or divestment, or when no future financial benefits are expected from the use or disposal/divestment of the asset. The gain or loss that results when a tangible fixed asset is removed from the balance sheet is accounted in the income statement. The gain or loss is calculated as the difference between the potential net revenue from the divestment and the asset's carrying amount.

Leased assets

Leases are classified as finance leases or operating leases. Finance leases are when the economic risks and rewards of ownership have been substantially transferred to the lessee. All other leases are classified as operating leases.

Assets leased under operating leases are not recognized as an asset on the balance sheet. Operating leases do not give rise to a liability.

The Group does not have any financial leases. Operating leases consist of rent premises agreements, for the offices in Moscow, Kharkov, San Francisco, Stockholm, and Malta.

DEPRECIATION AND AMORTIZATION

Intangible fixed assets

After first-time accounting, intangible fixed assets are accounted in the balance sheet at acquisition value less deductions for potential accumulated amortization and write-downs. For intangible fixed assets with finite useful lives, amortization is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. This test is conducted annually, or at any time there are indications of value impairment of the intangible asset. Evaluations of amortization methods and useful lives are conducted annually.

Subject of amortization	Amortization period, (Years)
Group	
Capitalized development costs	2
Parent company	
Capitalized development costs	2

Games in G5's game portfolio are subject to two different types of amortization periods, since it is not possible to forecast the useful life of a specific game. G5 has a portfolio that consists of many different games, and the average historical lifetime of the games in this portfolio gives a good estimate of the average useful life of the active games that are being amortized at present. Evaluations of amortization methods and useful lives, including the average useful life of the game portfolio, are conducted annually.

For unlockable games, the amortization period starts at the date when the game is released. From that point no more development work is being capitalized. Capitalized development costs are amortized linearly over a two-year period.

Free-to-play games are continuously updated and expanded. The capitalization and amortization model is therefore modified compared to unlockable games. Development costs are capitalized continuously while amortization is done over a rolling two-year period, such that at the end of

each month, an amount equal to the total capitalized development cost at the beginning of that month, divided by 24 months, is amortized. Amortization starts when the game is considered ready for full release.

Tangible fixed assets

After first-time accounting, tangible fixed assets are accounted in the balance sheet at acquisition value less accumulated depreciation and potential accumulated write-downs. The depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Evaluations of depreciation methods and useful lives are conducted annually.

The following depreciation periods are applied:

Subject of depreciation	Depreciation period, (years)
Office furniture	10
Computer equipment	5

WRITE-DOWNS OF TANGIBLE AND INTANGIBLE ASSETS

Carrying amounts for the Group's assets are verified at each year-end to determine whether there is any indication that the asset's value may have decreased. If so, the asset's recoverable value is calculated, defined as the greater of fair value less selling expenses and value in use. Intangible assets with indeterminable useful life, goodwill and ongoing capitalized development cost are tested for impairment at least annually. When calculating value in use, future payments surpluses the asset is expected to generate are discounted at a rate corresponding to risk-free interest and the risk associated with the specific asset. The recoverable value of the cash-generating unit to which the asset belongs is calculated for assets that do not generate cash flow that is essentially independent of other assets. If the recoverable value of the asset is less than the carrying amount, a write-down is affected. Write-downs are posted to the income statement.

SHARE CAPITAL

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally

the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized. Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

BENEFITS FOR EMPLOYEES

The Group accounts recognize employee benefits in accordance with IAS 19 *Employee Benefits*.

The employee benefits are only defined contribution plans. The Group has no defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Provisions are only accounted coincident with termination of employees if the Group has demonstrably committed to conclude employment before the normal time, or when remuneration is paid to encourage voluntary redundancy. In those cases the Group issues redundancy notices, a detailed plan, which as a minimum, includes information on workplaces, positions and the approximate number of people affected, and the remuneration for each employee category, or positions and the time for conducting the plan.

FINANCIAL INSTRUMENTS

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Financial liabilities within the G5 Group are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

The effective interest method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liabilities.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis.

Classification

The G5 Group classifies its financial assets and liabilities for the financial year 2012 and 2013 in the following categories:

- Loans and receivables and financial liabilities measured at amortized costs.
- The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities

greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The Group's loans and receivables comprise account receivables, other receivables, accrued income and cash and bank in the balance sheet.

Accounts receivable and other receivables are reported in the amounts that are expected to be received after deductions for bad debts, which are assessed on an individual basis. The expected term of accounts receivable and other receivables in the Group is short, which is why the amount is reported at nominal value without discounting. Any impairment is reported in operating expenses.

Financial liabilities measured at amortized costs

The Group's financial liabilities measured at amortized costs comprise account payable, other liabilities and main part of accrued expenses.

The liabilities are recognized initially at fair value, net of transaction costs and subsequently measured at amortized costs.

The expected term of the liabilities in the Group is short, which is why the amount is reported at nominal value without discounting.

IMPAIRMENT OF FINANCIAL ASSETS

Loans and receivables

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments.

EARNINGS PER SHARE

Earnings per share have been calculated pursuant to IAS 33. Earnings per share are calculated by earnings attributable to holders of ordinary shares of the parent company are divided by the weighted average number of ordinary shares at the end of the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by assuming conversion of all dilutive potential ordinary shares. For the warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants.

PROVISIONS

Provisions are accounted in the balance sheet when a legal or informal commitment arises as a consequence of an event that has occurred and it is likely that an outflow of financial benefits will be necessary to settle the commitment and a reliable estimate of the amount is possible. The provision is accounted at an amount corresponding to the best estimate of the disbursement necessary to settle the commitment. Provisions are liabilities that are uncertain in terms of the amount or timing of when they will be settled.

CONTINGENT LIABILITIES

Contingent liabilities are potential commitments sourced from events that have occurred and whose incidence may be confirmed only by one or more uncertain future events occurring or not occurring, which do not lie entirely within the Group's control. Contingent liabilities may also be existing commitments sourced from events that have occurred but that are not accounted as a liability or provision because it is unlikely that an outflow of resources will be necessary to settle the commitment, or the size of the commitment cannot be estimated with sufficient reliability.

CASH FLOW STATEMENT

The cash flow statement has been prepared pursuant to the indirect method. Cash flow from operating activities is calculated proceeding from net profit/loss. The profit-loss is adjusted for transactions not involving payments made or received changes in trade-related receivables and liabilities, and for items attributable to investing or financing activities.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances. At present, the Group has no short-term investments.

SEGMENT REPORTING

The income statement, assets and liabilities are not divided by segment in a reasonable and reliable manner. The Board is therefore analyzing the business as a whole Group.

CURRENCY EXPOSURE

Exposure to exchange rate fluctuation arises when the Group carries out a large number of business transactions in foreign currency in connection with its business operations (transaction risk). Such exposure derives among others from business transactions between operational units within the Group that have different currencies as their functional currency as well as from sales in currencies other than the individual companies' functional currency. G5 is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar, the Euro, the Russian Ruble, and the Ukrainian Hryvna.

The Company does not hedge these risks at present, as the net exposure to any of these currencies is considered to be too small to justify active hedging.

A sensitivity analysis, considering the foreign currency exposure on December 31, 2013, shows the effect on earnings after tax of a 10 per cent change in the exchange rate between the U.S. dollar and the Swedish Krona, and the Euro and the Swedish Krona according to the table below. It presumes that all other variables, including interest rates and other foreign currencies, remain constant.

Effect on earnings (kSEK)	+10%	-10%
USD	-146	147
EUR	-27	27

G5's income statement

1 JANUARY – 31 MARCH 2014 COMPARED TO CORRESPONDING PERIOD 2013

Revenue from sales of goods

Consolidated revenue for the period was SEK 39.1 million, up 42 per cent compared to SEK 27.6 million for the same period 2013, driven by the strong growth for the Group's free-to-play games.

G5 has returned to profitable growth and generated record monthly and quarterly revenue. Revenue from free-to-play games grew with 254 per cent compared to the same period previous year and accounted for 66 per cent of total revenue in Q1 2014. At the same time, G5's revenue from unlockable games was stable during the quarter. The accumulated number of downloads of the Group's games, excluding updates, surpassed 150 million.

Operating result

Operating result for the first quarter 2014 was SEK 5.2 million, down 44 per cent compared to SEK 9.4 million for the same period 2013. The change in EBIT compared to the same period 2013 can primarily be explained by an increase in the level of user acquisition expenses as well as increasing administrative costs in order to prepare the Group for further growth. G5 continues to invest in acquisition of users, and the costs for marketing during the period were SEK 5.9 million, up 21 per cent compared to SEK 2.1 million for the same period 2013, corresponding to 15 per cent of revenue.

As G5 releases new free-to-play games and more scale from these can be achieved, the administration costs will have less effect on the operating result.

Profit for the period

Net profit for the first quarter 2014 was SEK 4.0 million, down 50 per cent compared to SEK 8.0 million for the same period 2013. The lower profit compared to the same period 2013 can primarily be explained by higher administrative costs.

1 JANUARY – 31 DECEMBER 2013 COMPARED TO CORRESPONDING PERIOD 2012

Revenue from sales of goods

2013 was the fourth consecutive year of rapid growth for G5 in the mobile games business with revenue totaling SEK 100.0 million, constituting a growth of 24 per cent from previous year.

The Company's growth can partly be attributed to the success of the free-to-play games which accounted for 64 per cent of revenue during Q4 2013. 2013 became the year when the Company focused on free-to-play games and went from a business primarily driven by unlockable games to business driven by free-to-play games. The advantage of free-to-play games compared to unlockable games can be explained by better conditions for higher user retention and monetization in successful free-to-play games. At the same time, revenue from unlockable games has decreased gradually, as the Company is moving the user base from unlockable games to free-to-play games.

The Company's transition from unlockable games to free-to-play games affected growth during the year with Q3 becoming a brief low point showing a slight 9 per cent decline year-on-year. However, during Q4 a growth of 39 per cent was achieved primarily driven by a yearly growth of 300 per cent for the free-to-play portfolio.

The game *The Secret Society*, which was released on iOS and Android, became the highlight of the year and consistently stayed in Top 50 Grossing Games on iPad in USA and became one of the top grossing games of its category in the world.

Operating result

The Company's operating result before financial items in 2013 amounted to SEK (11.8) million, constituting a negative operating margin. The decline is a result of one-time extraordinary expenses in connection with the planned re-listing in the amount of SEK 3.8 million, and write-downs of capitalized development costs and advances to external developers in the amount of SEK 18.0 million, and temporary higher than usual user acquisition and developer royalty expenses.

Profit for the period

The Company's net profit in 2013 amounted to SEK (11.7) million, constituting a negative net profit margin. Net profit decreased with about SEK 33.9 million from previous year, from SEK 22.2 million in 2012 to SEK (11.7) million in 2013. The corresponding net profit margin decreased from 27.4 per cent in 2012 to negative over the period.

1 JANUARY – 31 DECEMBER 2012 COMPARED TO CORRESPONDING PERIOD 2011

Revenue from sales of goods

2012 was the third consecutive year of rapid growth for G5 in the mobile games business with revenue totaling SEK 80.9 million, constituting a growth of 74 per cent from previous year. 98 per cent of the Group's revenue came from sales of applications to smartphones and tablets.

The Company's growth can partly be attributed to the success of *Virtual City Playground* in the third quarter. *Virtual City Playground* is the Company's first and best-selling free-to-play game and was the highest revenue-contributing game for G5 in 2012. The game has been a top 10 grossing game on iPad in over 100 countries, and accounted for up to 30 per cent of the Company's revenue in its top months in Q3 of 2012. It generated more revenue during 2012 than any other game in G5's portfolio has done over its entire life time. The revenue from *Virtual City Playground* reversed to normal levels in Q4, when Apple withdrew promotion of the game.

During 2012, G5 launched numerous new games for smartphones and tablets (a total of 167 new applications), contributing to the Company's strong revenue increase. At the end of 2012, G5 had over 360 applications for all platforms in its game portfolio. The majority of the portfolio was unlockable casual games, and only three games, or seven applications, were free-to-play games. Despite a skewed distribution towards unlockable games, free-to-play games represented a large part of the Company's total revenue. The large portion of revenue already coming from free-to-play games underlines the extended lifetime and the potential of free-to-play games. The success

of Virtual City Playground has inclined the management to focus more on free-to-play games, and believes this segment will drive growth in the future ahead. In November 2012, G5 released two new free-to-play games on iOS: *The Secret Society*, hidden object free-to-play game, and *Doomsday Preppers*, a free-to-play game based on a popular TV show of National Geographic Channel. All free-to-play games receive regular updates to ensure continuous engagement of the audience and growth of revenue.

Operating result

The Company's operating result before financial items in 2012 amounted to SEK 25.9 million, constituting an operating margin of about 32 per cent. The operating result grew with about 46 per cent from the previous year from SEK 17.7 million in 2011. The EBIT margin experienced a contraction of about six percentage points, from 38.0 per cent in 2011 to 32.0 per cent in 2012, because of increased general and administrative costs (up 59 per cent) and production expenses (up 96 per cent). The lower margin in 2012 is partly explained by the increased number of games released during the year as well as the increased focus on developing free-to-play games, a continuous effort of the management to build the Company for the long term. Throughout the period, the Group has further strengthened its development and quality and assurance work force, and increased investment in free-to-play games to be released in 2013.

Profit for the period

The Company's net profit in 2012 amounted to SEK 22.2 million, constituting a net profit margin of about 27.4 per cent. Net profit grew with about 57 per cent from previous year, from SEK 14.1 million in 2011 to SEK 22.2 million in 2012. The corresponding net profit margin decreased from 30.3 per cent in 2011 to 27.4 per cent over the period, as a result of strong revenue growth. The Company paid around 14 per cent in effective income tax in 2012, which is a decrease with about five percentage points from the previous year.

Financial resources and cash flow

Assets and investments

The Company's intangible fixed assets consist of capitalized development costs for games. Capitalized development costs totaled SEK 51.1 million on March 31 2014, compared to SEK 48.3 million on 31 December 2013, SEK 40.4 million on 31 December 2012 and SEK 17.4 million on 31 December 2011. Consequently, capitalized development cost has increased by 194 per cent since 31 December 2011. Goodwill accounts for SEK 2.3 million on 31 March 2014, related to the acquisition of Shape Inc. in 2009, and has remained unchanged over the years 2011-first quarter 2014.

Development costs, where research findings or other knowledge are applied to create new or improved products or processes, is recognized as an asset on the balance sheet, if the expenses are expected to result in identifiable probable future financial benefits that are under the control of the Group, and it is technologically and financially possible to complete the asset. The costs that are capitalized are costs that are invoiced externally, e.g. for development work done by subcontractors, benefits to employees directly involved in the development work, other direct development costs, and a reasonable portion of indirect costs. Other development costs are expensed in the income statement as they arise. Capitalized development costs are accounted at acquisition value, less deductions for accumulated amortization.

As a result of the shift to free-to-play games, and as a consequence of changing market conditions for unlockable games, G5 made a write-down of capitalized development costs and advances to external developers in 2013, based on evaluation of the Company's portfolio of unlockable games. The write-downs of the games portfolio consisted of both capitalized development costs of SEK 13.9 million, and advances to external developers of SEK 4.1 million. These advances are normally recouped when games are released and start generating revenue, but when a game is canceled before release, many advances must be taken as cost. The write-downs corresponded to more than 50% of the capitalized development costs. The write-down did not have a liquidity impact.

Investment activities in the first quarter 2014 and in 2013 consisted mainly of capitalized development costs. Capitalized development costs in the first quarter 2014 accounted for SEK 6.9 million, compared to SEK 3.7 million for the same period 2013. During the fiscal year 2013, capitalized development costs totaled SEK 41.9 million compared to SEK 33.9 million in 2012 and SEK 14.6 million in 2011. Purchase of property and equipment totaled SEK 0.3 million in the first quarter 2014, compared to SEK 0.1 million in the same period 2013, and SEK 1.1 million in 2013, compared to SEK 1.3 million in 2012 and 2011.

Future investment needs

G5 will continue to invest in developing attractive free-to-play-games and the Company aims to bring the total number of free-to-play games in the portfolio to over 10 in 2014. Continued investments include investments in game development and quality assurance resources, internal and external, as well as occasional investments in paid user acquisition. Investments are expected to be in line with historical levels. As a result, the Company's current target for free-to-play games is well underway, with 8 free-to-play games already in the market and a number of additional game prospects currently in development. In addition, G5's existing game portfolio is generating enough cash to finance the Company's pipeline of games. At this point, management and the board believe that the present targets for the Company's game portfolio can be achieved with the funding that already is in place.

Equity and liabilities

The Company's share capital amounted to SEK 0.9 million on 31 March 2014, unchanged compared to SEK 0.9 million on 31 December 2013 and an increase compared to 0.8 million on 31 December 2012 and 2011. The Company issued 800,000 shares in 2013, which resulted in total 8,800,000 outstanding shares at the end of the fiscal year. The Company issued 580,426 shares in 2011, which resulted in total 8,000,000 outstanding shares at the end of the fiscal year. Furthermore, other capital contribution amounted to SEK 54.0 million compared to SEK 20.0 million on 31 December 2012 and SEK 19.9 million on 31 December 2011. The issued shares in 2011 were sold to AB Traction at SEK 21.5 per share, leading to a SEK 12.5 million capital contribution. The funds were used to finance the expansion of the Company's product development.

The Company has no long-term interest-bearing liabilities. Current liabilities amounted to SEK 30.0 million on 31 March 2014, compared to SEK 22.5 million on 31 December 2013, SEK 22.0 million on 31 December 2012 and SEK 9.6 million on 31 December 2011. Consequently, current liabilities have increased by about 213 per cent since 2011, as a result of the Company's growing revenue. Other liabilities, mainly consisting deferred tax liabilities, amounted to SEK 0.6 million on 31 March 2014, compared to SEK 0.0 million on 31 December 2013, SEK 0.6 on 31 December 2012 and SEK 0.0 million on 31 December 2011.

Working capital

Working capital totaled SEK 2.5 million on 31 March 2014, compared to SEK 6.9 million on 31 December 2013, SEK 8.5 million on 31 December 2012 and SEK 5.5 million on 31 December 2011. Cash flow from changes in operating capital totaled SEK 4.9 million for the first quarter 2014, compared to SEK (7.0) million for the same period 2013, and SEK 0.2 million in 2013, compared to SEK (3.5) million on 2012 and SEK (0.1) million in 2011.

Cash flow from operating activities

The cash flow from operating activities totaled SEK 14.4 million in the first quarter 2014, compared to SEK 0.7 million for the same period 2013. Cash flow from operating activities totaled SEK 22.7 million in 2013, a decrease from SEK 31.5 million in 2012. This is a decrease of 28 per cent primarily due to non-recurring re-listing expenses, and user acquisition expenses for F2P games.

Cash flow from investing activities

The cash flow from investing activities totaled SEK (7.2) million in the first quarter 2014, compared to SEK (3.8) million for the same period 2013. Cash flow from investing activities totaled SEK (43.0) million in 2013, compared to SEK (35.2) million in 2012. The cash flow from investing activities increased with 22.2 per cent between 2013 and 2012 and can be explained by the increase in capitalized development costs.

Cash flow from financing activities

The cash flow from financing activities totaled SEK 0.0 million in the first quarter 2014, compared to SEK 34.1 million for the same period 2013. Cash flow from financing activities totaled SEK 34.1 in 2013, compared to SEK 11.6 million in 2011. The positive cash flow from financing activities in 2011 is attributable to the directed issue of SEK 12.5 million, when the Company issued shares to AB Traction in order to fund the expanding product development. There was no cash flow from financing activities in 2012.

Dividend policy

The board of directors suggested at the Annual General Meeting 2013 that no dividend was to be paid for fiscal year 2012. Excess cash during 2012 was used to invest for future growth, funding new licensing deals, product development, and expansion to new platforms. Going forward, the management will maintain a healthy balance between actively reinvesting for future growth and sustaining a strong cash position.

Tax situation

The Company has operations in Sweden, Malta, the Ukraine, Russia and USA. The operations, including transactions between the Groups' subsidiaries, is conducted in accordance with current tax laws, tax treaties and other stipulations in the concerned countries and tax authorities' demands according with the interpretation of G5 Entertainment AB.

The Group's effective tax rate is primarily affected by how the financial result is divided between the different operating countries. During the taxable year of 2013 a Group loss occurred, however a payable tax still occurred (SEK 378 thousands), which primarily was attributable to the operations in USA and Malta.

The Group reports a deferred tax asset for the taxable year of 2013 of SEK 2,105 SEK thousands. The amount is attributable to capitalized loss carryforwards with unlimited life-span. The loss carry-forward amounts to SEK 9,568 thousands and is expected to be used to offset future profits.

Significant events after 31 March 2014

There have been no important changes in the Company's financial position or market position except for those mentioned since the last reporting period.

Shareholders' equity, indebtedness and other financial information

The Company's equity and liabilities

The tables below present information on the Company's equity and indebtedness as of 31 March 2014. The Company's equity amounted to SEK 92.5 million, of which the share capital amounted to SEK 0.9 million.

The Company has no interest-bearing liabilities.

G5 has historically financed its operations by the Company's cash flow supplemented with new share issues.

The Company's equity and liabilities

SEK million	31 MAR 2014
Current interest-bearing debt	
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0
Total current interest-bearing debt	0
Non-current debt	
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0
Total non-current debt	0
Shareholder's equity	
Share capital	0.9
Other capital provided	54.0
Other reserves	(0.5)
Retained earnings	38.0
Total shareholder's equity	92.5

The Company's net indebtedness

SEK million	31 MAR 2014
(A) Cash	0
(B) Cash equivalents	34.3
(C) Trading securities	0
(D) Liquidity (A)+(B)+(C)	34.3
(E) Current financial receivables	0
(F) Current bank debt	0
(G) Current portion of non-current debt	0
(H) Other current financial debt	0
(I) Current interest-bearing debt (F)+(G)+(H)	0
(J) Net current interest-bearing debt (I)-(E)-(D)	(34.3)
(K) Non-current bank loans	0
(L) Bonds issued	0
(M) Other current financial debt	0
(N) Non-current interest-bearing debt (K)+(L)+(M)	0
(O) Net financial indebtedness (J)+(N)	(34.3)

Working capital

Management together with the Board assesses that the present working capital and liquid assets are adequate for current needs over the next 12 months. As of 31 March 2014, cash and cash equivalents amounted to SEK 34.3 million.

Development since last reporting period

There have been no further material changes to the Company's financial condition or market position.

Share capital and ownership structure

General

According to the Company's Articles of Association, the share capital may not be less than SEK 500,000, and may not exceed SEK 2,000,000. The number of shares may not be less than 5,000,000, and may not exceed 20,000,000. The Company has one class of share. As of the date of this Prospectus, the Company had issued a total of 8,800,000 shares. All outstanding shares have been fully paid. The shares are denominated in SEK and the quota value of each share is SEK 0.1. All issued shares have been fully paid. The Company does not hold any of its own shares. G5's shares are not subject to any offer provided as a consequence of mandatory bid, right of redemption or redemption duty. The Company's shares have not been subject to any public offer or similar procedure since the formation of the Company. The shares in G5 have been issued in accordance with Swedish law and the rights of the shareholders (including the minority shareholders), associated with the shares can only be altered in accordance with the procedures under the Swedish Companies Act (Sw. aktiebolagslagen (2005:551)).

The Company's shares are registered with Euroclear Sweden AB (Box 7822, 103 97 Stockholm, Sweden), which is the central securities depository and clearing organization for the shares in accordance with the Swedish Financial Instruments Accounts Act (1998:1479). The ISIN-code for G5's shares is SE0001824004. The Account Controller is Vladislav Suglovov.

Certain rights associated with the shares

VOTING RIGHTS

Each share confers the holder with one vote. Each shareholder is entitled to vote for the full number of shares owned, without limitation.

PREFERENTIAL RIGHTS TO NEW SHARES ETC.

If the Company issues new shares, warrants or convertibles in a cash issue or a setoff issue, shareholders shall have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue, in accordance with, and subject only to the exceptions specified in, the Swedish Companies Act.

RIGHTS TO DIVIDENDS AND BALANCES IN CASE OF LIQUIDATION

Decisions about the appropriation of profits are taken at the annual general meeting. All shareholders registered as shareholders in the share register kept by Euroclear Sweden on the record date adopted by the shareholders' meeting shall be entitled to dividends. In the event of dividend payments, the dividends will be distributed to shareholders as a cash sum per share through Euroclear Sweden, but may also be paid out in kind. If shareholders cannot be reached through Euroclear Sweden, the amount owed by the Company to the shareholder for the dividend remains and is subject to 10-year prescription rules. Upon prescription, the dividend falls to the Company. There are no restrictions on the right to dividends for shareholders domiciled outside Sweden according to the Swedish Companies Act or the Articles of G5. Shareholders not resident in Sweden for tax purposes must normally pay Swedish withholding tax, see also the section entitled "Tax issues in Sweden". All shares have equal rights to possible surpluses in the event of liquidation.

Development of the share capital

Development of share capital

Date	Description	Change in share capital (SEK)	Change in number of shares	Total share capital after change (SEK)	Number of shares after change
2013-02-07	New issue	80,000	800,000	880,000	8,800,000
2011-08-10	New issue	58,043	580,426	800,000	8,000,000
2008-11-07	New issue	104,457	1,044,574	741,957	7,419,574
2008-07-15	New issue	37,500	375,000	637,500	6,375,000
2006-09-25	New issue	100,000	1,000,000	600,000	6,000,000
2005-05-20	Company founded	500,000	5,000,000	500,000	5,000,000

Authorization related to new issue of shares

At the annual general meeting held on 20 May 2014 it was resolved to authorize the board of directors of the Company to, before the next annual general meeting, with or without deviation from the shareholders' preferential right, on one or more occasions, resolve on issuance of no more than 880,000 shares, which corresponds to a dilution of the current share capital and voting rights of approximately 10 per cent and through which the share capital can be increased with not more than SEK 88 000. The new issued shares can be paid by kind, set-of or otherwise be subject to conditions. Deviation from the shareholders' preferential rights shall be allowed to be made in a situation where a direct issue, due to time, business or similar considerations is more beneficial for the Company. The issue price shall at all-time be as close to market value as possible with the discount required to achieve full subscription.

CONVERTIBLES, WARRANTS ETC.

Except for the warrants outstanding under the Warrant Program 2012/2014 described below, the Company has no outstanding warrants, convertibles or other share-related financial instruments which would, if they were exercised, imply a dilutive effect for the shareholders of the Company.

Share related incentive programs

WARRANT PROGRAM 2012/2014

The extraordinary general meeting held on 31 October 2012 resolved to adopt general principles for an incentive program for executives and key employees in the G5 group. These general terms shall constitute the foundation for yearly allocation of warrants during the period 2012-2014. According to the terms of the program each warrant shall give the holder a right to subscribe for one share in the Company. Allocation and the persons who shall be entitled to participate in the incentive program shall be determined each year by the board of directors. The allocation shall also be submitted to the general meeting for approval. Except for the managing director, the members of the board of directors are not entitled to subscribe for warrants under the program. Allocation of warrants to employees outside of Sweden is dependent on fiscal effects, subject to that no legal restrictions apply and that the board of directors assesses that such allocation can be carried through with reasonable administrative and economic resources. The allocation of warrants is subject to that the employee has signed a pre-emption agreement with the Company, see Section Legal Matters and Miscellaneous Information under Material Agreements. The number of outstanding warrants issued according to the program may not, at any time, represent more than six per cent of the total number of issued shares as calculated at the time of the last issue. The premium for the warrants shall correspond to the market value of the warrants according to an evaluation based on the Black & Scholes-formula.

Allocation 2012

In accordance with the general terms for the Company's warrant program, the extraordinary general meeting held on 31 October 2012 resolved to issue no more than 160 000 warrants. The incentive program was to include a maximum of 16 persons. All warrants were subscribed for and have been allotted. The subscription price paid for the warrants was SEK 0.62, which corresponds to the market value of the warrants according to an evaluation with application of the Black & Scholes-formula. The period of measurement for the calculation of the premium of the option was between 1 November 2012 up to and including 14 November 2012. The proportion between the number of warrants which the executives and key employees have been offered to subscribe for vary depending on the employee's responsibilities and position. The managing director and the group chief executive shall be offered, at the most, 20 000 warrants and the other key employees shall be divided into categories where an individual person shall be offered, at the most, 15 000 warrants and, at the least, 5 000 warrants. The board of directors shall determine which persons who shall be included in the respective category and which persons who shall be entitled to be allocated warrants. The warrants may be exercised between 15 December 2015 and 14 March 2016. The subscription price is SEK 106.48 which corresponds to 250 per cent of the volume weighted average of the listed price of the Company's shares according to Aktietorget's stock exchange list during the period between 1 November 2012 and 14 November 2012. In case all warrants are exercised, the Company's share capital will increase with SEK 16 000 which corresponds to a dilution of approximately two per cent.

Allocation 2013

In accordance with the general terms for the Company's warrant program, the annual general meeting held on 19 June 2013 resolved to issue no more than 176 000 warrants. The incentive program was to include a maximum of 16 persons. 165 000 warrants were subscribed for and have been allotted. The premium paid for the warrants was SEK 0.74. The premium corresponds

to the market value of the warrants according to an evaluation with application of the Black & Scholes-formula. The period of measurement for the calculation of the premium of the option was between 20 June 2013 up to and including 3 July 2013. The proportion between the number of warrants which the executives and key employees have been offered to subscribe for vary depending on the employee's responsibilities and position. The managing director and the group chief executive shall be offered, at the most, 20 000 warrants and the other key employees shall be divided into categories where an individual person shall be offered, at the most, 15 000 warrants and, at the least, 5 000 warrants. The warrants may be exercised between 4 August 2016 and 2 November 2016. The subscription price is SEK 127.45 which corresponds to 250 per cent of the volume weighted average of the listed price of the Company's shares according to Aktietorget's stock exchange list during the period between 20 June 2013 and 3 July 2013. In case all warrants are exercised, the Company's share capital will increase with SEK 16 500 with a dilution of approximately two per cent.

Allocation 2014

Essentially in accordance with the general terms for the Company's warrant program, the annual general meeting held on 20 May 2014 resolved to issue no more than 176 000 warrants. The incentive program was to include a maximum of 20 persons. The premium to be paid for each warrant shall correspond to its market value according to an evaluation with application of the Black & Scholes-formula. The period of measurement for the calculation of the premium of the option is between 20 June 2014 up to and including 3 July 2014. The proportion between the number of warrants which the executives and key employees have been offered to subscribe for vary depending on the employee's responsibilities and position. The managing director and the group chief executive shall be offered, at the most, 20 000 warrants and the other key employees shall be divided into categories where an individual person shall be offered, at the most, 15 000 warrants and, at the least, 5 000 warrants. The warrants may be exercised between 4 August 2017 and 2 November 2017. The subscription price shall amount to SEK 150 per cent of the volume weighted average of the listed price of the Company's shares according to Aktietorget's stock exchange list during the period between 20 June 2013 and 3 July 2013. In case all warrants are exercised, the Company's share capital will increase with SEK 17 600 with a dilution of approximately two per cent.

Current Marketplace

The G5 is traded on Aktietorget (short name G5EN). The share was admitted to trading on Nordic OTC on 2 October 2006 and on Aktietorget on 19 November 2008. The chart below shows the share price trend for the G5 share for the period 31 March 2011-31 March 2014.



Major shareholders

The number of shareholders in G5 was at 30 April 2014, approximately 2213.

At 30 April 2014 the Shareholders holding more than 5 per cent was the following:

Shareholder	Holding/votes (%)
Försäkringsbolaget, Avanza Pension	14.34
Nordnet Pensionsförsäkring AB	7.89
Wide Development Ltd	6.59
Swedbank Robur ny teknik BTI	6.25
Proxima Ltd	6.16
Purple Wolf Ltd	5.91

Shareholders' agreements

To the knowledge of the board of directors in G5, there are no shareholders' agreements or similar arrangements between the shareholders of G5, aiming at creating a common influence over the Company, or that may result in a change of control of the Company. However, all holders of warrants under the Warrant program 2012/2014 have entered into pre-emption agreements with the Company, as further described under the section titled "Legal matters and miscellaneous information".

Board of directors, management and auditors

Board of directors

G5's board consists currently of five members, including the Chairman. Board members are elected at the annual general meeting for the period up until the end of the next annual general meeting. The board of directors has its registered office in Stockholm. The current board members are presented below.

PETTER NYLANDER (1964)

Chairman

Elected 2013

Education: BSc in Business Administration from University of Stockholm

Holdings: 9 900 shares indirect through company, no warrants

CURRENT	POSITION	PREVIOUS	POSITION
Agentum AB	Board member	Modern Times Group MTG AB	Vice President
Besedo Global Services AB	Chairman		
Constallation Group AB	MD and Board member	Studentkortet i Sverige AB	Board member
Universum Communications Sweden Aktiebolag	MD and Board member	Unibet Group Ltd	MD
Nova 100 AB	Board member		
Nova Global AB	Board member	Rent Spel AB	Board member
Universum Optionshandling i Stockholm AB	MD and board member	Bingo.com Ltd	Board member
CareerTv Nordic Ab	Board member		
Cint AB	Board member		
Ungdomsbarometern AB	Board member		
Iceopard AB	Deputy Board member		

VLADISLAV SUGLOBOV (1977)

Managing director, board member and co-founder

Elected 2006

Education: MSc in Computer Science from Lomonosov Moscow State University

Holdings: 580 000 shares²⁴ and 40 000 warrants privately

CURRENT	POSITION	PREVIOUS	POSITION
Wide Development Ltd	Deputy board member	Shape Games Inc	CEO and board member
G5 Holdings Ltd (HK)	Board member		
G5 UA Holdings Ltd (HK)	Board member		
G5 Entertainment SA (LU)	Managing director		
G5 Holdings Ltd (MT)	Board member		
G5 UA Holdings Ltd (MT)	Managing director		
G5 Entertainment Inc (US)	Managing director and president		

OTHER

Vladislav Suglobov has more than 18 years of game industry experience. Before Vladislav Suglobov co-founded G5 in 2001, he worked for a number of Russian and American companies in the game development- and IT industries. During the development of G5, Vladislav Suglobov has held many important roles. He has established the Company's strategy, established client relationships and has established the framework for product development and sales.

MARTIN BAUER (1978)

Board member

Elected 2013

Education: MSc in Industrial Engineering & Management from University of Linköping

Holdings: 81 000 shares indirectly, through endowment insurance, and 19 000 shares indirectly, through company which in turn holds the shares through endowment insurance, no warrants.

CURRENT	POSITION	PREVIOUS	POSITION
Graneli & Company AB	MD and board member	Booz Allen Hamilton	Senior Consultant
		Ned Davis Research Group	Research Analyst
		Sapa AB	Business Development Manager
		Sapa AB	Business Controller & Manager Strategic Projects
		Atreides AB	MD and board member
		Bostadsrättsföreningen Besmanet nr 2	Board member

²⁴ Vladislav Suglobov does not own shares in the Company, directly or indirectly, and stated shareholding refers to shares held by a family-owned company (Wide Development Ltd)

PÄR SUNDBERG (1972)

Board member

Elected 2012

Education: MSc in Industrial Engineering and Management from Luleå University of Technology

Holdings: 8 000 shares privately, no warrants

CURRENT	POSITION	PREVIOUS	POSITION
Näslund & Jonsson Import AB	Chairman	OTW Group AB	MD and board member
Hälsa Invest Sweden AB	Board member	Metronome Post AB	MD and board member
Brand New Content AB	Chairman	Mutter Media Aktiebolag	MD and board member
Media Heroes AB	MD and board member	Tvåkoppen AB	MD and board member
		Shine Nordic Formats AB	MD and board member
		Shine Communication Sweden AB	Board member
		Innehållsbolaget Starling i Stockholm AB	Board member
		Shine Sweden AB	MD and board member
		Off the Wall Media Production & Consulting Aktiebolag	MD and board member
		Off the Wall Communication AB	Board member
		Off the Wall Sportproduction AB	Board member
		Off the Wall Sport Television AB	Board member
		Off the Wall Interactive AB	Board member
		Off the Wall Television Aktiebolag	Board member
		Schulmangruppen Aktiebolag	MD and Chairman
		Rocilla Script AB	MD and board member
		Metronome Film & Television AB	MD and board member
		Metronome International AB	Board member
		Renässans i Stockholm Aktiebolag	MD and Board member
		IPS Förändringskompetens Aktiebolag	Board member
		FilmLance International Aktiebolag	Board member
		Buzzador AB	Board member
		STO-CPH Produktion AB	Board member
		Friday TV AB	Board member
		Meter Television AB	Board member
		AB Traction	Board member
		Metronome Productions A/S	Board member
		Metronome Film och TV OY	Board member

JEFFREY W. ROSE (1962)

Board member and attorney for software and intellectual property licensing matters as well as other legal issues for the Company in the US

Elected 2011 (attorney according to the above since 2009)

Education: A.B. magna cum laude from Duke University and J.D. from UCLA School of Law

Holdings: No shares or warrants (neither privately, nor indirectly through company)

CURRENT	POSITION	PREVIOUS	POSITION
Law Offices of Jeffrey W. Rose	Sole practitioner	Web Wise Kids	Board member

Senior management

VLADISLAV SUGLOBOV (1977)

Managing director, board member and co-founder. See furthermore under "Board of directors" above.

ALEXANDER TABUNOV (1974)

COO and co-founder

Joined as COO in 2006

Education: MSc in Computer Science from Moscow State Institute of Electronics and Mathematics

Holdings: 510 000 shares indirectly, through company (Purple Wolf Ltd) and 40 000 warrants privately

CURRENT	POSITION	PREVIOUS	POSITION
Purple Wolf Ltd	Board member		

OTHER

Alexander Tabunov is an experienced IT manager with background in software engineering. As COO of G5, Mr. Tabunov is responsible for G5's day-to-day operations, including building G5's development team on multiple platforms and technologies.

ODD BOLIN (1963)

CFO

Joined 2013

Education: MSc and PhD in Plasma Physics from Royal Institute of Technology

Holdings: 1 000 shares indirectly, through company, and 10 000 warrants privately

CURRENT	POSITION	PREVIOUS	POSITION
HOB Management AB	MD and board member	Cybercom Sweden AB	MD and board member
		Cybercom Group AB	CFO
G5 Entertainment Holding AB	Board member	Cybercom 663 AB	Board member
		Cybercom Sweden West AB	Board member
		Cybercom Netcom Consultants AB	Board member
		Cybercom Security Solutions AB	Chairman
		Pronyx AB	Board member
		Cybercom Consulting AB	Board member
		Cybercom IS/IT Services AB	Board member
		Cybercom Group Stockholm AB	Board member
		Cybercom Nord AB	Board member
		Cybercom Sweden North Ab	Board member
		Cybercom Sweden South Ab	Board member
		Ceres Corporate Advisors AB	Board member
		Cybercom Romania Holding AB	Board member
		Wicresoft China Holding AB	Board member

OTHER

Odd Bolin started his career as a stock market analyst with Hagströmer & Qviberg in 1996. In 2003, Mr. Bolin co-founded the M&A advisory firm Ceres Corporate Advisors, specialized in the technology, telecom and defense sectors. In 2009, he became CFO of Cybercom Group, a Nasdaq OMX-listed IT consulting company, and in 2011 he took up the position as Managing Director of Cybercom Sweden.

SERGEY SCHULTS (1976)

Vice President of Finance and co-founder (previously CFO)

Joined his current employment in 2013 (prior to that CFO since 2006)

Education: MSc degree in Physics from Moscow Institute of Engineering and Physics

Holdings: 525 000 shares indirectly, through company (Proxima Ltd) and 40 000 warrants privately

CURRENT	POSITION	PREVIOUS	POSITION
G5 Holding Llc (RUS)	General director	G5 Software Llc	General director
Proxima Ltd	Director	G5 Mobile Llc	General director

OTHER

Sergey Shults has been the Company's CFO since its beginning, experiencing the group's public listing in 2006. Mr. Shults has an ACCA Diploma in International Financial Reporting. Before co-founding G5, he worked as a software engineer and project manager, and has developed a thorough understanding of software development, which helps him in his daily work on the Vice President of Finance position.

Auditors

At the Annual General Meeting of G5 held on 20 May 2014, Mazars Set Revisionsbyrå AB was elected as auditor in the Company, with Bengt Ekenberg as the auditor in charge. The auditor and the auditor in charge is a member of the professional institute for authorized public accountants (FAR).

Remuneration to the board of directors and senior managers

Principles for remuneration for the financial year of 2014

At the Annual General Meeting of G5 held on 20 May 2014, the following in substance stated guidelines for remuneration to senior managers were adopted. By senior managers means the managing director and other members of the senior management. The remuneration rates shall be adjusted to the market and negotiated annually. The managing director and other senior managers shall be remunerated partly by a fixed monthly salary and partly by a result based bonus. Bonuses shall be estimated quarterly, with 10 per cent of the part of the trading result exceeding an operating margin of 10 per cent. This 10 percent margin reduction however does not apply when and while there is negative carried bonus balance due to losses in previous periods. The bonus amount shall be allocated whereby 40 per cent shall fall upon the managing director of the Company and the remaining 60 per cent shall be allocated within the senior management. Any contingent negative trading result of a quarter reduces the basis of calculation for bonus the subsequent quarter. The managing director's and the senior management's total bonus of the year shall not exceed 60 per cent of respective person's annual fixed salary. The pension scheme shall be adjusted to the market and equal for senior managers and other employees. The pension premium shall be fixed in fee. Likewise shall other benefits for senior managers be adjusted to the market and essentially equal to other employees'. Employment agreements with senior managers shall be subject to a termination period of at least 3 months for the employees and not more than 12 months for the Company. By termination from the Company, any contingent redundancy payment can amount to not more than the fixed monthly salary during a period of 12 months. The chairman of the board of directors negotiates on a yearly basis the remuneration to the managing director and contracts after adoption from the board of directors. The managing director negotiates the remuneration to the other senior managers and contracts after approval from the board of directors. The board of directors can, in case there are any special reasons for it, on an individual basis make minor divergences from these above mentioned guidelines.

At the Annual General Meeting held in the Company on 20 May 2014 it was resolved that board fees to the board of directors shall, for the period of mandate 2014/2015 be paid with SEK 240 000 to the chairman and SEK 150 000 each to the other board members who are not employed in the Company. In excess of the board fees, remuneration for the mandate period 2014/2015 shall be paid to the members of the audit committee of the Company, whereby the chairman of the audit committee shall be remunerated with SEK 30 000 and the other members of the audit committee shall be remunerated with SEK 15 000 each.

Remuneration to the auditor shall be paid in accordance with approved invoice.

Remuneration for the financial year 2013/25

For the financial year 2013, the following remunerations have been paid to the board of directors and the senior managers:

The board of directors

Petter Nylander: Board fee of SEK 240 000.

Vladislav Suglobov: No board fee.

Martin Bauer: Board fee of SEK 150 000.

Jeffrey W. Rose: Board fee of 150 000 SEK and remuneration for attorney commissions of USD 38 024.

Pär Sundberg: Board fee of SEK 150 000.

Senior managers

Vladislav Suglobov: Salary of USD 189 264²⁶ and a bonus of USD 93 584²⁷.

²⁵ In the case of the board of directors' fees, the amounts relate to what was decided at the Annual General meeting 2013, to be paid for the period of mandate 2013/2014, i.e. until the next Annual General Meeting. The amounts are stated in the currency paid out.

Alexander Tabunov: Salary of RUB 4 060 080²⁸ (approx. SEK 830 692) and bonus of USD 69 752²⁹.

Odd Bolin: Salary of SEK 803 600 and bonus of SEK 7 400.

Sergey Schults: Salary of RUB 3 315 260³⁰ (approx. SEK 678 302) and EUR 15 443³¹ and bonus of USD 69 752³².

The period of notice for the MD and other senior managers is three to six months. If the employment is terminated by the Company, a redundancy payment equal to three to six months' salary shall be paid. If the employment is terminated by the MD, no redundancy payment is to be paid. No amounts have been reserved or accrued in the Company or its subsidiaries for pensions or similar benefits after retirement from employment for the board of directors or senior managers.

Other information on the board of directors and senior executives

None of the Board members or senior executives have during the last five years (i) been convicted in fraud-related court cases (ii) been subject to accusation or sanction by any under statute or regulation empowered authority, or prohibited by a court to be a member of a share issuing party's administration, management or control body or from having a leading position or overriding function with a share-issuing party (iii) been a representative for any company that has gone bankrupt or in liquidation. There are no familial relationships between the persons noted in the section above, neither any conflicts of interest through which any of the board members' or senior executives' private interests would conflict with the interests of the Company.

The business address for the board members and the senior executives is the Company address, see page 81.

²⁶ Paid by the US subsidiary G5 Entertainment Inc.

²⁷ Paid by the Maltese subsidiary G5 Holdings Ltd.

²⁸ Paid by the Russian subsidiary G5 Holdings LLC.

²⁹ Paid by the Maltese subsidiary G5 Holdings Ltd.

³⁰ Paid by the Russian subsidiary G5 Holdings LLC.

³¹ Paid by the Maltese subsidiary G5 Holdings Ltd.

³² Paid by the Maltese subsidiary G5 Holdings Ltd.

Corporate governance

SWEDISH CORPORATE GOVERNANCE

G5 is required to apply the mandatory corporate governance rules included in the Swedish Companies Act (2005:551) and NASDAQ OMX Stockholm's Rule Book for Issuers. Moreover, the Swedish Code of Corporate Governance (the "Code") is applicable to all Swedish companies listed on regulated market such as NASDAQ OMX Stockholm. The Code specifies norms for good corporate governance at a higher and more detailed level than the statutory regulation. The individual norms in the Code are not mandatory and companies may deviate from them. In case of a deviation, the Company must report such deviation in its corporate governance report, describe the Company's own solution and explain the reason for the deviation (the "comply or explain" principle). Since G5's shares have been listed on Aktietorget which is not a regulated market, G5 has not up to now been obligated to apply (or explain deviation from) the Code but the Company has started taking certain steps for implementing the Code as further described below although the Code has not yet been fully implemented. The Company is be obligated to apply the Code as soon as possible and no later than by the time for the next annual general meeting.

SHAREHOLDERS' MEETING

The shareholders' meeting is the body where the shareholders exercise their influence by casting votes on central issues, inter alia, adopting the profit and loss account and balance sheet, allocation of the Company's profit and loss, discharge the members of the board of directors and the managing directors of liability, election of the board of directors and auditors and determining of fees of the board of directors and auditors. Notice of the annual general meeting, or an extraordinary general meeting where alteration to the articles of association is to be addressed, shall be issued not earlier than six weeks and no later than four weeks prior to the meeting. Notice to other extraordinary general meeting shall be issued not earlier than six weeks and no later than three weeks before the meeting. New articles of association with a notice of at least three weeks were adopted at the annual general meeting of 2014 as part of the Company's adjustment for the initial public offering on Nasdaq OMX. Public limited liability companies must always notify shareholders of a general meeting by advertisement in the Post- och Inrikes Tidningar and on the Company's website. Subject to the Articles, the Company shall publish a short form message in Svenska Dagbladet (a national daily newspaper) containing information regarding the notice and where it can be found. Pursuant to the Code a company shall also, as soon as the time and the venue of a shareholders' meeting has been decided, and no later than in conjunction with the third quarter report, post such information on the Company's website.

NOMINATION COMMITTEE

The current principles for the nomination committee were adopted at the annual general meeting on 19 June 2013 and were complemented with additional procedural rules at the annual general meeting of 2014. The nominating committee shall, pursuant to said principles, consist of representatives of the five (5) largest shareholders as of 30 September each year. In the event that one of the five (5) largest shareholders waives their right to appoint a representative, the sixth-largest shareholder shall be asked to appoint a representative, etc. The chairman of the board of directors (pursuant to the changed principles of 2014) is responsible to convene the nomination committee to its first meeting. The nominating committee shall appoint a chairman of the committee. The nominating committee shall be disclosed no later than six months before the annual general meeting. The nomination committee's term will run until a new committee is appointed. If a member of the nomination committee resigns before the nomination committee's work is complete and if the nomination committee deems it as necessary, a substitute member shall be appointed by the same shareholder who appointed the resigning member. The members of the nomination committee receive no compensation from the Company but the Company is responsible for costs associated with the nomination committee's work. The nomination committee's tasks includes evaluating the composition and work of the board of directors and to the annual general meeting present a proposal for the chairman of the annual general meeting as well as a proposal for directors and chairman of the board of directors and fees for the directors not employed by the Company. The committee shall also, when applicable, present a proposal for the appointment of an auditor firm and fee for the auditor and also potential amendment of the principles for how members of the nomination committee shall be appointed.

The role of the nomination committee, as established in the Company's principles, corresponds to the requirements set forth in the code.

Pursuant to the code, the nomination committee shall consist of not less than three members and a majority of the members shall be independent from the Company and its management. The

managing director or another person from the Company's management shall not be a member of the nomination committee. At least one of the members of the nomination committee shall be independent from the largest shareholder, as determined on the basis of voting rights, or a group of shareholders which cooperate in the administration of the Company. Board members may be a part of the nomination committee, but shall not constitute a majority of the members of the election committee. The chairman of the board of directors shall not be the chairman of the election committee. Should a board member also be a member of the election committee, at most one of the members of the election committee may be dependent in relation to the Company's major shareholders.

Prior to the annual general meeting of 2014, the nomination committee consisted of the following members: Magnus Uppsäll (chairman of the election committee and representative of the shareholder Wide Development Limited), Petter Nylander (chairman of the board of directors and a representative of the shareholder Proxima Limited), Annika Andersson (representing the shareholder Robur), Jeffrey Rose (board member of the Company and a representative of the shareholder Purple Wolf Limited) and Jesper Bonniver (representing the shareholder Länsförsäkringar). The composition of the Company's nomination committee prior to the annual general meeting of 2014 is compliant with the requirements set forth by the code.

Pursuant to the code, the Company shall in due time, however at latest six months prior to the annual general meeting, disclose the names of the members of the nomination committee on its website. The website shall also contain information on how a shareholder can make proposals to the nomination committee. The Company has complied with the code in this regard prior to the annual general meeting of 2014.

At the annual general meeting of 2014, the nomination committee submitted proposals with regards to chairman of the annual general meeting (Petter Nylander), appointment of the board of directors and chairman (re-election of the current board of directors, appointed at the annual general meeting of 2013), remuneration to the board of directors (the same remuneration as resolved at the annual general meeting of 2013 with an additional proposal for compensation to the members of the Company's audit committee) and on complementation of the principles for appointment of members of the nomination committee. The annual general meeting resolved in accordance with the nomination committee's proposals. Which members will be appointed to the nomination committee prior to the annual general meeting of 2015 depends on which the largest shareholders in the Company is as of 30 September 2014 and which major shareholders choose to appoint a representative.

BOARD OF DIRECTORS

General

The board of G5 is responsible for the organization of the Company and for supervising the management of its business and affairs. In fulfilling its duties, the board oversees the Company's strategic planning, its operations and the risks it is facing. The board is also responsible for implementing policies and systems aimed at increasing accountability, ensuring compliance with laws and with auditing and accounting principles and ensuring respect of the business conduct standards in all countries in which the Company operates as well as ensuring the integrity of the Company's internal controls, information and financial management systems. The board further oversees the Company's approach to corporate governance and material transactions outside the ordinary course of business. The board of directors has adopted written rules of procedures governing its work and the rules are determined annually. The board members are elected at the annual general meeting after being nominated by the nomination committee. Pursuant to the articles of association, the board of directors shall consist of at least three and at most ten board members. The board of directors of the Company consists of five board members. At the annual general meeting of 2014 it was resolved to change the articles of association so that no deputy board members shall be appointed to the board of directors. The code stipulates that deputy board members to board members appointed by the shareholders' meeting shall be appointed. The change of the articles of association was resolved as a part of the Company's adaptation to the code.

Pursuant to the code, at most one board member elected by the shareholders' meeting may work in the Company's management or in the management of the Company's subsidiaries. Further, a majority of the board members shall be independent in relation to the Company's management and at least two of the board members who are independent in relation to the Company and its management shall also be independent in relation to the Company's major shareholders. A major shareholder is a shareholder, which directly or indirectly controls ten per cent or more of the shares or voting rights in the Company.

The board member Vladislav Suglobov is also the CEO of the Company and can therefore not be considered to be independent in relation to the Company and the management of the Company according to the Code. The board member Jeffrey Rose is also legal advisor to the Company and receives remuneration for the advice and services provided and can therefore not be considered as independent in relation to the Company. The remaining board members are independent in relation to the Company, the management of the Company and the major shareholders of the Company. Thus, the Company complies with the requirements set forth in the code with regards to the composition of the board of directors. However, the board of directors consists exclusively of men while the code stipulates that companies shall strive for an even distribution according to sex.

Pursuant to the code, the chairman of the board of directors shall be appointed by the shareholders' meeting and if the chairman of the board of directors resigns during the mandated term, the board of directors shall appoint a board member as chairman of the board of directors. Petter Nylander was appointed as chairman of the board of directors at the annual general meeting of 2014 (re-election) in accordance with the nomination committee's proposal. Thus, the Company has complied with the code with regards to appointment of the chairman of the board of directors.

The work of the board of directors

The board of directors' work is based on the requirements of the Swedish Companies Act, the Code and other rules and regulations applicable to the Company. The board of directors works according to annually adopted rules of procedure and an annual schedule. The Company's CEO and CFO participate in board meetings. The board secretary is normally the Company's CFO. Other individuals from the executive team and group employees participate in board meetings when needed. In 2013 the board of directors met on ten occasions. During the year the board of directors has focused primarily on the Company's strategy, business plan and budget, and preparations for the re-listing, including new processes and internal controls. The board of directors has met with the auditor without the presence of the CEO or other executive team members. At ordinary board meetings, the CEO gives the operating report. The board of directors carries out reviews together with the auditor, where reports from the auditor are treated. The board of directors monitors management performance through monthly reports that include reports of financial results, key performance indicators, development of priority activities etc.

External evaluation of the board of directors and the CEO's work in 2013 has been achieved through a systematic and structured process which aimed to obtain a sound basis for the board of directors' own development work. The board of directors addressed the evaluation of CEO performance with no executive team members in attendance. The nomination committee has been informed of the results.

The board of directors intends to hold ordinary board meetings according to the following schedule: February Year-end report; April Corporate governance meeting – Agenda and notice of the annual general meeting, corporate governance report, annual report, review of insurance and pensions; May Interim report first quarter; May Statutory board meeting, decisions on the board's work schedule, instructions to the CEO, and instructions for financial reporting, board's annual plan, and signatories; August Interim report second quarter; August-September Strategy meeting, financial targets, instructions for budgeting; October Interim report third quarter and December Budget meeting, business plan.

Board work in committees

After the 2013 AGM the board has established three committees: the audit committee, the compensation committee and the listing steering committee. The board committees deal with the issues that fall within their respective area, and submit reports and recommendations that form the basis for the board's decisions. The committees have some decision-making mandate within the framework of the board's directives. Minutes of meetings of the committees are made available to the board.

Compensation Committee

Pursuant to the code, the Company shall establish a compensation committee which shall have as its main function to prepare the board of directors decision in matters relating to principles for remuneration, compensation and other employment terms for the management, monitor and evaluate programs for variable compensation for the management which are on-going and completed during the year and shall monitor and evaluate the application of the principles for remuneration to the senior management which the shareholders' meeting is statutory obliged to resolve on and applicable remuneration structures and remuneration levels in the Company.

Pursuant to the code, the chairman of the board of directors may be chairman of the committee and other members appointed by the shareholders' meeting shall be independent in relation to the Company and its management. The board of directors of G5 initially formed a Compensation Committee which consisted of Petter Nylander (chairman of the board of directors), Pär Sundberg, Jeffrey Rose (not independent in relation to the Company) and Vladislav Suglobov (managing director of the Company) as members. G5's compensation committee thus deviated from the code's requirements with regards to the composition of the compensation committee. The Compensation committee has held three meetings with minutes kept since the committee was established. Vladislav Suglobov resigned from the Compensation Committee during 2014, which means that the committee now only deviates from the requirements for assembly set out in the Code in relation to Jeffrey Rose not being independent in relation to the board. Since the committee does not handle any matters which relate to the remuneration received by Jeffrey Rose and given that his experience is valuable to the committee's work, the board makes the assessment that the deviation from the code is motivated.

Pursuant to Chapter 8 Paragraph 51 of the Companies Act, the board of directors of companies with shares admitted for trading on a regulated market shall establish guidelines for salaries and other remuneration of the managing directors and other persons in the management of the company. The guidelines shall, pursuant to Chapter 7 Paragraph 61 of the Companies Act, be adopted by the annual general meeting.

At the annual general meeting of 2014, guidelines for compensation to the senior management were adopted in accordance with the board of director's proposal. The board of directors proposal on guidelines for compensation to senior management includes the following items. The compensation levels shall be in accordance with market practice and shall be negotiated annually. The managing directors and other members of the senior management shall be partly compensated with fixed monthly salary and partly with a bonus based on results. Bonus shall be calculated quarterly with 10 per cent of the part of the operating results which exceeds an operating margin of 10 per cent. The sum of the bonus shall be distributed whereby 40 per cent shall fall to the managing director and the remaining 60 per cent shall be distributed among the management. The managing director's and the management's total bonus shall not exceed 50 per cent of the annual fixed salary for the respective person. The pension plan shall be in accordance with market practice and shall be the same for the senior management as for other employees. The pension premium shall be fee-based. Other benefits to senior management shall be in accordance with market practice and shall be materially the same as for other employees. Employment agreements with members of senior management shall include a notice of termination of not less than 3 months for the employee and not more than 12 months for the Company. Upon termination by the Company, any severance payment shall not exceed 12 months' fixed salary. The chairman of the board of directors negotiates the remuneration to the managing director yearly after it has been established by the board of directors. The board of directors may, in particular cases, make minor deviations on an individual basis from the above stated principles.

Audit Committee

The code sets forth that companies shall establish an audit committee. The audit committee shall, pursuant to the code, consist of at least three board members, and a majority of the members of the committee shall be independent in relation to the Company and its management. At least one of the members who is independent in relation to the Company and its management shall also be independent in relation to the Company's major shareholders. Pursuant to Chapter 8 Paragraph 49 a Section 1 of the Companies Act, the committee's members may not be employed by the Company and at least one of the members shall be independent in relation to the Company, its management and major shareholders and shall further have accounting and audit competence. This rule in the Companies Act applies to companies with shares admitted for trading on a regulated market, such as Nasdaq OMX.

The board of directors of the Company has during the autumn of 2013 formed an audit committee in the course of the Company's adaptation to the code. The members of the committee are Petter Nylander (chairman of the board of directors), Martin Bauer and Pär Sundberg. The Company's audit committee complies with the requirements set forth in the code and the Companies Act.

According to Chapter 8 Paragraph 49 b of the Companies Act, the audit committee shall, without it affecting the responsibility otherwise placed on the board of directors, supervise the Company's financial reporting, with regards to the financial reporting supervise the effectiveness of the internal control of the Company, internal audit and risk management, keep itself informed on the audit of the annual report and consolidated annual report, examine and supervise the impartiality and independence of the auditor and shall, in doing so, especially observe if the auditor provides other services than audit services to the Company. The audit committee shall further assist in

drafting the proposal to the shareholders' meeting on appointment of the auditor. This rule in the Companies Act applies to companies with shares admitted for trading on a regulated market.

Pursuant to a resolution from the board of directors, the audit committee shall have a preparatory and advisory function in relation to the Company's board of directors. The committee shall also supervise the Company's processes, procedures, financial reporting and internal control and shall report to the board of directors. The audit committee shall, further, have on-going contacts with the Company's auditor and supervise the auditor's independence. The members of the audit committee are appointed for a period of two years but shall resign if they are no longer board members. Remuneration to the members of the audit committee shall be established by the annual general meeting.

At the annual general meeting of 2014, it was resolved, in accordance with the proposal of the nomination committee, that remuneration shall be paid to the audit committee whereby the chairman of the committee shall be entitled to a fee of 30 000 SEK and 15 000 SEK shall be awarded to the other members of the audit committee.

Steering Committee for the listing

The board of directors has formed a steering committee for the Nasdaq OMX listing. The members of the steering committee are Vladislav Suglobov (managing director and board member), Petter Nylander (chairman of the board of directors), Pär Sundberg (board member) and Odd Bolin (CFO).

THE MANAGING DIRECTOR

The managing director of the Company is Vladislav Suglobov. The managing director is accountable to the board and shall lead and develop the Company. The managing director is in charge of the daily management of the Company's affairs and shall take the decisions necessary for the development of the Company while operating under the Swedish Companies Act as well as under guidelines and instructions communicated by the board of directors. The managing director shall make sure that the Company's accounting is completed in accordance with law and that the management of funds is managed in a satisfactory manner. G5's board of directors has adopted an Instruction to the managing director relating to the managing director's duties and reporting. The instruction to the managing director is determined annually at the board meeting immediately following each annual general meeting. The Company's managing director is not domiciled within the European Economic Area but has been exempt from the residency requirements by the Swedish Companies Registration Office in accordance with Chapter 8 Paragraph 30 of the Companies Act. The notice period for the managing director is currently set to three (3) months.

THE DEPUTY MANAGING DIRECTOR

The deputy managing director is Odd Bolin. The responsibilities and the instruction to the managing director also apply to the deputy managing director whenever he enters into the place of the managing director.

INTERNAL CONTROL OF FINANCIAL REPORTING

The board of directors is responsible for internal control as regulated in the Swedish Companies Act and the Code. Internal control of financial reporting aims to provide reasonable assurance of the reliability of external financial reporting and to ensure that this is prepared in accordance with legislation, applicable accounting standards, and other requirements for listed companies.

Control Environment

The board of directors bears the overall responsibility for internal control of financial reporting. The control environment for financial reporting is based on a division of roles and responsibilities in the organization, defined and communicated decision channels, instructions on powers and responsibilities as well as accounting and reporting policies. The board of directors has appointed an audit committee that has the primary obligation of ensuring completion of the requirements set out by the Swedish Companies Act for this committee.

The internal control is integrated within the Company's finance function. The board of directors has considered the need to establish a special internal audit function. The board of directors has found that so far internal controls can be performed in a required and satisfactory manner within the finance function and that there is no need for a special internal audit function in the Company.

Risk Assessment

As an integral aspect of their assignment, the board of directors and the executive team work with

risk assessment in a broad perspective, including but not limited to financial risks and key business risks. Risks have been regularly reported to the board of directors. The board of directors and the audit committee have regularly discussed a variety of risks and the company's risk management procedures during the year.

Control Activity

The group's control activities such as authorizations are based at the group level but are then handled primarily in respective subsidiary. Each department responsible (development, support etc.) is responsible for continuously controlling the quality in the operational and financial reporting, in accordance with the guidelines and documents coming from the group.

Information

Information about internal policy documents for financial reporting is accessible to all relevant employees on G5 Entertainment's wiki. All members of the staff are expected to take notice of the central policy documents, and to sign an assurance on that such notice has been made. Information and training regarding internal policy documents is also provided through activities addressed directly to those with financial responsibility and controllers within the group.

Monitoring

The board of directors, the audit committee, the CEO, the executive team and the group companies regularly monitor the Company's financial reporting to safeguard the effectiveness of its internal controls. Monitoring includes the follow-up of the Company's monthly financial reports in relation to budgets and targets. The CFO of the group regularly controls the quality of the internal reporting both through standard tools for data collection and sampling controls.

POLICIES

In order to clarify the Company's internal guidelines, the board has adopted several corporate policy documents addressed to employees, officers, directors and consultants regarding a number of key areas. The policy documents are listed below. All policies are adopted by the board of directors, which is also responsible for the content and update of these.

Handling of financial issues and financial reporting policies

The board of directors of the Company has adopted a financial policy, constituting a frame for handling of financial risks and liquidity within the group. This policy regulates inter alia the allocation of responsibility, guidelines for identification and handling of financial risks and guidelines for cash management. The policy is complemented with a financial manual adopted by the board of directors of the Company, and which inter alia contains detailed regulations for handling of financial processes, regulation of responsibility and guidelines for establishing authority. Further, the board of directors of the Company has adopted guidelines for the accounting principles of the group.

Authorization principles within the G5 Entertainment Group

The policy outlines the authorization and approval procedures for G5's board of directors, Group CEO, Group COO and Group CFO. The authorization and approval procedures and thereby allocation of responsibility between the Company's board of directors and the Group CEO shall be reviewed at least once a year.

Communication policy

The policy covers all internal and external communications, with the exception of pure sales and marketing. The policy is adopted in order to meet the disclosure requirements stipulated in the NASDAQ OMX Stockholm's Rule Book for Issuers. The policy is intended to, inter alia, specify procedures for how and when the information to the stock market is to be provided and by which spokesperson and prescribed that the information shall always be accurate, relevant and clear. The policy also contains routines for handling of inside information, logbook, insider trading and reporting duties.

IT policy

The board of directors of the Company has adopted an IT-policy which regulates how IT-questions shall be handled and how information shall be used within the group. The policy contains inter alia guidelines for information, Internet, e-mail and IT-security, control routines and handling of responsibility issues.

Confidential information policy

The policy outlines the obligation to protect G5's confidential information during and after employment as well as the rights to the work products created by G5's employees and members of G5's board of directors and management.

Insider trading policy

The policy addresses insider information and sets out an obligation for all G5 employees, consultants and members of the board of directors or management not to use insider information to trade G5 shares or any other securities associated with G5, or disclose such information to others who may use it to trade G5 shares or any other securities associated with G5. All persons concerned by the policy are advised against trading in the Company's shares 30 days prior to the Company's reporting.

Policy against bribes

The policy covers all companies in the Group, all employees in the Group and shall also be applied in relation to third parties with which the Group has business relations, such as suppliers and agents. The policy includes, inter alia, restrictions on giving and receiving gifts and similar, and a prohibition on receiving, offering or suggesting bribes or unauthorized payments. Further, the policy includes a reporting duty regarding violations of the policy.

Legal matters and miscellaneous information

COMPANY REGISTRATION AND LEGAL FORM

G5 Entertainment AB (publ) is a Swedish public limited liability company with registration number 556680-8878 and with registration office in Stockholm, Sweden. The Company was registered with the Swedish Companies Registration Office on 20 May 2005. The Company's legal form is governed by the Swedish Companies Act (2005:551) and the Company's shares have been issued in accordance with Swedish law. The Company's shares are denominated in SEK and are traded on Aktietorget exchange since 19 November 2008. Prior to the listing on Aktietorget, the Company was listed on Nordic OTC from 2 October 2006. The current articles of association were adopted at an annual general meeting on 20 May 2014.

INFORMATION FROM THIRD PARTY

This Prospectus contains information regarding the Company's geographical markets and product markets, including other information concerning the market which is attributable to the Company's operations and market. Unless stated otherwise, such information is based on the Company's evaluation of several sources, statistics and information received from external industry and market reports, public information and commercial publications. Information received from third party has been reproduced correctly as far as the Company is aware of, and confirmed through comparison with other information that has been publicly known by relevant third party, no information has been omitted in a way that would make the reproduced information inaccurate or misleading. The Company has not checked the accuracy of numbers, market data or other information used by third party when establishing the information in this Prospectus. In cases where information has been received from third party, the Company only claims responsibility for information that has been reproduced correctly and such information should be read with this information in mind.

MATERIAL AGREEMENTS

With the exception of the agreements summarized below, there are no material contracts (other than contracts entered into in the ordinary course of business) of the Company or its subsidiaries entered into within the two most recently completed financial years, or other contracts (other than contracts entered into in the ordinary course of business) entered into by the Company or any of its subsidiaries according to which the Company or any of its subsidiaries are allocated a right - or imposed an obligation - of material importance:

Agreements with distributors

The Company depends on continuing co-operation with its distributors. Apple, Google, Amazon and Microsoft operate primary distribution platforms for G5's games, with Apple and Google being the most important. The G5 group's contractual relationships with these distributors are based on respective distributor's standard terms and conditions for application developers, which the Company has limited possibilities to affect. The terms and conditions govern the promotion, distribution and operation of games on relevant platforms stores: Apple App Store, Google Play, Amazon Appstore and Windows 8 Store. The terms and conditions are in general beneficial for the distributors, which inter alia means that these have limited liability for damage and a right to immediately terminate the agreement or by observing a short termination period. According to the terms of agreement, the distributors have in principal a right to compensation corresponding to 30 per cent of the relevant list price for the games. The agreements are subject to the laws of the states of New York, Washington or California.

Agreements with external application developers

The group companies have license agreements with external application developers in the form of development studios providing the Company with new games. Through the license agreements, the Company obtains an, in general, exclusive, worldwide, transferable and sub-licensable license to the games which falls under the agreement. The Company is entitled to re-produce, trade, publish and distribute the games in the languages and through the platforms stated in respective agreement. Under certain agreements, the application developers obtain a right to use the porting tool Talisman, which has been developed by the Company and which is used for development of games on several mobile platforms. The license agreements normally run with an initial term of agreement of 5 years, with a unilateral right for the Company to extend the agreement on corresponding terms for another five years. The Company is entitled to terminate the agreement on 30 days termination notice, without any reason, while the application developers are entitled to terminate the agreement on 60 days termination notice if G5 is in breach of the agreement and does not take action during such period of time. If the agreement terminates, all of the Company's

obtained rights under the agreement are recurred to the application developer and G5 shall stop selling and distributing the game within 6 months. The application developers guarantee that the licensed games do not infringe third party's intellectual property rights and shall keep the Company indemnified for contingent deficiency in such guarantee. The agreements are in general subject to Californian law. In excess of the license agreements, the Company further enters into so called "work for hire" agreements with application developers according to which all rights (copyrights and other intellectual property rights included) to the work falling under the agreements are transferred to the group company in question.

Coexistence Agreement with G4 Media LLC

The Company has entered into a Coexisting Agreement with G4 Media LLC regarding the Company's use of the mark G5 (stylized) and the mark G5 GAMES. The agreement stipulates the Company's use of the mark G5 (stylized), the term "G5" and the mark G5 GAMES. For as long as the Company uses these intellectual property rights in accordance with the terms of the agreement G4 Media LLC have agreed not to interfere with the use of G5 (stylized) and G5 GAMES mark according to the agreement.

CERTAIN AGREEMENTS WITHIN THE GROUP

Agreements within the group to be transferred to another group company

Due to historical reason there are some agreements relating to the development of games (entered into in the ordinary course of business) to which the Company is a party. It is more suitable to let these agreements be entered into with any of the subsidiaries instead of with the Company, given the current structure of the Group's business. The Company intends to transfer these agreements to the relevant subsidiaries when relevant.

Agreements between G5 Holdings Ltd (MA) and the Ukrainian and Russian subsidiaries

G5 Holdings Ltd (MA) has entered into development service agreements with G5 Holding UKR (UA) and G5 Holding RUS LLC (RU). Under these agreements G5 Holding UKR (UA) and G5 Holding RUS LLC (RU) acts as contractors' for the development of games. All intellectual property rights in relation to the games which these companies develop are transferred to G5 Holdings Ltd (MA) under the agreements. In addition hereto G5 Holdings Ltd (MA) has entered into service agreements with G5 Holding UKR (UA) and G5 Holding RUS LLC (RU) relating to certain other administrative services.

Financing Agreements between G5 Holdings Ltd (MA) and the Company

G5 Holdings Ltd (MA) and the Company have entered into a financing agreement under which the Company will provide funds to the Maltese company in the form of long-term loans. The agreement runs without any fixed repayment time. Outstanding loan amounts shall be repaid upon request from the Company in conjunction with accrued, but not yet paid, interest. The parties have undertaken to secure that the interest for the loan is adjusted to the market standards.

Agreements regarding PR and distribution between the Company and G5 Entertainment Inc. (US)

The Company and G5 Entertainment Inc. (US) have entered into an agreement according to which the American subsidiary undertakes to act as marketing company on behalf of the Company. These parties have further entered into an agreement according to which G5 Entertainment Inc. (US) obtains the right to distribute certain games via Nook Apps.

PRE-EMPTION AGREEMENTS FOR WARRANT HOLDERS

All holders of warrants under the Warrant program 2012/2014 have entered into a pre-emption agreement with the Company, which inter alia, provides that holder shall offer the Company a right of pre-emption of all warrants in case the holder's employment with company within the group is terminated. The Company does not have an obligation to buy any warrants. The agreement also provides that, if shareholders representing more than 90 per cent of the votes in the Company, accept an offer from a third party regarding acquisition of all shares in the Company, the Company shall have the right to purchase all the warrants. The holder has in such situation a corresponding right to demand that the Company purchases all the warrants. The purchase sum for the warrants shall be determined based on the market value.

TRANSACTIONS WITH RELATED PARTIES

For information in relation to remunerations and the terms of employment for executive officers and individual board members, see section "Board of directors, management and auditors" and note 5 in the Company's annual report for the financial year 2013. The board member Jeffrey Rose

provides legal services to the Company and the other group companies and is remunerated by the Company for these services. The remuneration for these services amounted to USD 38 024 for the financial year 2013.

Sergey Shults (Vice President of Finance in the Company and major shareholder indirectly, through company) and the Company has entered into a warrant agreement dated 27 July 2012, regarding Sergey Shults' one share in G5 Holdings Ltd (MA) and one share in G5 UA Holdings Ltd (MA), respectively. According to the warrant agreement, the Company has an irrevocable right to buy Sergey Shults' share in G5 Holdings Ltd (MA) and G5 UA Holdings Ltd (MA), respectively, for a total amount of SEK 1 per share. Sergey Shults' holding of shares in G5 Holdings Ltd (MA) and G5 UA Holdings Ltd (MA) referred mainly to a claim which previously was stipulated under Maltese law, according to which at least one individual must be shareholder in a Maltese limited liability company. The law has nevertheless recently been amended and the claim does no longer exist. In connection to this, the company has called for the warrants. The Company and G5 UA Holdings Ltd (MA) have subsequently acquired the shares. Therewith, the companies are whole-owned subsidiaries, respectively sub-subsidiaries to the Company.

The Company has a related party transactions with its subsidiaries, see note 11 in the Company's annual report of 2013.

In excess to this, no board members, executive officers or other parties related to the Company have any material interests in any transaction carried out by the Company during the period falling under the financial information in this Prospectus.

HANDLING THE POLITICAL SITUATION IN UKRAINE

While Group's sales in Ukraine was only approximately 0.1% of the total sales in the last 12 months, G5 employs a majority of its staff in the Group's studio located in Ukraine's second largest city of Kharkov. Most of the staff in this office is involved in game quality assurance and game development tasks, while a smaller number of employees work in marketing, PR and finance functions. The Group management takes reasonable measures to minimize any potential risks: the Maltese office for which the Ukrainian office performs work under work-for-hire arrangements owns all intellectual property rights, funds are transferred to subsidiaries only on as-needed basis, and the source code and other materials produced by the Ukrainian office are regularly backed up outside of Ukraine. The Group does not experience any effect on its business in connection with recent events and the Company has, in fact, been actively hiring new employees in Kharkov during the period November 2013 to date, and continues to do so in accordance with the group's strategy.

In the past several months, the Ukrainian currency (Hryvna) has devalued substantially against USD and EUR, causing inflation and the cost of living expressed in Hryvna to increase in Kharkov. Ukrainian employees are paid in Hryvna. However, employment within the IT sector in Kharkov is competitive, mostly comprising of offices of global companies that like G5 do not derive any substantial revenue from Ukraine. The management has therefore decided to take care of its employees and also encourage loyalty at no extra cost, and to temporarily revise employee salaries in Ukraine to compensate for the devaluation of Hryvna. The management therefore expects no savings (or losses) from the situation.

DISPUTES

US lawsuit

Everglades Game Technology LLC has filed a law suit against G5 Entertainment, Inc pending in the U.S. District Court for the District of Delaware. In this lawsuit, the plaintiff alleges patent infringement, and in particular that the game "The Secret Society – Hidden Mystery" infringes one U.S. patent which the plaintiff alleges to own. The law suit was filed on May 19, 2014. G5 Entertainment, Inc. has not yet responded to the complaint nor made a settlement demand. G5 Entertainment, Inc. denies any liability and intends to contest the case .

INTELLECTUAL PROPERTY RIGHTS

The Company operates under the trademarks G5, G5 GAMES and G5 ENTERTAINMENT. The Company holds the right to the trademark G5 ENTERTAINMENT (word mark) and G5 GAMES (word mark and figure mark). The trademark G5 is not registered in the name of the Company. For further information in relation to the use of these trademarks see under Material Agreements Coexistence Agreement with G4 Media LLC. G5 Entertainment has registered the domain names www.g5e.com, www.g5e.fr, www.g5e.de and www.g5e.se. The Company owns or holds the license to all material intellectual property rights related to the games distributed by the Company.

The Company licenses some information technology systems used for the development of games from third parties. The G5 group also uses cross-platform Talisman Engine game engine, which is owned by G5 Holdings Ltd (MA).

INSURANCE

The board of directors assesses that G5 Entertainment has adequate insurance protection with regard to the business being carried out.

ADVISORS

Carnegie is the Company's financial advisor in relation to the listing of the Company's shares. Carnegie does not own any shares in the Company and has no financial or other interests in relation to the listing, apart from the agreed fee for its services in connection with the listing.

Delphi is the Company's legal advisor. The Company's auditor is Mazars SET Revisionsbyrå with Bengt Ekenberg as auditor in charge.

DOCUMENTS ON DISPLAY

For the life of this Prospectus, the following documents may be inspected at the Company's head office, or copies thereof requested by sending a written request to G5 Entertainment AB (publ) Riddargatan 18, 114 51 Stockholm, Sweden. The Company's Articles of Association, the Company's revised annual reports for the financial years 2011, 2012 and 2013 (auditor's reports included) and the Company's interim report for the first quarter of 2014 as well as this Prospectus. The documents are also available in electronic form at the Company's website at www.g5e.com.

Taxation in Sweden

Below is a summary of certain tax issues related to the listing of the shares in G5 Entertainment ("G5" or "the Company") on NASDAQ OMX Stockholm. The summary is based on Swedish tax legislation currently in force and is intended only as general information for shareholders, who are resident or domiciled in Sweden for tax purposes, if not otherwise stated. The summary does not cover situations where shares are held as current assets in business operations or by a partnership. Furthermore, the summary does not cover special regulations governing capital gains (including non-deductible capital losses) that may be applicable when a corporate shareholder owns shares that are deemed to be held as inventory for business purposes. Neither are specific rules covered that could be applicable on shareholding in companies that are, or have previously been, closely held companies or on shares acquired on the basis of such holdings. Specific tax rules may also apply for certain categories of shareholders, e.g. mutual funds, investment companies and insurance companies. Each shareholder is recommended to consult a tax adviser for information on the specific tax consequences that may arise as a result of holding shares in the Company, including the applicability and effect of foreign or other rules, tax treaties or from foreign exchange rate fluctuations between currencies which may be applicable.

INDIVIDUALS

Capital gains taxation

As a general rule, a capital gain or a capital loss realized on the sale or other disposal of shares is calculated as the difference between the sales proceeds, after deduction for sales costs, and the tax basis for the shares. The current tax rate in the capital income category is 30 per cent. The tax basis of shares of the same class and type is calculated together in accordance with the average cost method. Upon the sale of listed shares, such as the shares in G5 Entertainment AB, the tax basis may alternatively be determined according to the standard method as 20 per cent of the net sales price.

Capital losses on listed shares are fully deductible against taxable capital gains realized in the same year on shares and other listed equity-related securities, with the exception of shares in investment funds, which consist solely of Swedish receivables, so-called interest funds. Up to 70 per cent of capital losses on shares or other equity-related securities that cannot be offset in this way are deductible against other income in the capital income category. If a net loss arises in the capital income category, a tax reduction is allowed against municipal and national income tax, as well as against real estate tax and municipal real estate charges. A tax reduction of 30 per cent is allowed on the portion of such net loss that does not exceed SEK 100,000 and 21 per cent on the remaining portion. Any remaining net loss cannot be carried forward to future fiscal years.

Dividend taxation

For individuals, dividends are taxed in the capital income category. The current tax rate is 30 per cent on listed shares. For private individuals resident in Sweden for tax purposes, a preliminary tax of 30 per cent is withheld on dividends. The preliminary tax is withheld by Euroclear, or with respect of nominee-registered shares by the nominee.

LIMITED LIABILITY COMPANIES

Capital gains and dividend taxation

For a limited liability company, all income, including taxable capital gains and dividends, is taxed at a flat rate of, currently, 22 per cent. Capital gains and capital losses are calculated in the same manner as set forth above with respect to individuals. Deductible capital losses on shares may only be deducted against taxable capital gains on shares and other equity related securities. Such capital losses may also, if certain conditions are fulfilled, be offset against such capital gains in a company within the same group, provided that the requirements for group contributions (tax consolidation) are met. A capital loss that could not be utilized during a given year may be carried forward and be offset against taxable capital gains on shares and other equity-related securities during later fiscal years without any limitations in time.

CERTAIN TAX ISSUES FOR SHAREHOLDERS WHO ARE NOT TAX RESIDENT IN SWEDEN

Capital gains taxation

Individual shareholders who are not resident, or domiciled in Sweden or conducting business operations from permanent establishments in Sweden, for Swedish tax purposes are generally not subject to tax in Sweden for capital gains realized upon the sale or other disposal of shares. Shareholders may, however, be subject to taxation in their country of domicile and elsewhere.

Under a domestic Swedish tax provision, non-Swedish tax resident individuals may be subject to Swedish capital gains taxation upon a sale or other disposal of shares in G5 Entertainment AB if the shares were acquired during their tax residency in Sweden if they have been resident or lived permanently in Sweden at any time during the calendar year of such disposal or during the previous ten calendar years preceding the year of disposal. The applicability of this provision may however be limited by an applicable tax treaty between Sweden and other countries.

Foreign legal entities are generally not liable to Swedish tax on capital gains upon a sale or other disposal of shares, provided that the shares are not allocated to a permanent establishment in Sweden.

Dividend taxation

Individual shareholders who are not resident or domiciled in Sweden for Swedish tax purposes and foreign legal entities are generally liable to Swedish tax on dividends. The current tax rate is 30 per cent. The tax rate is generally reduced due to a tax treaty for the avoidance of double taxation concluded between Sweden and the residency state of the shareholder.

The majority of the tax treaties enable a reduction of the Swedish tax rate to the treaty according to the treaty rate directly when the dividend becomes due and payable, if necessary facts concerning the dividend-bearing exist. Euroclear withholds preliminary tax on dividends in Sweden. Concerning nominee shares it is the nominee that withholds preliminary tax.

Articles of association

Adopted at the annual general meeting held on 20 May 2014

§ 1 The name of the company is G5 Entertainment AB (publ).

§ 2 The board of directors shall have its registered office in the municipality of Stockholm.

§ 3 The company shall carry out development, sales and publishing services of/for electronic games, own and manage shares in other companies and conduct thereto related activities.

§ 4 The share capital shall be not less than SEK 500,000 and not more than SEK 2,000,000.

§ 5 The number of shares shall be not less than 5,000,000 and not more than 20,000,000.

§ 6 The company's financial year shall be calendar year.

§ 7 The board of directors shall consist of 3-10 ordinary directors, without any deputy directors.

§ 8 The company shall appoint 1-2 auditors with or without any deputy auditors.

§ 9 Notice to attend a general meeting shall be made in the form of an announcement in Post- och Inrikes Tidningar (the Swedish Official Gazette) and by being made available on the company's website. At the same time as the notice to attend the general meeting is made, the company shall, in the form of an announcement in a national daily newspaper, Svenska Dagbladet, inform that a notice to attend the general meeting has been made.

Notice to attend an annual general meeting and an extraordinary general meeting at which the issue of alterations of the articles of association is to be addressed shall be issued not earlier than six weeks and not later than four weeks prior to the general meeting.

Notice to attend other extraordinary general meeting shall be issued not earlier than six weeks and not later than three weeks prior to the general meeting.

§ 10 The shareholder or a nominee who, on the record day, is registered in the share register and in the central securities depository register according to chapter 4 in the Swedish Financial Instruments Accounts Act (1998:1479) or a person who is registered with a central securities depository account according to chapter 4, section 18, paragraph 6-8 in the said law, shall be deemed to be authorised to exercise the rights set forth in chapter 4, section 39 in the Swedish Companies Act (2005:551).

§ 11 Shareholder wishing to participate in the negotiations at the general meeting must be registered as shareholder in an extract or other report of the whole shareholders' ledger regarding the circumstances five weekdays before the general meeting, as well as notify the company thereof not later than the date specified in the notice to attend the general meeting. Such date may not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and may not occur earlier than the fifth weekday prior to the general meeting. Shareholders are entitled to bring assistants to the general meeting only if he or she has notified the company of the number of assistants in accordance with the manner applicable to the shareholders' notification to the general meeting. Proxies must not notify the number of assistants. The number of assistants cannot be more than two

Addresses

G5 Entertainment AB (publ)

Mailing address:
Riddargatan 18
SE-114 51 Stockholm, Sweden

Financial advisor to G5 Entertainment AB (publ)

Carnegie Investment Bank AB (publ)

Visiting address:
Regeringsgatan 56
Mailing address:
SE-103 38 Stockholm, Sweden
Telephone: +46 8 5886 88 00

Legal advisors to G5 Entertainment AB (publ)

Delphi

Visiting address:
Regeringsgatan 30-32
Mailing address:
Box 1432SE-111 84 Stockholm, Sweden
Telefon: +46 8 677 54 00

Independent auditor to G5 Entertainment AB (publ)

Mazars Set Revisionsbyrå AB

Mailing address:
Mäster Samuelsgatan 56
Box 1317
SE-111 83 Stockholm

Central securities depository

Euroclear Sweden AB

Mailing address:
Box 7822
SE-103 97 Stockholm, Sweden