G5 ENTERTAINMENT AB [PUBL]

Reg.nr: 556680-8878

ANNUAL REPORT & CONSOLIDATED ACCOUNTS
JANUARY-DECEMBER 2013

Contents

G5 Entertainment in Brief

G5 Entertainment is a developer and publisher 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, Windows 8-devices, popular tablets and e-readers like Kindle Fire from Amazon, and Mac. G5's portfolio includes popular games like *The Secret Society, Supermarket Mania, Virtual City, Special Enquiry Detail, Stand O'Food*, and *Mahjong Artifacts.* G5 publishes its own games and games developed by other developers, on certain revenue share terms.

G5's games are targeted at the growing audience of casual game players on "post-PC" era devices: smartphones, tablets, e-readers, the installed base of which is quickly growing. Through digital download stores such as iTunes App Store, Google Play, and Amazon Appstore, G5's games are available to hundreds of millions of players worldwide.

G5's portfolio of games consists of two types of games: "unlockable" and free-to play. Unlockable games are free to try for a certain trial period, but then users have to pay a one-time fee to continue playing. Free-to-play (F2P) games can be enjoyed free of charge, while offering users the option to make in-game purchases of certain virtual goods.

G5 was founded in 2001 to benefit from the anticipated growth of mobile devices. 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. The office in Malta is responsible for procuring games and administrating the group's IP rights. Development offices are located in Moscow, Russia and Kharkov, Ukraine. The company also has a small marketing office in San Francisco, USA.

The Year in Brief

- In February 2013 the company completed a new share issue of 800 000 shares, corresponding to 10% of the number of shares outstanding in the company before the share issue. The share issue provided the company with approximately 37.6 MSEK before deductions for issue expenses.
- Transition to free-to-play (F2P) accomplished, G5 has returned to top line growth after a weak start of the year. December became a new record revenue month for the group. The fourth quarter became a new record revenue quarter for the group.
- Revenue from free-to-play-games grew over 300% year-on-year compared to 12Q4, and accounted for 18 380 (4 552 in 12Q4) kSEK which is 64% (22%) of total revenue in 13Q4.
- After a weak period during mid-2013, unlockable games revenue stabilized and grew month-by-month in Q4.
- Consolidated revenue for the year is 100 007 (80 928) kSEK, an increase of 24% compared to last year.
- Operating result for the year is -11 826 (25 861) kSEK. Earnings per share for the year before and after dilution is -1.34 (2012: 2.77) kr.
- The result for the year is affected by one-time expenses in connection with the planned re-listing in the amount of 3 783 kSEK, and write-downs of capitalized development costs and advances to external developers in the amount of 18 008 kSEK.
- Operating result excluding these items is 9 965 kSEK. Earnings per share excluding such items before and after dilution is 1.14 kr.
- The Board of Directors will propose to the Annual General Meeting that no dividend is paid for 2013.

CEO Word

Dear Shareholders,

The transition from unlockable to F2P games that took place in 2013 was not without cost, but the management believes the group is now aligned with the right trend in the market and is on the right track. Things are getting better from here.

The situation on the market where G5 operates was changing in 2013. Unlockable games were declining in popularity, while F2P games continued to gain. G5 released and operated F2P games since 2011, but 2013 became the year when the company focused on F2P games and went from a business primarily driven by unlockable games to business driven by F2P games. 13Q3 became the necessary low point of the transition, but Q4 numbers already show prevalence of F2P games in our revenue structure and strong top line growth. While these changes have not come without cost, we believe we have aligned the business with the most promising trend on the market; we have done so in an efficient manner, and things will get better from here.

Compared to unlockable games, user retention and monetization is much higher in successful F2P games, and can be improved gradually during the lifetime of the game through updates. Unlockable games only have one monetization point where the player decides if they want to purchase the game or quit playing after a trial period is over. F2P games have multiple monetization points as the whole game experience is free for the player, but useful virtual items are offered for purchase in the game.

While the percent of paying users is similar in both formats, in unlockable games the revenue per paying user is limited to the price of game unlock. In F2P games revenue per paying user can reach hundreds of USD through multiple virtual good purchases made over the player engagement period of up to several months. High average revenue per paying user in combination with substantial percent of paying users in F2P game allows using performance marketing (paid user acquisition) to attract more users into the game. The ability to acquire users profitably allows the company to be in control of scaling game's revenue through marketing, reduce volatility in the game's revenue, and become independent of fortunes with store promotions. Paid user acquisition can be tricky and expensive, and this is where the company takes good advantage of its existing player network by also promoting its F2P games to millions of G5's users for free. When it comes to marketing expenses, we keep them reasonable in order to maintain healthy profit margins on F2P games. And while spending on the marketing for a game reduces its profit margin, the ability to scale revenue controllably allows achieving higher absolute profit values. Put simply in abstract numbers, 30% profit margin on revenue of 60 MSEK is better than 50% of profit margin on revenue of 6 MSEK.

In Q3, the number of daily active users of F2P games surpassed the number of daily active users of unlockable games, and F2P games revenue percentage kept growing in the company's total revenue through the year. The Secret Society became the highlight of the year, released on iOS and Android, consistently staying in Top 50 Grossing Games on iPad in USA, and becoming one of the top grossing games of its category in the world.

The performance of unlockable games, on the other hand, suffered in Q2-Q3. The Board decided to write down capitalized development costs and external developer advances on a number of underperforming and/or canceled unlockable games, following impairment test results and the management's review. Over 50% of the total amount related to unlockable games was written down.

While further write-downs may be triggered in the future depending on the performance of the unlockable games portfolio, the improving sales of the remaining unlockable games and the higher quality of these games reduce such risk.

The transition affected the group's growth during the year, with Q3 becoming a brief low point showing slight 9% decline of revenue year-on-year. However, G5 has returned to fast top line-growth of 39% already in the fourth quarter, powered by over 300% year-on-year growth in the F2P portfolio. Sales of unlockable games stabilized and even bounced back in the fourth quarter and beginning of 2014. In 13Q4, F2P revenue accounted for 64% of total revenue, compared to only 22% in 12Q4.

Write-downs and non-recurring re-listing expenses during 2013 also have affected the year's result. While some additional re-listing related expenses might still arise prior to the Nasdaq OMX listing, we believe we have taken most of the expenses associated with the preparation for re-listing in 2013. Excluding these items, the group was profitable in 2013. Our cash position remains solid, sufficient to continue investing for growth. We are optimistic about the results of the 14Q1.

The numbers clearly show that we are on the right track. The new business model is fundamentally profitable and scalable with performance marketing (user acquisition). Profitability in combination with continued growth can produce substantial earnings in 2014.

The focus going forward is definitely on F2P games: releasing updates, improving monetization, scaling the revenue of the games already released, and bringing new F2P games to the market. We plan to bring the number of F2P games in the company's portfolio to over 10 during 2014.

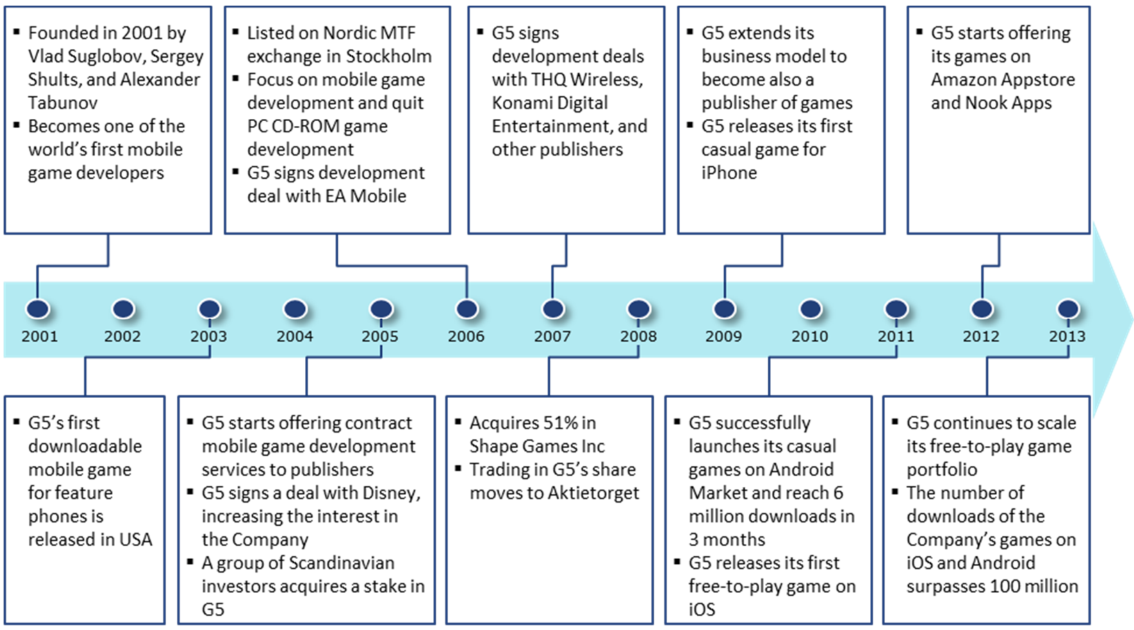
Vlad Suglobov
Chief Executive Officer, Co-Founder

Our Business

Vision and strategy

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

History



Operations

G5 has showed strong organic growth over the last three years. The company's success has been due to a number of factors. 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. More than one third of the group's revenues comes from North America, and slightly less than one third from the European Union, and the rest of the world, respectively.

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. As G5 continues to establish itself as a publisher, and as the brand name grows stronger, the number of external developers that seek to publish their games via the G5 platform will continue to increase.

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 (15 employees as of December 31, 2013) and Kharkov, Ukraine (139 employees as of December 31, 2013), 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, 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 tablets 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%[1]. The increased growth will expand the user base, and thereby also increasing the number of potential users.

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 Google 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 applications[2]. The revenue from

[1] IDC Worldwide Quarterly Smart Connected Device Tracker, September 11, 2013
[2] Newzoo, Mobile games trend report, 2013

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%, which is in line with the growth of smartphones and tablets[3].

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.

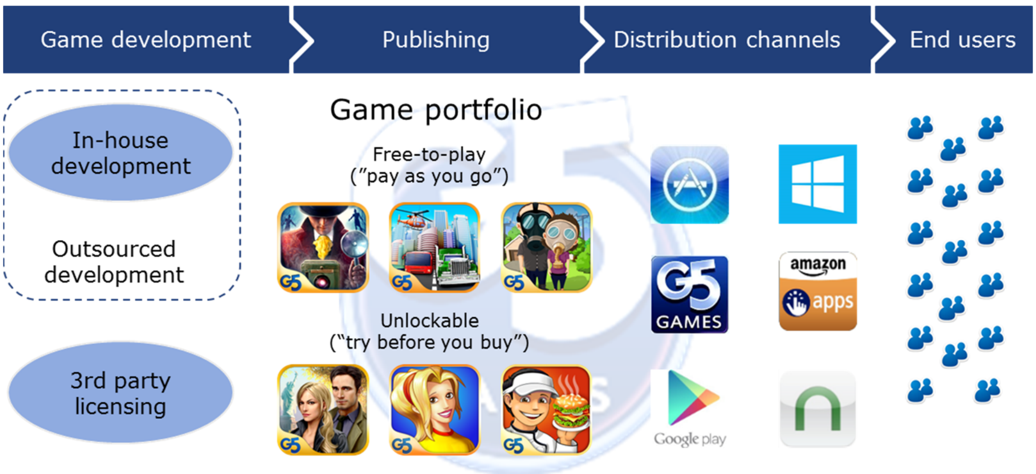
Continued shift towards free-to-play games

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 long-term growth.

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.

The business model



[3] Yankee Group's Mobile Apps and Cloud Forecast October 2012

Directors' Report

The Board of Directors and Chief Executive Officer of G5 Entertainment AB (publ), corporate identity number 556680-8878, hereby submit the Annual Report and the Consolidated Accounts for the operations of the parent company and group in the financial year January 1, 2013 – December 31, 2013. All amounts are reported in SEK thousands (kSEK), unless otherwise specified. Information in parentheses refers to the previous accounting year, that is to say 2012. Words such as "G5", "the company", "the group", and similar expressions refer in all cases to the parent company, G5 Entertainment AB, and its subsidiaries.

Operations

Since 2009, G5 Entertainment is a developer and publisher of high quality downloadable casual and free-to-play (F2P) games for smartphones and tablets. G5's games are available on Apple's iPhone and iPad, Android phones and tablets, Windows 8-devices, popular tablets and e-readers like Kindle Fire from Amazon and Nook from Barnes & Noble, and Mac. G5's portfolio includes popular games like *The Secret Society, Supermarket Mania*, *Virtual City, Special Enquiry Detail, Stand O'Food*, and *Mahjong Artifacts.* G5 also publishes games developed by other developers, on certain revenue share terms.

G5's games are targeted at the growing audience of casual game players on "post-PC" era devices: smartphones, tablets, e-readers, the installed base of which is quickly growing. Through electronic download stores like iTunes App Store, Google Play, and Amazon Appstore, G5's games are available to hundreds of millions of players worldwide. In 2013, 43 percent of G5's revenue came from North America, 30 percent from EU, and 27 percent from Asia and the rest of the world. G5 is constantly working on increasing its distribution reach to new countries and channels. The group's audience is going to expand further as G5 brings its established franchises as well as new products to new platforms and markets.

G5's world-class development team has extensive experience of development for smartphones and tablets, as the group has been accumulating mobile/portable know-how ever since 2003, when it shipped its first mobile game to the market. G5's own team is also responsible for many of the group's major hit games like *Virtual City*, *Virtual City Playground*, *Supermarket Mania*, and *Stand O'Food*. One of the group's competitive advantages is its proprietary Talisman™ cross-platform technology that is also available to select G5 partner studios. The technology allows effective development and deployment of games across numerous platforms and devices.

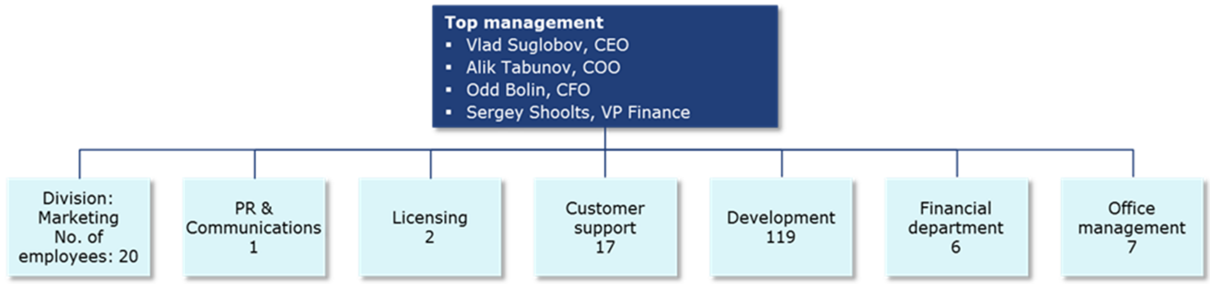
G5's portfolio of games consists of two types of games: "unlockable" and free-to-play. Unlockable games are free to try for a certain trial period, but then users have to pay a one-time fee to continue playing. Free-to-play (F2P) games can be enjoyed free of charge, while offering users the option to make in-game purchases of certain virtual goods.

Organizational structure

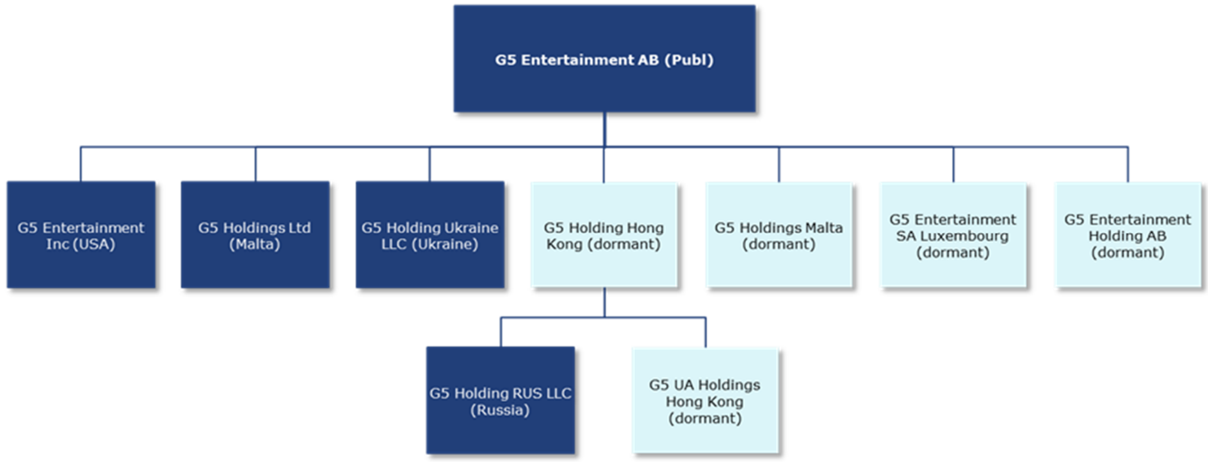
G5 Entertainment AB (publ) with registered office in Stockholm, Sweden, is the parent company of the G5 group. The company was incorporated in May 2005 as Startskottet P 40 AB (publ), but had no operations until the G5 group took shape.

The group comprises eight different functions, of which development is the largest. The CEO is based in San Francisco, where the group has a small marketing office, but spends several months per year in Moscow. Game procurement and management of the group's IPRs (Intellectual Property Rights) is done from Malta. The CFO is stationed in Stockholm, while the COO and the senior level developers 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.

Organizational chart as of April 2014



During 2013, G5 Entertainment AB had active subsidiaries in Russia, Ukraine, Malta, and the US, as well as non-active subsidiaries in Sweden, Hong Kong and Luxembourg:



Activities during 2013

2013 was a transitional year for the company. The group went from the business dominated by unlockable games in the beginning of the year to business driven by free-to-play (F2P) games, which generated majority of revenue by the end of 2013. The change in the business model was driven by the changes in the market, as players increasingly preferred F2P games to unlockable games. The transition affected the company's results during the year, but the company achieved high top line growth and record quarterly and monthly revenue in Q4.

In February 2013 the company completed a directed share issue of 800 000 shares, corresponding to 10% of the number of shares outstanding in the company before the directed share issue. The directed share issue provided the company with approximately 37.6 MSEK before deductions for issue expenses. In accordance with the plan, the proceeds of the new issue were allocated towards the development of new F2P games.

In early 2013 the company announced its intention to apply for listing on Nasdaq OMX Stockholm before the end of the year, and in Q3 2013 the company has made such application. The process of preparation for re-listing was ongoing during the year.

The Secret Society, a Hidden Object F2P game, was the highlight of the year 2013. The game was launched in November 2012 on iOS, but multiple major updates has been released during 2013 which brought a lot of new content and features to the game and raised it to a new level of quality. By the end of 2013, The Secret Society was the highest grossing game of Hidden Object genre on Apple App Store. During 2013, the game was also brought to Google Play Android application store and Amazon's Appstore for Kindle Fire tablets.

The company's first F2P game – Virtual City Playground – continued to perform well through 2013 and received a number of incremental updates during the year. The company has been working on more substantial updates for the game for release in 2014.

Several new F2P games were released in 2013 including Stand O'Food Empire, Brave Tribe, and Letters from Nowhere. The company continued working on improving these games with regular updates. The company was also working on a number of other F2P games for release in 2014, and has started bringing its existing portfolio of games to Windows 8 platform.

Internally, the management worked on adjusting the development and marketing processes and the structure of the company to F2P games business model. Internal game development, quality assurance, and marketing capacity were strengthened to prepare the company to operate more F2P games simultaneously.

The management believes that G5 is coming out of transitional 2013 stronger than ever, the company's business aligned with the most popular trend in the market, and F2P games already driving the company's growth and showing outstanding growth rates and monetization. Record 13Q4 revenue at 39% year on year growth and continuing revenue growth in 14Q1 confirm this view.

Significant events after the end of the year

The group has seen a substantial increase in revenue during and after the holiday period. The post-holiday seasonal slide in sales that the group experienced in previous years has not occurred, likely due to higher revenue stability of F2P games.

The total number of downloads of the group's games (not counting updates) surpassed 150 million.

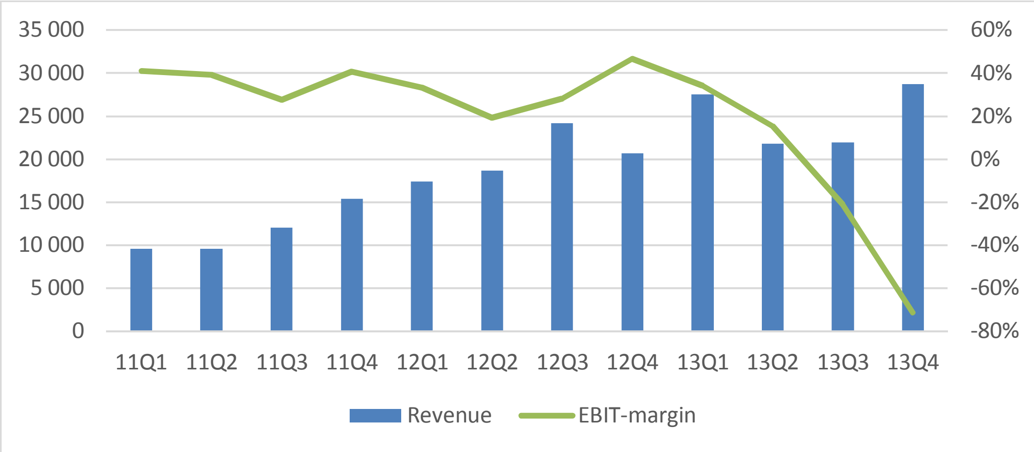
14Q1 became a new record revenue quarter, and the management expects it to be profitable and cash flow positive.

The group's development office in Kharkov, Ukraine continues business as usual and has not been affected by recent events in Ukraine. As communicated in Q4 2013 report, G5 holds intellectual property rights and backs up critical code and materials outside of Ukraine, and only transfers funds to subsidiaries in Ukraine and elsewhere on an as-needed basis.

Revenue and earnings

Financial key ratios	2013	2012
Revenue (kSEK)	100 007	80 928
Revenue growth (%)	24%	74%
Gross profit (kSEK)	21 082	43 290
Gross margin (%)	21%	53%
Gross profit excl write-downs (kSEK)	39 090	43 290
Gross margin excl write-downs (%)	39%	53%
EBIT (kSEK)	-11 826	25 861
EBIT margin (%)	-12%	32%
EBIT excl write-downs and re-listing expenses (kSEK)	9 965	25 861
EBIT margin excl write-downs and re-listing expenses (%)	10%	32%

Revenue and EBIT-margin 11Q1-13Q4



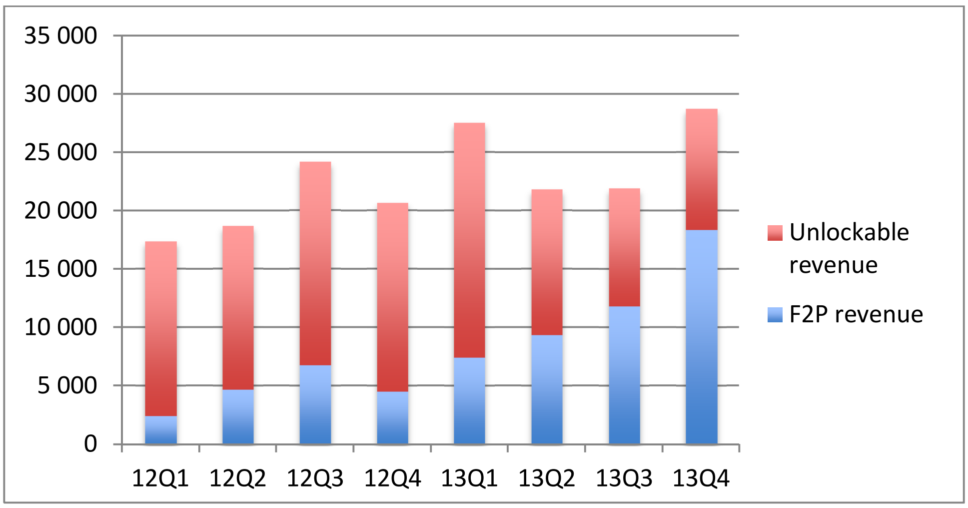
Market developments

The market for unlockable games, which generated the majority of the company's revenue in 2012, deteriorated during the first three quarters of 2013. F2P games, on the other hand, continued to increase in popularity. For a number of reasons, F2P games have better monetization and player loyalty, even though they generally are more expensive to produce and operate than unlockable games. The revenue of successful F2P games can also be scaled substantially with performance marketing. Accordingly, the Board and the management of the company have made the decision to focus G5 on F2P games going forward.

Strong growth for F2P games

The group's free-to-play games portfolio demonstrated high growth during the year, but in Q2-Q3 it was merely compensating for the loss of revenue in the unlockable portfolio, with Q3 becoming the low point showing 9% year-on-year revenue decline. However, in Q4 growth was 39% year-on-year, as F2P games delivered over 300% year-on-year growth, and unlockable portfolio revenue started growing again. For the full year, revenue growth was 24% compared to 2012. The slowdown in annual growth is explained by the transition to a business driven primarily by free-to-play games rather than unlockable games.

Revenue share from free-to-play games and unlockable games 2012-2013



Profit development

The group's profit in 2013 was affected negatively by the transition process, re-listing expenses (3 783 kSEK) and write-downs of underperforming or canceled unlockable games (18 008 kSEK). Excluding these items, the EBIT-margin was 10% for the full year. The profit was also affected by user acquisition expenses required in the F2P games business model. While these expenses affect the profit margin of the game, they allow to considerably and quickly scale the game's revenue, as confirmed by the outstanding year-on-year growth in F2P games.

The gross profit for the year was 21 082 (43 290) kSEK. Excluding the write-downs, gross profit was 39 090 kSEK, a gross margin of 39%. Earnings before interest and taxes (EBIT) was -11 826 (25 861) kSEK, the EBIT-margin for the full year was -12% (32%). Excluding the non-recurring re-listing expenses and write-downs, EBIT was 9 965 kSEK, a margin of 10%.

Production costs consist of internal production expenses, royalties to external developers, amortization of capitalized development costs, and write-downs, less capitalized development costs. During 2013, production costs (as in group Condensed Income Statement) were divided as follows:

Cost analysis

Production costs (MSEK)	2013
Production expenses	44.4
Capitalized development costs	-41.9
Royalties to external developers	38.3
Amortization of development costs	20.1
Write-downs of development costs	18.0
Sum production costs	78.9

The write-downs of the games portfolio consisted of both capitalized development costs (13 908 kSEK), and advances to external developers (4 100 kSEK). 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 (see Note 24).

The non-recurring re-listing costs of 3 783 kSEK consist of payments to external advisors and Nasdaq OMX.

Cash flow and financial position

During the year, the group had an operating cash flow before changes in working capital of 22 489 (34 957) kSEK and a cash flow of 13 798 (-3 742) kSEK.

Cash flow from operating activities decreased compared to 2012 primarily due to non-recurring re-listing expenses, and user acquisition expenses for F2P games. Operating receivables can fluctuate over time, depending on the precise dates when payments are made from the group's distributors, relative to the group's book closing dates. Capitalized development costs increased in 2013 compared to the previous year as the group's portfolio of internally developed games expanded.

During 2013, the group capitalized 41 915 (33 933) kSEK of direct development costs, while amortizations of capitalized development costs were 20 094 (10 607) kSEK. The group also paid 38 284 (21 386) kSEK in royalty to external developers. After the write-downs during Q3 and Q4, total capitalized development costs as of 31 December 2013 were 48 299 (40 429) kSEK, while total outstanding advances to external developers were 4 445 (9 513) kSEK.

In accordance with the plans laid out in connection with the share issue in early 2013, G5 continues to invest in free-to-play-games and also a limited number of high-quality unlockable games on the late development stages still remaining in the development pipeline of the company. This impacts cash flow from operations.

Available cash on December 31, 2013, amounted to 27 433 (13 661) kSEK.

Business and financial ratios

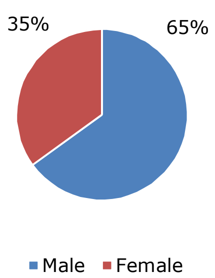
Ratios	2013	2012
Financial strength	80%	75%
Return on equity	-15%	40%
Return on total assets	-12%	36%
Current ratio	2.53	2.01

For definitions of business and financial ratios please refer to Note 3.

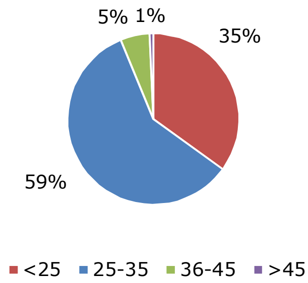
Employees

As of December 31, 2013, G5 had 160 employees across five locations, Stockholm (1), Malta (2), Moscow (15), San Francisco (3), and Kharkov (139). The majority of the staff is employed locally, many 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 is working proactively with the recruitment process, approaching students with challenging tests and case studies, in order to attract them. 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.

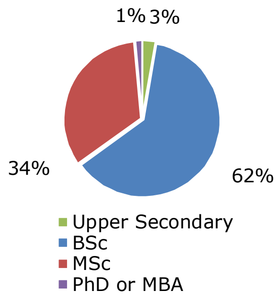
Employee gender distribution



Employee age distribution



Employee education level



Research and development

G5 has developed and owns the unique Talisman™ cross-platform mobile technology and Development Tools that facilitates a cost-efficient, high-quality development process. The Talisman™ technology is being continuously improved to be adapted in accordance with rapid technological progress. In addition, the company also developed and maintains its own analytics and cross-selling network technologies to which a part of R&D work is attributed. In 2013 2 281 kSEK (1 751) were booked as cost for this work.

G5's share and ownership structure

Share

As of December 31, 2013, G5 Entertainment's share capital was 880 000 SEK divided between 8 800 000 shares, at quoted value of 0.10 SEK per share. The average number of outstanding shares during the year is 8 711 111 shares. Each share confers equal rights to participation in G5's assets and earnings and confers the holder with one vote.

The G5 share has been quoted on the NGM Nordic MTF exchange in Stockholm since October 2, 2006 under symbol G5EN. The introduction rate was 3 SEK per share. Since November 19, 2008 G5's share is quoted on Aktietorget exchange in Stockholm. At year-end 2013, the share price was 32.20 SEK and total market capitalization was 283.4 MSEK.

New share issue 2013

In February 2013, G5 Entertainment AB completed a directed share issue of 800 000 shares, corresponding to 10% of the number of shares outstanding in the company before the directed share issue. The directed share issue provided the company with approximately 37.6 MSEK before deductions for issue expenses. As a result of the directed share issue, the total number of outstanding shares increased from 8 000 000 shares to 8 800 000 shares and the share capital increased from 800 000 SEK to 880 000 SEK.

Warrant program 2013

At an Extraordinary General Meeting held on October 31, 2012, it was decided to implement a multi-year (2012-2015) share warrant program, as part of a long-term incentive program. At the Annual General Meeting held on June 19, 2013, it was decided to issue a maximum of 176 000 warrants to managers and senior executives of the G5 group in 2013. The Board of G5 then decided to allocate a total of 165 000 warrants to existing employees, keeping 11 000 warrants for potential new recruitments. These 165 000 warrants was fully subscribed. Board members with exception of the CEO were not entitled to subscribe.

Accordingly, G5 issued 165 000 warrants in 2013. Each warrant entitles the holder to subscribe to one share in the company at an issue price of 127,45 Kr. The warrants were acquired at market price, 0.74 Kr, calculated using the Black-Scholes model. The period for the warrants is 3 years and 3 months, and it will be possible to exercise warrants after 3 years. Upon full exercise of the warrants, up to 165 000 shares, which represents about two percent of the total number of outstanding shares, will be issued.

Share capital history

The trading of G5's shares on NGM Nordic MTF exchange in Stockholm started on October 2, 2006. Before that, in 2006, the company completed an issue of 1 000 000 shares and placement of 1 000 000 of owner shares at 3 SEK per share, attracting new shareholders. In July 2008, G5 completed a new issue of 375 000 shares in order to acquire 51 percent of Shape Games Inc. In October 2008, G5 completed preferential rights issue and placement of 1 044 574 shares in order to raise funds to finance the development of company's original games. In November 2008, trading in G5's shares was moved to Aktietorget exchange in Stockholm. In August 2012, G5 completed a direct issue of 580 426 shares at 21.50 SEK per share to investment company AB Traction in order to raise funds to finance the expansion of the group's product development. On February 7, 2013, G5 completed a directed issue of 800 000 shares at the price of 47 SEK per share.

Largest shareholders as of Dec 31, 2013

Shareholder	No. of shares	Holding / votes
Försäkringsaktiebolaget Avanza Pension	1,287,784	14.63%
Länsförsäkringar Småbolagsfond	640,197	7.27%
Wide Development Limited*	571,000	6.49%
Swedbank Robur Ny Teknik	550,000	6.25%
Nordnet Pensionsförsäkring AB	544,717	6.19%
Proxima Limited**	525,000	5.97%
Purple Wolf Limited***	510,000	5.80%
Tommy Svensk	398,000	4.52%
Fondita Nordic Micro Cap SR	260,000	2.95%
Torbjörn Liljedal	128,829	1.46%
Total	**5,415,527**	**61.54%**

Source: Euroclear Sweden AB

*Vlad Suglobov is a deputy board member of the company

**Company controlled by Sergey Shults (Vice President Finance)

***Company controlled by Alexander Tabunov (Chief Operating Officer)

Environment

G5's core operations, software development, have a very limited environmental impact. G5 primarily affects the environment through travel and the dismantling of computer hardware. Although no formal policy or target is in place, the company aims to minimize that impact by to the extent possible replacing travelling with internetbased communication, and using the means of travel that creates the least environmental footprint (such as train). The company also aims to send obsolete computer hardware for proper re-cycling.

Risks and risk management

G5 is exposed to a number of risks that could affect the group's results and financial position. G5 continually evaluates, identifies, and manages the company's risks. The risks deemed most significant to the company are classified below as market, operational or financial risks.

Market and operational 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 smart phones, tablets and other connected mobile device users, 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, 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 150 people as of April, 2014.

Competition

G5's 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 users 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.

If G5 is unable to sustain sufficient interest in its mobile games in comparison to other forms of entertainment, including new forms of entertainment, 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 in 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 games. 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 a majority of its user 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 and other game providers, modify its terms of service or other policies, including the provisions on revenue share 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 on 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 that may not be as effective.

Risk related to user preferences

It is difficult to continuously predict players' demand at large, especially as G5 develops new games in a new genre for new markets. If G5 isn't launching games that successfully attracts and retains players, and unless the company increases the life of existing games it will hurt the company's market share, reputation and financial performance.

Delay in release of games and updates

Delays and/or irregularities in the release of new games and updates can negatively affect the group's revenue and operating margins. Delays can result from a delay in the development, or from additional time needed to receive certifications and approvals from game rating agencies, platform owners, and distribution channels (electronic download stores).

Technological developments

Like all game publishers, the group is dependent on technological advances. G5 continuously has to adapt to new technologies for game development, new distribution models based new technologies, etc.. Failure to do so could have adverse effects on the business.

Although G5 conducts a thorough quality assurance of its products no software is absolutely flawless, and G5's games and game updates may contain errors, bugs, weaknesses or corrupted data. Such errors may not be noticed until the game has been released, particularly as G5 is working under time pressure to launch new games and rapidly release updates to existing games. Undetected errors in the application code, errors in the games or corrupted data can impact G5's business, have a negative impact on the players' experience of the games, damage the company's reputation and image, have G5's players to stop playing the company's games, use resources that could have been used for other tasks, and delay market acceptance of the company's games. All of these factors could harm G5's operating results.

Loss of 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 managers, 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.

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.

Tax risk

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. However, 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 concerned or as a result of changed laws, treaties and other regulations. Such decisions or changes, possibly retroactive, may have an adverse impact on G5's business, financial position and profits in the future.

Insurance risk

The insurance market is still underdeveloped in Ukraine and Russia, and some risks, that in developed countries can be insured, cannot be insured in Ukraine and Russia where group has operations. Costs for such unforeseen risks can therefore arise.

Financial risks

Currency exposure

G5's primary currency exposure is due to the fact that a certain part of the development work undertaken by the group is financed using funds from share issues in SEK, while the development work is paid for in USD, EUR, RUR, and UAH. The company also receives the majority of its revenues in USD and EUR while expenses for employee compensation and other operating expenses at non-Swedish locations are in RUR, UAH, and USD. The company's sub-contractors and licensors are primarily paid in USD.

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.

Interest risks

Interest risks are considered to be marginal, because at present G5 does not have any external funding.

Credit risks

Credit risk related to accounts receivable are considered immaterial, since almost all sales are generated through major telecom and media companies, with consistently high credit ratings. These distributors pay the company monthly based on sales to the end users. Payments to G5 are made 1-2 months after the sale to the end customer. The distributors take full responsibility for tracking and accounting of end customer sales, and send G5 monthly royalty reports that show amounts to be paid.

For development projects (development of the games), G5 partly use external developers. Agreed consideration is a combination of upfront and royalty-based payments. Prior to the development of new games there are sometimes agreements to pay advances to the developers. These are recognized as other receivables on the balance sheet.

If a project does not develop as expected, the advances associated with the project in certain cases might have to be written-off.

Funding risks

For companies doing business in fast-growing markets, it is difficult to make precise medium or long-term financial forecasts. Given the rapid changes brought on by competitors' actions or other market developments, the company may in the future need additional working capital, and turn to financial markets to attract such capital. 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.

Guidelines for remuneration to senior executives

The Board of Directors will propose that the 2014 Annual General Meeting approves the following guidelines for remuneration to senior executives. Remuneration to senior executives includes the following items. Senior executives include the CEO and other members of the executive management team. Compensation levels should be competitive and negotiated annually. The CEO and other senior executives are remunerated partly by a fixed monthly salary and partly through performance bonuses. Bonus shall be calculated quarterly by 10 percent on the portion of operating income that exceeds an operating margin of 10 percent. This 10 percent margin reduction however does not apply when/while there is negative carried bonus balance due to losses in previous periods. The bonus amount will be distributed which 40 percent shall accrue to the Company's CEO and the remaining 60 percent shall be allocated to the executive management team. A potential operating loss in a quarter reduces the calculation basis for bonus in subsequent quarters. The CEO's and the management's overall bonus for the year may not exceed 60 percent of each person's annual salary. The pension plan is to be in line with normal conditions in the market and the same for senior executives as for other employees. The pension premium shall be defined contribution. Similarly, other benefits for senior executives shall be competitive and in substance the same as for other employees. The employment agreements with senior executives shall contain a notice period of at least 3 months for the employees and a maximum of 12 months from the company. Upon termination by the company a severance pay may at most be equal to the fixed monthly salary for 12 months. The Chairman of the Board negotiates the yearly remuneration of the CEO and concludes agreements after approval from the board. The CEO negotiates compensation to senior executives and concludes agreements after approval by the Board. The Board may, if special reasons for doing so exist, make minor changes on an individual basis from the above guidelines.

For senior executive remuneration 2013, see Note 6.

Dividend policy, financial targets

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. 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 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% over time.

Parent company

The parent company primarily manages group-wide functions such as legal, finance, and investor relations. Most distributor agreements are with the parent company. It also still manages some IPRs, for historical reasons.

At the end of the year the parent company had 1 (0) employees. The average number of employees during the year was 1 (0).

- Sales amounted to 99 197 kSEK (80 868).
- Operating result amounted to -12 410 kSEK (10 706).
- Result after net financial items amounted to -12 297 kSEK (24 529).
- The parent company's liquidity as of December 31, 2013 was 23 203 kSEK (9 338).
- Investments in property, plant, and equipment and intangible non-current assets amounted to 6 574 kSEK (14 796).

The parent company's revenue and profit development is explained by the same factors as for the group. Sales increased due to the strong growth of free-to-play-games, while costs increased due to write-downs, re-listing expenses, and user acquisition expenses.

Outlook

The group's revenue covers expenses, while excessive cash flow is used to invest for future growth: funding new licensing deals, product development, and expansion to new platforms. Going forward, the management is going to maintain the balance between actively re-investing for future growth and maintaining a sufficient cash position.

Proposed allocation of profits

The Board of Directors will suggest to the Annual General Meeting that no dividend is paid in 2014. The following non-restricted equity in the parent company is at the disposal of the Annual General Meeting:

Share premium reserve	53 989
Fair value reserve	649
Profit\loss carried forward	38 261
Net result for the year	-8 218
Total	**84 681**

Dividend	0
To be carried forward as:	
Share premium reserve	53 989
Fair value reserve	649
Profit\Loss to be carried forward	30 043
Total	**84 681**

Group Financial Results

Group income statement

G5 Entertainment group (kSEK)	NOTE	2013	2012
Revenue	4	100 007	80 928
Production cost	6, 12	-78 925	-37 638
Gross profit		**21 082**	**43 290**
General and administrative expenses	6, 12, 13	-34 342	-15 713
Other operating income	14	2 046	33
Other operating expenses	15	-612	-1 749
Operating result before financial items		**-11 826**	**25 861**
Financial income	16	85	53
Financial expenses	17	-301	-110
Operating result after financial items		**-12 042**	**25 804**
Income tax expenses	8	378	-3 624
Net result for the year		**-11 664**	**22 180**
Attributed to:			
Parent company's shareholders		-11 664	22 180
Non-controlling interest		-	-

Earnings per share

G5 Entertainment group (kSEK)	NOTE	2013	2012
Weighted average number of shares	10	8 711 111	8 000 000
Earnings per share (SEK) before and after dilution	10	-1,34	2,77

Group statement of comprehensive income

G5 Entertainment group (kSEK)	NOTE	2013	2012
Net result for the year		**-11 664**	**22 180**
Items that later can be reversed in profit			
Foreign currency translation differences		369	-427
Total other comprehensive income for the year		**369**	**-427**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-11 295**	**21 753**
Attributed to:			
Parent company's shareholders		-11 295	21 753
Non-controlling interest		-	-

Group balance sheet

G5 Entertainment group (kSEK)	NOTE	2013-12-31	2012-12-31
Fixed assets			
Intangible fixed assets			
Capitalized development costs	4, 7	48 299	40 429
Goodwill	4, 7, 23	2 318	2 319
		50 617	**42 748**
Tangible fixed assets			
Equipment	4, 7	1 929	1 825
		1 929	**1 825**
Deferred tax assets	8	2 105	-
Total fixed assets		**54 651**	**44 573**
Current assets			
Accounts receivable	24, 28	7 156	9 537
Tax receivable		4 437	5 741
Other receivable	24, 28	6 915	11 012
Prepaid expenses and accrued income	28	10 916	4 260
Cash and cash equivalents		27 433	13 661
Total current assets		**56 857**	**44 211**
TOTAL ASSETS		**111 508**	**88 784**
Equity	9		
Share capital		880	800
Other capital contribution		54 032	19 971
Other reserves		22	-347
Profit\loss brought forward		34 058	45 722
Total shareholders' equity		**88 992**	**66 146**
Non-current liabilities			
Deferred tax liabilities	8	-	590
Total non-current liabilities		**-**	**590**
Current liabilities			
Accounts payable	28	7 478	5 402
Other liabilities	28	464	2 254
Tax liabilities	8	6 505	10 251
Accrued expenses	18, 28	8 069	4 141
Total current liabilities		**22 516**	**22 048**
TOTAL EQUITY AND LIABILITIES		**111 508**	**88 784**

Group cash flow statement

G5 Entertainment group (kSEK)	NOTE	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Operating activities			
Operating result after financial items		-12 042	25 804
Adjusting items not included in cash flow	20	39 114	11 537
		27 072	**37 341**
Taxes paid		-4 583	-2 384
Cash flow before changes in working capital		**22 489**	**34 957**
Cash flow from changes in working capital			
Decrease in operating receivables		-4 054	-12 170
Increase in operating liabilities		4 255	8 677
Cash flow from operating activities		**22 690**	**31 464**
Investing activities			
Investing in equipment	7	-1 118	-1 273
Investing in capitalized development costs	7	-41 915	-33 933
Cash flow from investing activities		**-43 033**	**-35 206**
Financial activities			
New share issue		34 019	-
Premium for warrant program	9	122	-
Cash flow from financial activities		**34 141**	**-**
CASH FLOW		**13 798**	**-3 742**
Cash at the beginning of the year		**13 661**	**17 541**
Cash flow		13 798	-3 742
Exchange rate difference		-26	-138
CASH AT THE END OF THE YEAR		**27 433**	**13 661**

Group changes in shareholders' equity

G5 Entertainment group (kSEK)	Share capital	Other capital contribution	Other reserves (Note 9, 22)	Profit/loss brought forward	Shareholders' equity
Shareholders' equity as of 2012-01-01	**800**	**19 872**	**80**	**23 542**	**44 294**
Net result for the year				22 180	22 180
Total other comprehensive income			-427		-427
Total comprehensive income for the year			**-427**	**22 180**	**21 753**
Premium for warrant program		99			99
Total transaction with the owners recognized directly in equity		**99**			**99**
Shareholders' equity as of 2012-12-31	**800**	**19 971**	**-347**	**45 722**	**66 146**
Net result for the year				-11 664	-11 664
Total other comprehensive income			369		369
Total comprehensive income for the year			**369**	**-11 664**	**-11 295**
Premium for warrant program		122			122
New issue	80	37 520			37 600
Cost of new issue		-3 581			-3 581
Total transaction with the owners recognized directly in equity	**80**	**34 061**			**34 141**
Shareholders' equity as of 2013-12-31	**880**	**54 032**	**22**	**34 058**	**88 992**

Parent Company Financial Results

Parent company income statement

G5 Entertainment AB (kSEK)	NOTE	2013	2012
Revenue	4	99 197	80 868
Production costs	12	-86 107	-58 921
Gross profit		**13 090**	**21 947**
General and administrative expenses	12, 13, 25	-25 471	-9 515
Other operating losses	15	-29	-1 726
Operating profit		**-12 410**	**10 706**
Result from participation in group companies	19	-	13 805
Interest income and similar items	16	412	53
Interest expense and similar items	17	-299	-35
Profit after financial items		**-12 297**	**24 529**
Appropriations		2 680	-2 680
Income tax expenses	8	1 399	-2 120
NET RESULT FOR THE YEAR		**-8 218**	**19 729**

Parent company statement of comprehensive income

G5 Entertainment AB (kSEK)	NOTE	2013	2012
Net result for the year		-8 218	19 729
Items that later can be reversed in profit			
Foreign currency translation differences		649	-
Total other comprehensive income for the year		**649**	**-**
Total comprehensive income for the year		**-7 569**	**19 729**

Parent company balance sheet

G5 Entertainment AB (kSEK)	NOTE	2013-12-31	2012-12-31
Fixed assets			
Intangible fixed assets			
Capitalized development costs	7	7 771	20 833
		7 771	**20 833**
Financial fixed assets			
Receivable from group companies	7, 22	33 342	-
Deferred tax assets	8	2 101	-
Shares in group companies	21	630	865
		36 073	**865**
Current assets			
Account receivables	24, 28	6 185	9 166
Receivables from group companies	22	8 657	16 845
Other receivables	24, 28	7 386	12 614
Prepaid expenses and accrued income	28	10 854	4 260
Cash and bank		23 203	9 338
		56 285	**52 223**
TOTAL ASSETS		**100 129**	**73 921**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	9	880	800
Non-restricted equity			
Share premium reserve		53 989	19 929
Fair value reserve		649	-
Profit\Loss carried forward		38 261	18 532
Net result for the year		-8 218	19 729
		84 681	**58 190**
Total equity		**85 561**	**58 990**
Untaxed reserves		-	2 680
Liabilities			
Accounts payable	28	1 584	2 406
Income tax liability		-	3 224
Liability to group companies		4 956	3 875
Other liability	28	74	28
Accrued expenses	18	7 954	2 718
Total liabilities		**14 568**	**12 251**
TOTAL EQUITY AND LIABILITIES		**100 129**	**73 921**
Memorandum items			
Pledged assets	26	3 050	750
Contingent liabilities	27	None	None

Parent company cash flow statement

G5 Entertainment AB (kSEK)	NOTE	2013	2012
Operating activities			
Operating result after financial items		-12 297	24 529
Adjusting items not included in cash flow	20	21 858	-3 389
Taxes paid		-3 926	-2 118
Cash before changes in working capital		**5 635**	**19 022**
Cash flow from changes in working capital			
Increase/decrease in operating receivables		7 816	-14 630
Increase/decrease in operating liabilities		-11 305	3 296
Cash flow from operating activities		**2 146**	**7 688**
Investing activities			
Investing in capitalized development costs	7	-6 574	-14 796
Investing/new loan to subsidiaries	22	-15 848	-
Cash flow from investing activites		**-22 422**	**-14 796**
Financial activities			
New share issue		34 019	-
Premium for warrant program		122	-
Cash flow from financial activities		**34 141**	**-**
CASH FLOW		**13 865**	**-7 108**
Cash and bank at the beginning of year		**9 338**	**16 446**
Cash flow		13 865	-7 108
CASH AND BANK AT THE END OF YEAR		**23 203**	**9 338**

Parent company changes in shareholders' equity

G5 Entertainment AB (kSEK)	Share capital	Share premium reserve	Fair value reserve (Note 9, 22)	Profit/loss carried forward	Shareholders' equity
Shareholders' equity as of 2012-01-01	**800**	**19 830**		**18 532**	**39 162**
Net result for the year				19 729	19 729
Total comprehensive income for the year				**19 729**	**19 729**
Premium for warrant program		99			99
Total transaction with the owners recognized directly in equity		**99**			**99**
Shareholders' equity as of 2012-12-31	**800**	**19 929**		**38 261**	**58 990**
Net result for the year				-8 218	-8 218
Total other comprehensive income			649		649
Total comprehensive income for the year			**649**	**-8 218**	**-7 569**
Premium for warrant program		122			122
New issue	80	37 520			37 600
Cost of new issue		-3 582			-3 582
Total transaction with the owners recognized directly in equity	**80**	**34 060**			**34 141**
Shareholders' equity as of 2013-12-31	**880**	**53 989**	**649**	**30 043**	**85 561**

Notes

NOTE 1. Accounting principles

General information

G5 Entertainment AB (publ) is the parent company for a group of active companies: G5 Holdings Limited (Malta), G5 Holding RUS LLC (Russia), G5 Entertainment Inc (USA), G5 Holding UKR LLC (Ukraine). G5 Entertainment AB (publ) is listed on the Aktietorget exchange in Stockholm since November 19, 2008.

This Annual Report was approved for publication by the Board of Directors on April 24, 2014. The Annual Report may be changed by the company's owners after approval by the Board.

Contacts

MAIL: RIDDARGATAN 18, 114 51 STOCKHOLM, SWEDEN
PHONE: +46-70-428-3173
FAX: +46-8-545-075-49
E-MAIL: CONTACT@G5E.COM
WEB SITE: HTTP://WWW.G5E.COM

Basis for preparation

The G5 group consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), including interpretations committee (IFRIC) approved by the European Commission for application as per December 31, 2013, the Swedish Annual Accounting Act and the Swedish Financial Reporting Board, RFR 1 for group has been applied.

The consolidated financial statements have been prepared under the historical cost convention. No assets or liabilities have been accounted at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the section "Judgments and estimates in the financial statements".

Accounting policy for the parent company, see Note 2.

Fiscal year info

Fiscal year 2013 is from January 1, 2013 up to December 31, 2013.

Functional currency and reporting currency

The parent company's functional currency is the Swedish krona, which is also the reporting currency of the parent company and group. Thus, the financial statements are published in Swedish kronor. All amounts are rounded to the nearest thousand Swedish kronor (kSEK) unless stated otherwise.

Judgments and estimates in the financial statements

The company regularly reviews estimates and assumptions. Changes to estimates are recognised in the period when the change is made if the change only affected that period. If the change affects current and future periods, it is recognised in the period when the change is made and in future periods.

Assessments made by the management related to the application of the IFRS that may have a significant impact on the financial reports and estimates that may entail significant adjustments in the financial reports of subsequent years pertain to the following areas:

- **Valuation of capitalized expenditure for product development.** Capitalized development cost not yet available for use is tested annually for impairment. For capitalized development costs in use, the amortization methods and useful life's are evaluated annually and if needed tested for impairment. For more details, see Note 7.

- **Valuation of advances to external developers.** Advances to external developers are evaluated continuously and if needed tested for impairment. For more details, see Note 24.

- **Estimated impairment of goodwill.** The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated at headline "Write-downs" and "Goodwill". For more details, please see Note 23.

- **Income taxes.** To determine the current tax liabilities and current tax assets and provisions for deferred tax liabilities and deferred tax assets requires management judgment, particularly in the valuation of deferred tax assets. This process includes the tax allocation in each of the countries in which the group conducts its business. The process involves assessing the actual current tax exposure together with assessing temporary differences resulting from certain assets and liabilities are valued differently in the financial statements and in the tax returns. Management must also assess the likelihood that deferred tax assets will be recovered from future taxable income. For further information on deferred tax assets and liabilities, see Note 8.

Changes in accounting policy and disclosures

New and amended standards adopted by the group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2013 and have an impact on the group:

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. G5 does not account any items at fair value but IFRS 13 has increased some of the disclosure regarding information of fair value.

- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the group until 1 January 2014, however the group has decided to adopt the amendment as of 1 January 2013.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statement. None of these are expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The group is yet to assess IFRS 9's full impact. The group will also consider the impact of the remaining phases of IFRS 9 when completed by IASB.

- IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. G5 has not yet assessed if this standard will have any material impact.

- IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. During the current financial year there is no business that will be accounted for based on IFRS 11.

- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. G5 has not yet assessed if this standard will have any material impact.

- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The G5 group is not currently subjected to significant levies so the impact on the group is not material.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

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 percent 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

The main part of revenues (Note 4) in the G5 group comes from agreements with distributors (application stores), such as iTunes App Store, Google Play, and Amazon Appstore.

Revenue is recognized on an accruals 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 apps are downloaded or in-game purchases are made by the smartphone/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 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. Consequently, G5 considers all directly attributable development work ahead of the release of a game to be production costs. Production costs also includes royalties paid to external development studios when licensing and selling their games.

Leases

Operating leases

Costs pertaining to operating leases are recognised in the income statement on a straight-line basis over the lease term. Incentives received in conjunction with signing a lease agreement are recognised 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 the "write-downs" heading below.

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 section "Write-downs" below.

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.

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. Intangible fixed assets with indeterminable useful lives are not amortized. Instead, an impairment test is applied pursuant to IAS 36 by comparing the asset's recoverable value and its carrying amount. 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

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 realised or the deferred income tax liability is settled.

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

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 recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised 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 amortised cost using the effective interest method.

Finanical liabilities within the G5 group are recognised initially at fair value and subsequently measured at amortised 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 recognised 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 liabilites 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.

NOTE 2. Parent company accounting principles

The parent company prepares its Annual Report pursuant to the Swedish Annual Accounts Act (1995:1554) and Swedish Financial Reporting Board; RFR 2. RFR 2 is based on legal entities whose securities are quoted on a Swedish stock market or recognized marketplace, whose general rule is to apply the IFRS/IAS applied in the consolidated financial statements. Accordingly, in its Annual Report for the legal entity, the parent company applies those IFRS and statements endorsed by the EU where this is possible within the auspices of the Swedish Annual Accounts Act and with consideration to the relationship between accounting and taxation in Sweden. RFR 2 states the exceptions and supplements to be made from and to IFRS. The difference between the group's and the parent company's accounting principles are stated below. The stated accounting principles of the parent company have been applied consistently for all periods published in the parent company's financial statements.

Participations in subsidiaries

Participations in subsidiaries are reported in the parent company according to the acquisition value method after deduction for any write-downs. The acquisition value includes acquisition-related ex-penses and any considerations.

Income tax

Due to the connection between reporting and taxation, in the parent company the deferred tax liability on untaxed reserves is reported as a part of the untaxed reserves.

Receivables in subsidiaries

Exchanges differences arising on monetary items that forms part of a reporting entity´s net investment shall be recognized in other comprehensive income and as reserve within equity. For further information regarding this matter, see Note 22.

Classification and presentation

The parent company's income statement and balance sheet are presented in the format stipulated by the Swedish Annual Accounts Act. The primary discrepancy from IAS 1 relates to the accounting of equity and the incidence of provisions as an independent title in the balance sheet.

NOTE 3. Definitions of business and financial ratios.

Financial strength

Equity divided by total assets.

Return on equity

Net result divided by average equity.

Return on total assets

Operating result before financial items with addition of interest income divided by average total assets.

Current ratio

Current assets divided by current liabilities.

NOTE 4. Classification of revenue and fixed assets

Revenue split by countries	2013	2012
Sweden	97 477	75 722
Other countries	2 530	5 206
Total	**100 007**	**80 928**

The group depends on a few large customers (distributors) that each contributes more than 10% of revenues.

Fixed assets (tangible and intangible asset) split by countries	2013	2012
Sweden	7 771	20 833
Malta	41 886	21 222
Other countries	2 889	199
Total	**52 546**	**42 254**

The split of revenues and fixed assets are attributed to the entity's domicile.

NOTE 5. Employees

The staff consists of employees in the active subsidiaries and G5's co-workers contracted through each co-workers individual private firm in Russia, Ukraine, Czech Republic, UK and USA.

The parent company had 1 employee in 2013.

Average group employees	2013	2012
Men	84	27
Women	56	15
Total	**140**	**42**

Average group co-workers through contract	2013	2012
Men	29	71
Women	8	32
Total	**37**	**103**

Board of directors	2013	2012
Men	5	5
Women	-	-
Total	**5**	**5**

Executive management team	2013	2012
Men	4	3
Women	-	-
Total	**4**	**3**

NOTE 6. Remuneration to staff including CEO, members of the executive management team, and board of directors

Total staff remuneration	2013	2012
CEO (salary)	1 868	1 324
(of which variable)	*635*	*219*
Executive management team (salary)	3 333	1 836
(of which variable)	*884*	*328*
Pension costs (executive management team)	112	-
Employees' salaries	13 576	6 212
Social security costs	4 023	2 712
Co-workers through contract (invoiced by each co-worker's private company)	2 596	6 887
Total	**25 508**	**18 975**

The CEO and the executive management team are compensated by a fixed monthly salary. The CEO and some members of the executive management team are also entitled to an earnings-related bonus. The bonus is calculated quarterly as 10 percent of the operating profit above 10 percent operating margin. The CEO is entitled to 40 percent of the bonus and the remaining 60 percent is divided within the executive management team. An operating loss before financial items in a quarter reduces in the potential bonus during the next quarter. An executive manager's total bonus for the year shall not exceed 60 percent of his/her fixed yearly salary.

The CEO and the members of the executive management team are also given the opportunity to participate in the group's warrant program, see Note 9.

The notice period for the CEO and the members of the executive management team is three to six months. If termination of employment is on the part of the company then a severance pay corresponding to three to six month's salary will be awarded. If termination of employment is on the part of the manager, there will be no severance pay. The contracts of the CEO and the members of the executive management team include certain non-compete provisions for the period of employment and six months after the termination of employment. Contractual pension provisions are solely premium based. Other benefits comprise healthcare insurance.

Compensation to parent company employees amounted to 811 kSEK (0), social costs 267 kSEK (0) and pension costs 112 kSEK (0).

Board of directors remuneration	2012/13	2011/12
Ein Stadalninkas (director)	-	60
Johan Wrang (former chairman)	-	60
Peter Benson (director)	-	25
Jeffrey Rose (director)	150	60
Petter Nylander (chairman)	240	-
Martin Bauer (director)	150	-
Pär Sundberg (director)	150	35
Total	**690**	**240**

NOTE 7. Fixed assets

Group

Intangible fixed assets

Capitalized development costs	2013	2012
Intangible fixed assets at the beginning of year	**40 429**	**17 386**
Investment intangible fixed assets	41 915	33 933
Write-down	-13 908	-
Amortization	-20 094	-10 607
Currency exchange difference	-43	-283
Intangible fixed assets at the end of year	**48 299**	**40 429**

As a consequence of the changing market reality for unlockable games, and based on the management's reassessment of the unlockable games portfolio and development pipeline, a write-down of capitalized development costs were performed during the year. The write-down amount was determined by comparing forecasted revenue with total development costs for the games, resulting in a gross margin for each game. Forecasted revenue is calculated for a period of two years after release of a game, based on sales-to-date, and historical sales pattern for similar games. Due to the short time period, no discounting is done.

Accumulated capitalized development costs	2013	2012
Accumulated costs	102 290	60 418
Accumulated amortization	-40 083	-19 989
Accumulated write-downs	-13 908	-
Net amount	**48 299**	**40 429**

Out of the net amount of accumulated capitalized development costs as of December 31, 2013, 48 299 (40 429) kSEK, 28 138 (14 753) kSEK refers to capitalized development costs which not yet are available for use, i e not yet amortized. The development time is normally short, 4-12 months, meaning that the amortization of these games will probably begin in 2014 or 2015.

Goodwill	2013	2012
Intangible fixed assets at the beginning of year	**2 319**	**2 322**
Currency exchange	-1	-3
Intangible fixed assets at the end of the year	**2 318**	**2 319**

Tangible fixed assets

Equipment	2013	2012
Tangible fixed assets at the beginning of year	**1 825**	**1 539**
Investment tangible fixed assets	1 118	1 273
Depreciation/write-downs	-1 008	-930
Currency exchange difference	-6	-57
Tangible fixed assets at the end of year	**1 929**	**1 825**

Accumulated equipment	2013	2012
Accumulated costs	5 498	4 380
Accumulated depreciation / write-downs	-3 569	-2 555
Net amount	**1 929**	**1 825**

Parent company

Intangible assets

Capitalized development costs	2013	2012
Intangible fixed assets at the beginning of year	**20 833**	**16 453**
Investment intangible fixed assets	6 574	14 796
Write-down	-9 466	-
Amortization	-10 170	-10 416
Intangible fixed assets at the end of year	**7 771**	**20 833**

Financial fixed assets

Long-term receivable from group companies	2013	2012
Financial assets at the beginning of year	-	-
Reclassification of short-term receivables from group companies	16 845	-
Investment in long-term receivables from group companies	16 497	-
Financial assets at the end of year	**33 342**	-

NOTE 8. Taxes

Group

Income tax expenses	2013	2012
Current tax	-2 317	-3 034
Deferred tax	2 695	-590
Total tax expenses	**378**	**-3 624**

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applied to profit of the consolidated entities as follows:

Actual tax charge	2013	2012
Profit / Loss before tax	-12 042	25 804
Tax according to current tax rate 22% (26.3%) %	2 649	-6 786
Tax effect on expenses non deductible	-73	-5
Refund of tax in foreign subsidiaries	-	4 226
Adjustment for tax rates in foreign subsidiaries	272	-1 250
Tax effect of changed tax rate	-	115
Tax effect of deferred tax asset not accounted for	-1 850	-98
Other	-620	174
Tax charge	**378**	**-3 624**

Refund of tax in foreign subsidiaries refers to refund of tax when dividend is transferred from the subsidiary in Malta to the parent company in Sweden. The tax for the subsidiary in Malta is 35%, but when there is a dividend transferred to the parent company in Sweden there will be a tax refund calculated as 6/7 of the paid local tax. In line "Adjustment for tax rates in foreign subsidiaries" the tax rate for Malta is 35 percent, compared to the Swedish tax of 22 percent, and the refund is entered at a separate row. The refund is based on a dividend that is accounted for as a liability in the legal annual reports of the subsidiary.

Deferred tax assets/liabilities	Loss carry forward	Untaxed reserves
December 31, 2011	**-**	**-**
Reported in income statement	-	-590
December 31, 2012	**-**	**-590**
Reported in income statement	2 105	590
December 31, 2013	**2 105**	**-**

The loss carry forwards on which the deferred tax assets have been based amount to 9 568 kSEK and have an indefinite life. It is the management's assessment that the loss carry forward will be utilized against future taxable profits.

Parent company

Income tax expenses	2013	2012
Current tax	-702	-2 120
Defered tax	2 101	-
Total tax expenses	**1 399**	**-2 120**

Actual tax charge	2013	2012
Profit / Loss before tax	-9 617	21 849
Tax according to current tax rate 22 % (26.3%)	2 116	- 5 746
Tax effect of income exempted from tax	-	3 631
Tax effect of expenses not deductible	-14	-5
Other	-703	-
Tax charge	**1 399**	**- 2 120**

Income not subject for tax includes dividend from subsidiaries amounting to 0 (13 805) kSEK. Not deductible expenses includes write-down of subsidiaries 0 (21) kSEK.

Deferred tax assets/liabilities	Loss carry forward	Untaxed reserves
December 31, 2011	**-**	**-**
Reported in income statement	-	-
December 31, 2012	**-**	**-**
Reported in income statement	2 101	-
December 31, 2013	**2 101**	**-**

The loss carry forwards on which the deferred tax assets have been based amount to 9 568 kSEK and have an indefinite life. It is the management's assessment that the loss carry forward will be utilized against future taxable profits.

NOTE 9. Equity

G5 Entertainment AB has only one share class, with all shares having equal voting rights. No treasury shares were repurchased or sold. By the end of 2013 there were 8 800 000 ordinary shares, each with a par value of 0.1 SEK.

In February 2013, G5 Entertainment AB completed a directed share issue of 800 000 shares, corresponding to 10% of the number of shares outstanding in the company before the issue. The directed share issue provided the company with approximately 37.6 MSEK before deductions for issue expenses. As a result of the directed share issue, the total number of outstanding shares increased from 8 000 000 shares to 8 800 000 shares and the share capital increased from 800 000 SEK to 880 000 SEK.

Share capital development	No of shares	Share capital
December 31, 2005	**5 000 000**	**500 000**
Share issue 2006	1 000 000	100 000
December 31, 2006	**6 000 000**	**600 000**
December 31, 2007	**6 000 000**	**600 000**
Share issue 2008	1 419 574	141 957
December 31, 2008	**7 419 574**	**741 957**
December 31, 2009	**7 419 574**	**741 957**
December 31, 2010	**7 419 574**	**741 957**
December 31, 2011	**7 419 574**	**741 957**
Share issue 2012	580 426	58 043
December 31, 2012	**8 000 000**	**800 000**
Share issue 2013	800 000	80 000
December 31, 2013	**8 800 000**	**880 000**

At an Extraordinary General Meeting held on October 31, 2012, it was decided to implement a multi-year (2012-2015) warrant program, as part of a long-term incentive program. In 2013 managers and senior executives of G5 subscribed for 165 000 warrants. Members of the board, with the exception of the CEO, were not allowed to take part in the program. Accordingly, G5 has issued 165 000 new warrants in August 2013. Each warrant entitles the holder to subscribe to one share in the company at an issue price of 127.45 Kr. The warrants were acquired at market price, 0.74 Kr, calculated using the Black-Scholes model. The period for the warrants is 3 years and 3 months, and it will be possible to exercise warrants after 3 years. Upon full exercise of the warrants, up to 165 000 shares, representing two percent of the total number of outstanding shares at the time of issue of the warrants, will be issued.

Dividend

The Board of Directors has decided to propose to the Annual General Meeting that no dividend is to be paid for the financial year 2013. For G5's dividend policy please see the Director's report.

Other reserves (group)

Other reserves consist of exchange differences on net investment from reported entity's (subsidiaries) and exchange differences on receivables that forms part of a reporting entity's net investment.

Fair value reserve (parent company)

The fair value reserve consists of exchange differences on receivables that forms part of a reporting entity's net investment. The amount is without any tax effect. The tax is assessed to 0 SEK.

NOTE 10. Earnings per share

Weighted average number of shares and shares at the end of the year:

	2013	2012
Shares at the end of the year	8 800 000	8 000 000
Weighted average number of shares	8 711 111	8 000 000

At the end of 2013, there were a total of 325 000 warrants outstanding, representing the same number of shares. The potential shares entailed in the issue of the warrants are considered when calculating the number of shares and earnings per share after dilution, to the extent they affect dilution in accordance with IAS 33 Earnings per share. As the average price during 2013 when the warrants were outstanding falls below the strike price of 106.48 SEK (160 000 warrants issued in 2012) and 127.45 SEK (165 000 warrants issued in 2013), the potential shares have no dilutive effect and as such are not included in the number of shares after dilution.

NOTE 11. Related parties

The parent company has close relations with its subsidiaries. Transactions between group companies are conducted either as royalty, or at cost plus a certain margin. As of December 31, 2013, the parent company had 41 999 (16 845) kSEK in receivables from group companies and 4 956 (3 875) kSEK in liabilities to group companies. Parent company sales to subsidiaries amounted to 4 999 (0) kSEK. Parent company purchases from subsidiaries amounted to 47 590 (29 415) kSEK, of which some part is put on balance as intangible assets.

Receivables and liabilities to group companies are according to commercial terms. For loans not planned to be repaid in the foreseeable future, see Note 22.

Apart for transactions within the group, remuneration to the board of directors, CEO and members of the executive management team, and the warrant program, there are no transactions with related parties.

NOTE 12. Expenses by nature

Group	2013	2012
Royalty to developers and license fees	38 284	21 386
Marketing	11 382	1 488
Personnel costs	25 508	18 971
Amortization and write-downs of capitalized development costs	32 098	10 607
Capitalized costs	-41 915	-33 933
Other costs	47 910	34 832
Total cost	**113 267**	**53 351**

Parent company	2013	2012
Royalty to developers and license fees	65 819	63 301
Marketing	16 056	6 101
Personnel costs	1 777	
Amortization and write-downs of capitalized development costs	19 636	10 416
Capitalized costs	-6 574	-14 796
Other costs	14 864	3 414
Total costs	**111 578**	**68 436**

NOTE 13. Audit fees

Group	2013	2012
Auditing within the audit assignment		
Mazars	695	515
Other auditing firms	44	20
Other auditing tasks		
Mazars	464	
Total	**1 203**	**535**

Parent company	2013	2012
Auditing within the audit assignment		
Mazars	552	428
Other auditing tasks		
Mazars	464	
Total	**1 016**	**428**

"Audit assignment" refers to the auditing of the annual report and accounting, including the Board's and CEO's administration, as well as other duties that the company's auditor are required to perform and advice on, or other support brought about by observations from auditing or conducting similar task. Everything else is considered to be audit business beyond the audit assignment. This includes, for example, the review of G5's interim report.

NOTE 14. Other operating gains

Group	2013	2012
Currency exchange gains	251	-
Write-off of liabilities	1 657	-
Other	138	33
Total	**2 046**	**33**

During 13Q4 a liability to an external party was considered to fulfill the requirements for a write-off. The write-off increases other operating income by 1 657 kSEK.

NOTE 15. Other operating losses

Group	2013	2012
Currency exchange loss	612	1 749
Total	**612**	**1 749**

Parent company	2013	2012
Currency exchange losses	29	1 726
Total	**29**	**1 726**

NOTE 16. Financial income

Group	2013	2012
Interest	85	53
Total	**85**	**53**

Parent company	2013	2012
Interest income from group companies	344	-
Other	68	53
Total	**412**	**53**

NOTE 17. Financial expenses

Group	2013	2012
Other	301	110
Total	**301**	**110**

Parent company	2013	2012
Currency exchange difference on inter-company loans	203	-
Other	96	35
Total	**299**	**35**

NOTE 18. Accrued expenses

Group	2013	2012
Royalty	6 272	2 432
Other	1 797	1 709
Total	**8 069**	**4 141**

Parent company	2013	2012
Royalty	6 180	2 432
Other	1 774	286
Total	**7 954**	**2 718**

NOTE 19. Result from participation in group companies

Parent company	2013	2012
Dividend from subsidiaries	-	13 805
Total	**-**	**13 805**

NOTE 20. Adjustments for items not included in cash flow

Group	2013	2012
Depreciation/amortization	21 102	11 537
Write-down of fixed assets	13 908	-
Write-down of advances	4 104	-
Total	**39 114**	**11 537**

Parent company	2013	2012
Depreciation/amortization	10 170	10 416
Write-down of fixed assets	9 466	-
Liquidation of subsidiaries	235	-
Write-off receivables	1 987	-
Dividend	-	-13 805
Total	**21 858**	**-3 389**

NOTE 21. Shares in subsidiaries

Change	2013	2012
Accumulated value, opening balance	865	865
Purchase of shares	50	-
Liquidation of subsidiary	- 285	-
Accumulated value, closing balance	630	865

Parent company's share holdings in group companies

Subsidiary	Corporate ID	Reg. office	No. of shares	Equity holding, %	Vote holding, %	Net amount (kSEK)
G5 Entertainment Holding AB	556950-2320	Sweden	500	100%	100%	50
G5 Holdings, Ltd (inactive)	1005090	Hong Kong	1 000	100%	100%	500
G5 Holdings, Ltd	C 48516	Malta	1 199	99.9%	100%	12
G5 UA Holdings, Ltd (inactive)	C 49290	Malta	1 199	99.9%	100%	11
G5 Entertainment, Inc.	3321541	USA	1 000	100%	100%	7
G5 Holding UKR, LLC	36374549	Ukraine	1 000	100%	100%	50

Subsidiaries share holdings in group companies

Subsidiary	Corporate ID	Reg. office	No. of shares	Equity holding, %	Vote holding, %
G5 UA Holdings, Ltd (inactive)	1187456	Hong Kong	1 000	100%	100%
G5 Holding RUS, LLC	5087746112658	Russia	100	100%	100%

NOTE 22. Receivables group companies

During 2013 receivables to group companies has been reclassified from short-term receivables to long-term receivables, at an amount of 16 845 kSEK. The reason for this reclassification is due to new agreements between the parent company and a subsidiary. An additional 16 497 kSEK was added to the long-term receivable during the year. The loan to the subsidiary is not planned to be repaid in the foreseeable future. The currency effects on those receivables are accounted for as part of a reporting entity´s net investment, i e in other comprehensive income.

NOTE 23. Impairment test of goodwill

The most material part of the goodwill, 2 272 kSEK, is related to the former subsidiary Shape Games Inc. Through the acquisition of Shape Games the group got original source code and trademark rights for a number of attractive games. Based on this source code, these games have subsequently been developed further, and have become a successful part of G5's portfolio. Development work is continuing on a number of the games, creating new versions of the games, on various platforms. The company expects these games to generate substantial revenue during the foreseeable future. The games have been transferred from Shape Games to the group, and are being valued separately from the rest of the game portfolio.

The goodwill associated with these games is being impairment tested by comparing forecasted revenue with total development costs for the games, resulting in a gross margin for each game. Forecasted revenue is calculated for a period of two years after release of a game, based on sales-to-date, and historical sales pattern for similar games. Due to the short time period, no discounting is done.

No impairment write-down arose as forecasted revenue in all cases exceeds total development costs. Even if the gross margin would decrease by 5% no impairment write-down would be arise.

NOTE 24. Account receivables and other receivables

Group

Account receivables

In 2013, the group did a write-down of 0 (0) kSEK for account receivables. As of December 31, 2013, there were no significant account receivables or other receivables that were due for payment. All the group's accounts receivables have a maturity of less than three months.

Maturity of account receivables	2013	2012
0-3 months	7 156	9 537
More than 3 months	-	-

Other receivables

For development projects (development of the games), G5 partly use external developers. Agreed consideration is a combination of upfront and royalty-based payments. Prior to the development of new games there are sometimes agreements to pay advances to the developers. These advances are included in other receivables. As of December 31, 2013, the total advances to external developers amounted to 4 373 (9 513) kSEK. No single developer represented more than 28% of those advances.

Maturity of other receivables	2013	2012
0-3 months	5 276	1 499
More than 3 months	1 639	9 513

All development projects are continuously evaluated in order to ensure their profit potential, by comparing forecasted revenue with total development costs. In 2013, the market for unlockable games developed in such a way that a number of games under development were cancelled due to a decrease in forecasted revenue,. The corresponding advances were written of, to the amount 4 100 kSEK.

The agreements with external developers normally includes an opportunity for G5 to recover the advances if a development project does not go as planned. These development companies are however often small, and lacks the financial resources to repay the advances. G5's primary credit management mechanism is therefore to carefully evaluate the potential of all development projects before they begin.

Parent company

In 2013, the parent company did a write-down of 0 (0) kSEK for account receivables. As of December 31, 2013, there were no significant account receivables or other receivables that were due for payment. All the parent company's accounts receivables have a maturity of less than three months.

Maturity of account receivables	2013	2012
0-3 months	6 185	9 166
More than 3 months	-	-

Maturity of other receivables	2013	2012
0-3 months	3 084	6 310
More than 3 months	4 302	6 304

In 2013 advances to external developers to the amount of 1 987 (0) kSEK were written off.

NOTE 25. Leases

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. These agreements all have a duration of one year or less.

Office rent	2013	2012
Rent paid	1 746	1 723

The future aggregate minimum lease payment under non-cancelable operating lease are all due within one year (2014) at a total amount of 434 kSEK.

NOTE 26. Pledged assets

Floating charge 3 000 (700) kSEK, pledged for cheque account with overdraft facility (400 kUSD). The overdraft facility was unused 2013-12-31.

Bank account 50 (50) kSEK, pledged for bank guarantee.

NOTE 27. Contingent liabilities

The group does not have any contingent liabilities at balance date.

NOTE 28. Financial items and financial risks

Through its business operations, G5 is exposed to a number of financial risks, including fluctuations in earnings, balance sheet, and cash flow resulting from changes in exchange rates, rates of interest, and risks related to refinancing and credit. Group financial policy for risk management, determined by the board, is a framework of guidelines and regulations in the form of risk mandates and limits for financial operations.

The board of directors has the overall responsibility for the management of financial risks, which is delegated to the chief executive office, and the chief financial officer.

G5 has centralized financial management, which means that the chief responsibility for financial management resides with the parent company.

Risk is managed by the finance department according to principles approved by the board.

The group's financial risks primarily comprise currency risk, credit risk, and liquidity risk. Interest risk is considered marginal, because at present G5 does not have any external funding.

Currency risk

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.

Foreign currency sensitivity analysis

A sensitivity analysis, considering the foreign currency exposure on December 31, 2013, shows the effect on earnings after tax of a 10 percent 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

Credit risk

Accounts receivable

Credit risk related to accounts receivable are considered immaterial, since almost all sales are generated through major telecom and media companies, with consistently high credit ratings. These distributors pay the company monthly based on sales to the end users. Payments to G5 are made 1-2 months after the sale to the end user. The distributors take full responsibility for tracking and accounting of end user sales, and send G5 monthly royalty reports that show amounts to be paid.

G5 does not have any material overdue or impaired accounts receivable, and the credit risk associated with the accounts receivable that are neither due nor impaired is deemed to be small.

Advances to external developers

For development projects (development of the games), G5 partly use external developers. Agreed consideration is a combination of upfront and royalty-based payments. Prior to the development of new games there are sometimes agreements to pay advances to the developers. These are recognized as other receivables on the balance sheet. As sales of a game starts, the advances are recouped from royalties to the developer.

The maturity of the advances depends on the publication dates of the games to which the advances belong. This means that it varies from zero (for games that are ready for publication) up to 6-12 months (for games where development has just started).

If a project does not develop as expected, the advances associated with the project in certain cases might have to be written-off. All development projects are continuously evaluated in order to ensure their profit potential, by comparing forecasted revenue with total development costs.

Liquidity risk

The group manages liquidity risks by retaining sufficient liquidity to provide for the needs of the business. The process is monitored via the group's cash flow forecasts. Moreover, the group has agreed bank credit facilities.

Concentration of risk

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 a majority of its users 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. Competition among these distributors is intense, and all of them try to attract the most attractive games to their electronic store. Based on a strong game, G5 does not consider the risk inherent in these business relationships to be high.

Fair value

G5 group has no financial instruments that are accounted for at fair value. The carrying amount for financial instruments (as reported in the table below) correspond to fair value.

Financial instruments split into categories (Group)

Financial assets	2013	2012
Accrued income	10 916	4 260
Account receivable	7 156	9 537
Other receivables	6 915	11 012
Cash and cash equivalents	27 433	13 661
Loan and receivables	**52 420**	**38 470**

Financial liabilities	2013	2012
Account payable	7 478	5 402
Other liabilities	464	2 254
Accrued expenses	8 069	4 141
Financial liabilities measured at amortized costs	**16 011**	**11 797**

Maturity of financial liabilities	2013	2012
0-3 months	16 011	11 797
More than 3 months	-	-

Result from the financial categories above; i.e Loans and receivables and Financial liabilities measured at amortized costs consist mainly of interest, exchange differences and credit losses, if any. Those results are reported for the categories together, in Note 14-15, 19 and 24.

Financial instruments split into categories (Parent company)

Financial assets	2013	2012
Accrued income	10 854	4 260
Account receivable	6 185	9 166
Receivables group (long-term)	33 342	-
Receivables group (short-term)	8 657	16 845
Other receivables	7 386	12 614
Cash and cash equivalents	23 203	9 338
Loan and receivables	**89 627**	**52 223**

Financial liabilities	2013	2012
Account payable	1 584	2 406
Liabilities group	4 956	3 875
Other liabilities	74	28
Accrued expenses	7 954	2 718
Financial liabilities measured at amortized costs	**14 568**	**9 027**

Maturity of financial liabilities	2013	2012
0-3 months	14 568	9 027
More than 3 months	-	-

Capital risk management

The group´s objectives when managing capital are to safeguard the Groups abilities to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Capital in G5 group is by definition Equity. There are no external restrictions. For dividend policy; see page 22 in the Directors report. G5 does not have any loan financing.

Assurance

The board and CEO assure that the annual accounts were prepared in accordance with generally accepted principles in Sweden, and the consolidated accounts were prepared in accordance with international accounting standards described in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards. The annual accounts and consolidated accounts give a fair view of the parent company's and group's financial results and position. The directors' report for the parent company and group gives a fair view of the changes in the parent company's and group's business, position, and earnings and describes significant risks and uncertainties faced by the parent company and group companies.

Stockholm, Sweden, April 24, 2014

Petter Nylander
Chairman of the Board

Pär Sundberg
Board member

Jeffrey Rose
Board member

Martin Bauer
Board member

Vlad Suglobov
CEO

Our audit report was issued on 2013-04-24

Mazars SET Revisionsbyrå AB

Bengt Ekenberg
Authorized public accountant

AUDITOR'S REPORT

To the Annual General Meeting of shareholders in G5 Entertainment AB.
Corporate identity number 556680-8878

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of G5 Entertainment AB (publ) for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 11-53.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair representation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards as adopted by the EU and in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31st 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31st 2013 and of their financial performance and cash flows in accordance with International Financial Reporting Standards as adopted by the EU and in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of G5 Entertainment AB (publ) for the year 2013.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we and consolidated accounts examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm April 24th 2014

Mazars SET Revisionsbyrå AB

____

Bengt Ekenberg
Authorized Public Accountant

Corporate Governance Report

Introduction

G5 Entertainment AB (publ) was incorporated in 2005. G5 Entertainment AB is the parent company of the G5 Entertainment group ("G5 Entertainment"). G5 Entertainment is a public company whose shares were admitted to trading on the Aktietorget stock exchange in Stockholm in 2008. The board of directors of G5 Entertainment hereby presents the corporate governance report for 2013 as required by Chapter 6, Section 6 of the Swedish Annual Accounts Act and Point 10 of the Swedish Code of Corporate Governance.

This corporate governance report was adopted by the board in April 2014 and is an account of how corporate governance has been conducted at G5 Entertainment during the financial year 2013. This corporate governance report has been audited by the company's auditors. The corporate governance report does not form part of the directors' report.

Principles of corporate governance

In addition to the principles of corporate governance imposed by law or regulation, G5 Entertainment applies the Swedish Code of Corporate Governance (the "Code"), (see Swedish Corporate Governance Board website www.bolagsstyrning.se). The process of applying the code started at the Annual General Meeting 2013, and relevant internal corporate governance documents and policies have been developed and implemented during the period to ensure the company's governance. The internal regulations for the company's governance consist of the articles of association, the board's rules (including instructions for the board committees), CEO instructions, instructions for financial reporting and other policies and guidelines.

G5 Entertainment complies with the Code with the exception that the audit committee only had two members until September 27, 2013.

Shareholders

Per December 31, 2013 the company had more than 2000 shareholders.

Major share holdings

Försäkringsaktiebolaget Avanza Pension has a shareholding of more than one-tenth of the voting power of all shares in the company. However, they have no voting rights for these shares, as the shares are owned by customers to Avanza.

Voting rights

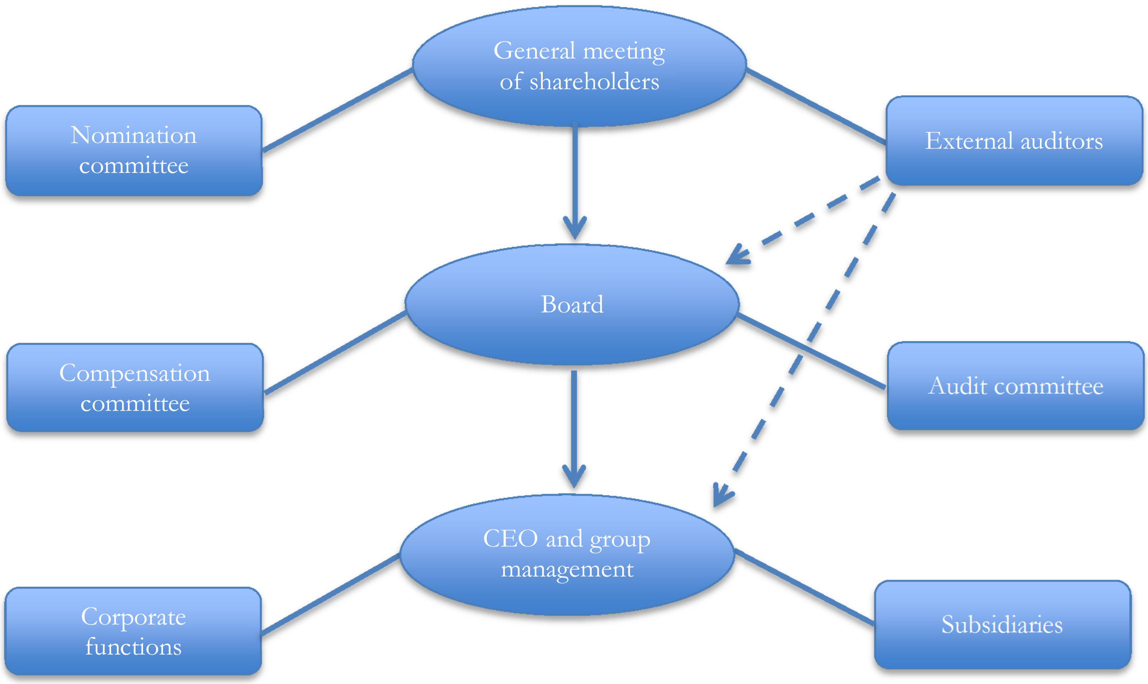
G5 Entertainment's articles of association do not contain any limitations regarding how many votes each shareholder may cast at an annual general meeting.

Articles of association

The current articles of association (see company's website www.g5e.com/corporate) were adopted at the annual general meeting of June 7, 2011. The articles of association do not contain any specific provisions on the appointment and dismissal of board members or on amendments to the articles.

General meeting of shareholders

The general meeting of shareholders is the company's supreme governing body. It is at the meeting that shareholders have the opportunity to exercise their influence. A number of matters are reserved, in accordance with the Swedish Companies Act, for the general meeting to decide, such as adoption of the income statement and the balance sheet, distribution of profit, discharge of liability, election of board members and the appointment of auditors.



The figure shows G5 Entertainment's corporate governance model and how the central bodies are appointed and interact.

During the year the board may convene extraordinary general meetings. This happens for example if decisions must be taken in matters that can only be decided by a general meeting and it is not appropriate to wait until the next AGM.

Shareholders wishing to attend a general meeting must be registered as shareholders in the transcript or other copy of the entire share register, according to ownership status, one week before the meeting, and notify the company of their intent to participate not later than on the date specified in the notice to the general meeting. This day may not be a Sunday, public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and must not be earlier than the fifth weekday before the meeting.

Annual general meeting

G5 Entertainment held its 2013 AGM on June 19, 2013, at Hotel Kung Carl, Birger Jarlsgatan 21, Stockholm, Sweden. 13 shareholders, representing almost 30 percent of votes and capital, attended the meeting. The majority of G5 Entertainment's executive team plus the board and the company's auditors were present as required by the Code. The AGM resolved to adopt the income statement and balance sheet for 2012, profit distribution, and discharged the CEO and the board from liability for the financial year. The AGM elected board members and appointed the nomination committee.

The 2014 AGM will be held at hotel Kung Carl, Birger Jarlsgatan 21, Stockholm, Sweden on May 20.

Extraordinary general meeting

No extraordinary general meeting of the company was held in 2013.

Authorisation

The Annual General Meeting 2013 authorized the board of directors to, until the next annual general meeting, with or without deviation from the shareholders' preferential right, on one or more occasions, to resolve on issuance of a maximum of 880 000 shares, meaning an increase of the share capital of a maximum of SEK 88 000, corresponding to a dilution of about 10 per cent of the share capital and voting right. The purpose of the authorization is to enable acquisitions and fundraisings. It shall be possible to pay by kind, set-of or otherwise be subject to conditions. Deviation from the shareholders' preferential right shall be allowed to be made in a situation where a directed issue, because of time, business or similar considerations is more beneficial for the company. The issue price shall at all times be as close to market value as possible with the discount required to achieve full subscription. A valid resolution requires that shareholders at the meeting representing at least 2/3 of the numbers of shares and votes represented votes in favor of the proposal (Chapter 13 of the Companies Act).

Nomination committee

The AGM appoints the nomination committee and decides what tasks the committee will complete for the next AGM.

The nomination committee for the 2014 AGM consists of representatives of G5 Entertainment's five largest shareholders:

- Magnus Uppsäll, chairman (representing Wide Development Limited)
- Petter Nylander (representing Proxima Limited)
- Jeffrey Rose (representing Purple Wolf Limited)
- Jesper Bonnivier, Länsförsäkringar
- Annika Andersson, Robur

The chairman of the nomination committee is Magnus Uppsäll.

Board of directors

Board composition

Until the 2013 AGM, the board consisted of Johan Wrang, chairman, Pär Sundberg, Ein Stadalninkas, Jeffrey Rose, and Vlad Suglobov. The 2013 AGM re-elected the board members, with the exception of Johan Wrang and Ein Stadalninkas, who had declined re-election. Petter Nylander and Martin Bauer were elected as new board members. Petter Nylander was elected as chairman of the board.

Board independence

The opinion of the nomination committee, which is shared by the board, with regard to the independence of the board members in relation to the company, the company's management and shareholders is shown in the table below. Accordingly, G5 Entertainment fulfills the applicable requirements regarding board members' independence of the company, the management and the company's major shareholders.

Board work

The board's work is based on the requirements of the Swedish Companies Act, the Code and other rules and regulations applicable to the company. The board 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 to present specific issues as needed.

In 2013 the board met on ten occasions in addition to the constituent meeting following the AGM (including six per capsulam). During the year the board 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 has met with the auditor without the presence of the CEO or other executive team members.

External evaluation of the board's 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's own development work. The board addressed the evaluation of CEO performance with no executive team members in attendance. The nomination committee has been informed of the results.

The board monitors management performance through monthly reports that include reports of financial results, key performance indicators, development of priority activities and so on.

Board work

The board holds ordinary board meetings according to the schedule below.

February Year-end report

April Corporate governance meeting – Agenda and notice of AGM, 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

December Budget meeting, business plan

The CEO presents a business update at ordinary board meetings. The board holds briefings with the auditor to address reports from the auditor.

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.

Audit committee

Until September 27, 2013, the audit committee comprised of Martin Bauer and Petter Nylander, chairman. From that date, the audit committee comprises Martin Bauer, Pär Sundberg, and Petter Nylander, chairman.

In 2013, the audit committee held three minuted meetings. Meetings are attended by the company's CFO, who also serves as the audit committee's secretary. The company's auditor attended one of the audit committee meetings.

During the year the audit committee had an extra focus on risk management. The committee has reviewed all interim reports and all reports from the company's auditor. The committee has also focused on impairment testing of capitalized development costs, preparations for the re-listing, and internal processes and controls.

Compensation committee

The compensation committee includes Petter Nylander, chairman, Pär Sundberg, and Jeffrey Rose.

In 2013, the compensation committee held one minuted meeting.

Attendance by board members and committee members during the year is shown in the table below.

Listing steering committee

The listing steering committee includes Petter Nylander, chairman, Pär Sundberg, and Odd Bolin.

In 2013, the committee held 11 minuted meetings, as well as a number of informal meetings.

Name	Elected	Independent	Position	Committees	Board attendance	Audit committee attendance	Compensation committee attendance	Fees kSEK	No. of shares/ warrants in G5 Entertainment
Petter Nylander	2013	Yes	Chairman of the board since 130619, chairman of the audit and compensation committees	Audit, Compensation, Nomination	6(6)	3(3)	1(1)	240	3900/0
Pär Sundberg	2012	Yes	Board member	Audit, Compensation	6(6)	2(2)	1(1)	150	2000/0
Jeffrey Rose	2011	Yes	Board member	Compensation, Nomination	11(11)		1(1)	150	-/-
Martin Bauer	2013	Yes	Board member since 130619	Audit	6(6)	3(3)		150	92 500
Vlad Suglobov	2006	No	Board member, CEO		11(11)			-	571 000/40 000
Johan Wrang	2010	Yes	Board member until 130619		5(5)			80	
Ein Stadalninkas	2006	Yes	Board member until 130619		5(5)			80	

Auditors

The auditing firm appointed by the 2013 AGM for a period of one year is Mazars SET Revisionsbyrå AB. Authorized public accountant Thomas Ahlgren remained head auditor until September 25, 2013 when Bengt Ekenberg instead was registered as the head auditor. Re-registration was part of the preparatory process, as the company intends to apply for listing on a regulated market (Nasdaq OMX). The auditors are responsible, on behalf of the shareholders, for auditing the company's annual report and accounting records, as well as the administration of the company by the board and CEO. The auditor reports regularly to the board. Auditing fees are presented in Note 13.

Internal control of financial reporting

The board of directors is responsible for internal control as regulated in the Swedish Companies Act and the Code. G5 Entertainment's corporate governance report contains a description of the most material aspects of the company's internal control and risk management systems, as stipulated by the Annual Accounts Act. 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 bears 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 organisation, defined and communicated decision channels, instructions on powers and responsibilities as well as accounting and reporting policies. The board 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 has considered the need to establish a special internal audit function. The board 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.

The board has adopted the board's instructions, the CEO's instructions and the reporting instructions, G5 Entertainment's Authorisation Principles, G5 Entertainment's Accounting Principles, G5 Entertainment's Financial Policy, G5 Entertainment's Fraud and Anti-Bribery Policy, and G5 Entertainment's IT Policy. In addition there are policies and guidelines in several areas of operational activity.

Risk assessment

As an integral aspect of their assignment, the board and 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. The board 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 authorisations are based at the group level but are then handled primarily at the regional level in Sweden and in the subsidiaries in each country.

Information

Information about internal policy documents for financial reporting is accessible to all relevant employees on G5 Entertainment's wiki. 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, 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.

Management work

The CEO has regular e-mail, Skype and telephone contacts with all members of the executive management team to have business reviews, receive reports, set goals, and make consultations. In addition to this, there are several in-person meetings with each member of the team every year for more in-depth discussions and planning. G5's core processes rely heavily on e-mail, and as a company G5 has well-developed e-mail communication culture and policies. E-mail is encouraged over other means of communication, as it allows automatic saving and tracking of everyday decision-making in the company's processes. Given prevalence of e-mail communication in the company, and taking into account the diverse locations of the executive team members and substantial difference in time zones, CEO has made the decision not to have regular meetings with all members of the team present, as they would not provide more operational value.

The executive management team's control and monitoring is based on the board's established working procedures, instructions for the CEO and reporting instructions. The executive management team and the central corporate staff lead the daily operations primarily through policy instruments such as budgets, performance management and reward systems, regular reporting and monitoring and staff meetings, as well as a delegated decision-making structure within functional (development, marketing, support, finance, etc.) hierarchies, as well as within company hierarchy, from the parent company to the management in subsidiaries.

During the year, the focus has been on the process of transition from unlockable games to free-to-play games. Certain core internal processes of the company had to be adjusted to new development and marketing cycles and practices, and had to be run in parallel with existing processes. New positions were introduced, and all functional teams were strengthened to support new free-to-play games.

Board members

Petter Nylander - Born in 1964, Petter Nylander has Bachelor's Degree in Business Administration from University of Stockholm. In 1994, Petter Nylander joined MTG AB and made it to several senior positions including CEO of TV3 Sweden (Sweden's first commercially financed TV station), CEO TV3 Scandinavia and Vice President MTG Broadcasting Channels. During 2003-2005 he was CEO of OMD Sweden AB (Omnicom Media Group), a global communications services company. During 2005-2010 he served as CEO for Unibet Group Plc, one of Europe's leading online gambling sites. Other experience from gaming sector include: 2000-2003 Director of the Board, Cherry Företagen AB (Later split into Betsson, Net Entertainment and Cherry), 2004-2005 Director of the Board, Ongame e-Solutions AB (Acquired by Bwin), 2006-2011 Director of the Board, European Betting and Gaming Association (EGBA), 2010-2011 Director of the Board, Bingo.com. Currently, Petter Nylander is Director of the Board in Cint AB, Chairman of the Board in Besedo Services AB, and CEO of Universum Group AB.

Pär Sundberg - After graduating from Luleå University of Technology with a Masters Degree in Industrial Engineering and Management, Pär Sundberg co-founded OTW, Sweden's leading provider of Content Marketing Services. He served as Group President and CEO of OTW from inception in 1996 until 2009. Following that Pär Sundberg has also served as President and CEO of Metronome Film & Television, the Nordic region's pre-eminent production group. He is currently a Board member in AB Traction, a listed investment company in Stockholm.

Jeffrey W. Rose - Jeffrey W. Rose is an attorney specializing in intellectual property licensing, development, publishing, and strategy. For the past twenty years, he has served clients in the interactive entertainment, film, television, new media, and technology industries, providing counsel on a wide spectrum of successful projects. His practice is based in Southern California and serves clients worldwide. Jeffrey W. Rose served from 2012 to 2013 on the board of Web Wise Kids, a non-profit organization that seeks to educate kids, parents and the community on how to make safe and wise choices in a technologically evolving world. He received an A.B., *magna cum laude*, from Duke University in 1984 and a J.D. from the UCLA School of Law in 1987.

Martin Bauer - Martin Bauer is the Managing Director of Graneli & Company AB, a management consulting company based in Stockholm. A former Booz & Co consultant, he held various business development positions at the corporate headquarters of Sapa, a global manufacturer of aluminium industrial goods, before founding Graneli & Company AB in 2012. He started his career as a research analyst at Ned Davis Research, a financial research firm for institutional investors based in Venice, Florida. Martin Bauer holds a Master of Science degree in Industrial Engineering and Management from the University of Linköping.

Vlad Suglobov (CEO, Co-Founder) – Vlad Suglobov was born in 1977, and has over 18 years of industry experience. Before co-founding G5 in 2001 and serving for over 12 years as CEO of the group, Vlad graduated from Lomonosov Moscow State University with M.Sc. in Computer Science, and worked in a number of Russian and US companies in the games and IT industry. Growing with G5, Vlad Suglobov was active in many essential roles, establishing the company's strategy, client relations, product development and sales. Today, he is concentrating on expanding G5's business internationally.

Executive management team

The board appoints the CEO. The CEO appoints and leads the work of the executive team and makes decisions in consultation with the rest of the executive team. On December 31, 2013 the executive team consisted of the CEO, the group's CFO, the group's COO, and group's VP Finance.

Vlad Suglobov (CEO, Co-Founder), see above.

Alexander Tabunov (COO, Co-Founder) – Alexander Tabunov, born in 1974, is an experienced IT manager with background in software engineering. Since co-founding G5 in 2001, he is responsible for G5's day-to-day operations and processes in the COO position, including building G5's development team on multiple platforms and technologies. Alexander Tabunov received his MS degree in computer science from Moscow State Institute of Electronics and Mathematics.

Sergey Shults (VP Finance, Co-Founder) - Sergey Shults was born in 1976. Since co-founding G5 in 2001, he has been the group's CFO before and after the group's public listing in Stockholm in 2006. Sergey Shults has an ACCA Diploma in International Financial Reporting, and has received a MS degree in Physics from Moscow State Institute of Engineering and Physics. Before co-founding G5, he was a software engineer and project manager and has deep understanding of software development, which helps him in CFO position.

Odd Bolin (CFO) - Born in 1963, Odd Bolin received a MSc and a PhD in plasma physics from the Royal Institute of Technology in Stockholm before starting to work as a stock market analyst with Hagströmer & Qviberg in 1996. In 2003 he co-founded a M&A-advisory company, Ceres Corporate Advisors, focusing on technology, telecom and defense companies. 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.

Stockholm, April 24, 2014

The Board of G5 Entertainment AB

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the annual meeting of the shareholders in G5 Entertainment AB (publ), corporate identity number 556680-8878.

It is the board of directors who is responsible for the corporate governance statement for the financial year 2013 on pages 55-63 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that my our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm April 24th 2014

Mazars SET Revisionsbyrå AB

Bengt Ekenberg
Authorized Public Accountant

Upcoming report dates and IR information

Interim report, January-March 2014	May 15, 2014
Annual General Meeting 2014	May 20, 2014
Interim report, January-June 2014	August 15, 2014
Interim report, January-September 2014	October 31, 2014
Year-end report, January-December 2014	February 24, 2015

For questions regarding this report please contact Odd Bolin, Investor Relations, by email at investors@g5e.se, or by phone at +46 70 428 3173.

Glossary

Q1, Q2,…	Calendar quarters of the year starting 1st January.
kSEK	Thousands of Swedish krona
MSEK	Millions of Swedish krona
kUSD	Thousands of US dollars
RUB	Russian ruble
EUR	Euro
LLC	Limited liability company under Russian law
Ltd.	Limited liability company under Malta law
Inc.	Corporation under US law
PC	Personal computer platform
MAC	Apple's Macintosh computer
iOS	iPad, iPod, iPhone and Apple TV operating system
Android	Smartphone and tablet operating system

G5 Entertainment AB is a developer and publisher of high quality downloadable games for iOS, Android, Kindle Fire, Mac, and Windows 8 devices. G5 develops and publishes free-to-play-games that are family-friendly, easy to learn, and targeted at the widest audience of experienced and novice players. G5's portfolio includes a number of popular games like The Secret Society, Virtual City, Special Enquiry Detail, Supermarket Mania, Stand O' Food, and Mahjongg Artifacts. G5 Entertainment AB is listed on Aktietorget in Stockholm since 2008.

G5 ENTERTAINMENT AB (publ)
RIDDARGATAN 18, 114 51 STOCKHOLM SWEDEN
PHONE: +46 70 428 3173
FAX: +46-8 545 075 49
E-MAIL: CONTACT@G5E.SE
ORG.NR. 556680-8878
HTTP://WWW.G5E.SE