G5 ENTERTAINMENT AB

G5 GAMES

Reg.nr: 556680-8878

ANNUAL REPORT & CONSOLIDATED ACCOUNTS
JANUARY-DECEMBER 2014

Contents

G5 Entertainment in Brief

G5 Entertainment is a developer and publisher of casual free-to-play games for tablets and smartphones. G5's games are available on Apple's iPads and iPhones, Android-powered tablets and phones, including Amazon Kindle Fire tablets, Windows-powered tablets, computers and phones, and Mac computers. The games are distributed through electronic stores like Apple App Store, Google Play, Amazon Appstore, and Windows Application Store. G5's portfolio includes popular games like *Survivors: The Quest™, Mahjong Journey™, Brave Tribe™, Virtual City Playground®, Special Enquiry Detail®,* and *Supermarket Mania®*. G5 publishes its own games and games developed by other developers, on certain revenue share terms.

G5's games are primarily targeted at the growing audience of casual game players on tablets and smartphones, the installed base of which continues to grow. Through digital download stores such as Apple App Store, Google Play, and Amazon Appstore, G5's games are available to hundreds of millions of players worldwide. To date, G5 games have been downloaded over 210 million times.

G5 has approximately 100 games in its portfolio. G5's portfolio of games consists of two types of games: free-to play (10 games) and "unlockable" (approximately 90 games). 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. Unlockable games are free to try for a certain trial period, but then users have to pay a one-time fee to continue playing. Revenue from free-to-play games grew 192% in 2014 and accounted for over 75% of the company's revenue during the year.

G5 was founded in 2001 to benefit from the anticipated growth of gaming on 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 marketing office in San Francisco, USA.

The Year in Brief

- Consolidated revenue for the year is 182 116 (100 007) kSEK, an increase of 82% compared to 2013.
- Operating result for the year is 9 015 (-11 826) kSEK. Excluding write-downs and re-listing expenses the operating result is 13 812 kSEK.
- Net result for the year is 6 814 (-11 664) kSEK.
- Earnings per share for the year before and after dilution is 0.77 (-1.34) SEK.
- Cash flow before financing activities during the year is 5 090 (-20 343) kSEK. This includes fees of 2 354 kSEK to advisors in connection with the listing on Nasdaq Stockholm.
- Revenue from free-to-play-games grew 192% year-on-year compared to 2013, and accounted for 75% of total revenue in 2014, compared to 47% in 2013.
- The result for the year is affected by write-downs of capitalized development costs and advances to external developers in the amount of 2 443 kSEK.
- On June 10, the shares of G5 Entertainment AB (short name: G5EN) started trading on the main market of Nasdaq Stockholm.
- The Board of Directors will propose to the Annual General Meeting that no dividend is paid for 2014.

CEO Word

Dear Shareholders,

G5 reported record revenue in 2014, and set new records of quarterly revenue in every quarter of 2014. The growth of the company has accelerated substantially. G5 grew faster than the market, and it is a significant achievement to be able to increase market share in a very competitive market with much larger players. We achieved it organically, while also being cash flow positive, and not requiring additional investments. G5 ended 2014 with a profit, an improvement over 2013, showing positive results from the company's transition from unlockable to free-to-play games. The company's largest markets – North America (the largest) and EU (2nd largest) – together generated 80% of company's revenue in the period. The company's dedication to global sales strategy paid off during the year when currency exchange rates have seen sudden and dramatic changes. The operations of our Russian office in Moscow and Ukrainian office in Kharkov continue as usual and uninterrupted. It remains the group's policy that we keep critical code and materials backed up outside Ukraine, keep intellectual property rights in EU entities, and transfer funds to subsidiaries on as-needed basis.

G5's focus on effective marketing of its games portfolio continues to benefit the company. In previous years, the company has mastered effective cross selling between games, sharp focus on the needs of our audience, and continued re-engagement of the company's loyal players. In 2014, we added user acquisition (UA) as a marketing tool into our marketing toolset. Investment in UA enables faster growth, but it does put some pressure on our immediate profitability. We do not capitalize UA expenses and therefore UA expenses are taken immediately in the month in which they are incurred. Users acquired in a given month, however, will only generate a return on that UA investment over an extended period of time, usually for months and possibly years to come. Because of this lag, as long as we continue to substantially increase our UA investments, the associated expenses will run in front of the anticipated profits.

The UA investments we have made to date have proven to be fundamentally profitable. Acquired players consistently remain engaged in our games for many months. Using our proprietary analytics and tracking tools, we are able to see that we make substantial profit on every dollar invested in UA over time.

The increasing levels of UA investments do not require additional capital. We are committed to increasing our UA budget organically, using the reserves that the company has and the positive cash flow that the company is generating from operations.

To showcase the company's ability to produce higher profit margins, we *could* reduce UA spending, and this would immediately lead to substantial increase in profitability but at the expense of the future growth rate. Given the size of our UA investments and the pace of growth we deliver, we would argue there's a substantial range of possible reduction of UA investments, in which both healthy profit margins and continued (though slower) revenue growth are possible. We would still collect revenue from users acquired in previous months, for many months to come, and we would still be getting substantial organic downloads, but the pace of acquiring new users would slow down, affecting the growth dynamic negatively in the following months.

It is management's deliberate strategy for now to continue re-investing most of the profits into gaining more fundamentally profitable users, as long as fundamentals and the market situation allow it. Otherwise, we would be leaving the market share to our competitors. We need to use the opportunity while it's there. Before the management will focus on profits, we want to build G5 into a bigger company with larger market share. We are confident that by doing this we are acting in the best long-term interest of our shareholders. Increasing the size and the market share of the company, as long as it's possible organically, has many benefits including wider audience, better revenue stability, and also higher possibility of achieving high profits and profit margins, as company's fixed costs in the current business model only need to grow much slower, if at all, than its revenue.

Question is, how long can G5 grow fast organically and profitably? There is no definite answer we can provide, but we'd like it to continue for as long as possible. Obviously, there are much larger companies in our space, so there is plenty of room for aspiring. Lifetime of successful games in our portfolio is a substantial factor. The lifetime of a game depends on a number of factors. G5's strategy is to track and analyze the underlying parameters on monthly basis in order to understand where the game is exactly in its life cycle. It is worth noting that potential addressable audience for G5 games is huge, and measured in tens of millions of households, both in USA and EU – company's most important markets.

The company therefore is in excellent position to further capitalize on its understanding of the market and the audience and its ability to acquire and retain the paying audience for a long time. G5 is cash flow positive and has enough resources to continue seizing the opportunity to get as big as it can before paying more attention to profitability. The management is confident in the company's ability to develop successful games and is satisfied with the early performance of the recent game releases *Survivors: The Quest*™, and *Mahjong Journey*™, both 1st party, i.e. both G5's wholly owned intellectual properties. The company is working on more own F2P-games to come out during 2015.

Going forward, there will be several factors affecting the company's margins. The increased revenue will be a positive factor, as it will push our gross revenue to exceed our slow-growing fixed expenses more and more. Successful 1st party games can substantially contribute to higher margins. At the same time, continued growth of investment in UA – as long as the company can sustain the high pace of profitable growth – will put pressure on margins, especially during the periods of aggressive spending ramp up. The interplay of these factors will define our profits in the short term. Once again, in the long run, the management is committed to focusing on profits and reaching substantially higher profit margins.

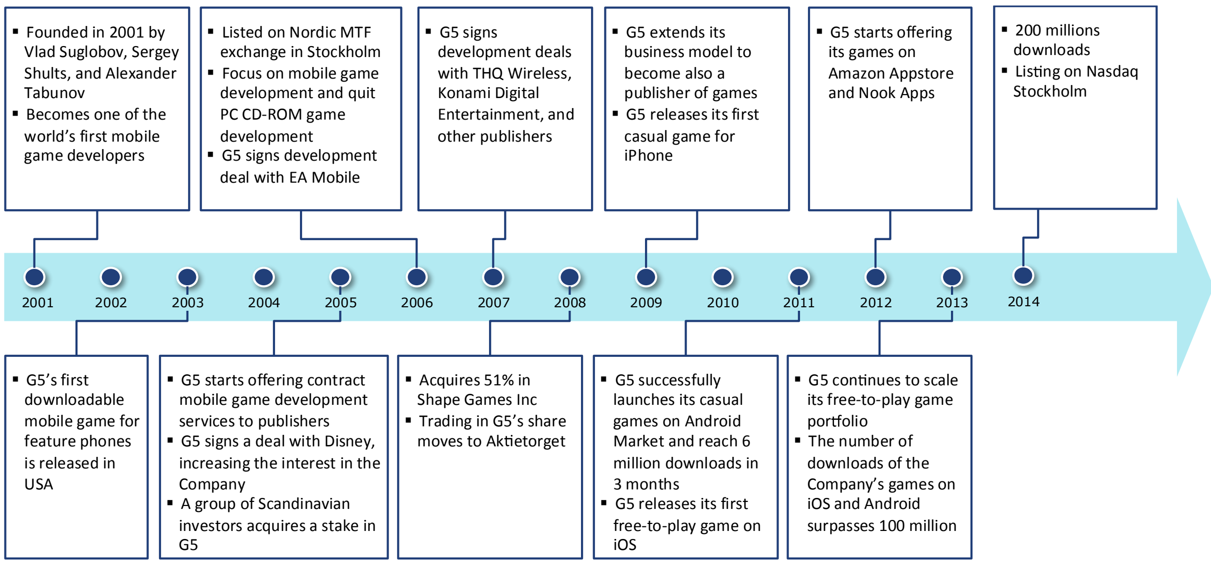
Vlad Suglobov
Chief Executive Officer, Co-Founder

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 content and experiences to the players in order to keep them actively and continuously engaged with G5's products.

History



Operations

G5 has showed strong organic growth over the last 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, they form 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 of all ages. The game portfolio comprises a variety of game genres, including Adventure & Hidden object games, and Strategy & Time management games. More than half of the group's revenues come from North America, and slightly less than one quarter 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 analytics, 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 (16 employees at the end of 2014) and Kharkov, Ukraine (179 employees at the end of 2014), 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 full-cycle development of the best-selling games such as *Virtual City Playground®, Survivors: The Quest™,* and *Stand O'Food City™*, and also leading and overseeing the development, quality assurance, and localization of company's own and licensed games created by third party studios, such as *Mahjong Journey™* or *The Secret Society®*. 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 and maintenance among the staff. The Moscow development studio, where the extended senior management team is located, leads internal game development. In order to have a competitive cost structure, the largest development studio is located in Kharkov, where it is also possible 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 mobile 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 2 014 million devices in 2013, to over 2 211 million devices by 2017[1]. The increased growth will expand the user base, 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 time spent on the internet by users of iOS- and Android-powered devices.[2] The revenue from mobile games is expected to grow from USD 17.5 bn in 2013 to USD 40.9 bn in 2017[3].

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[1] Gartner Group, "Forecast: PCs, Ultramobiles and Mobile Phones, Worldwide, 2011-2018, 3Q14 Update", 15 oktober 2014
[2] ComScore and NetMarketShare
[3] Newzoo, "Global Games Market Report", 29 oktober 2014

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.

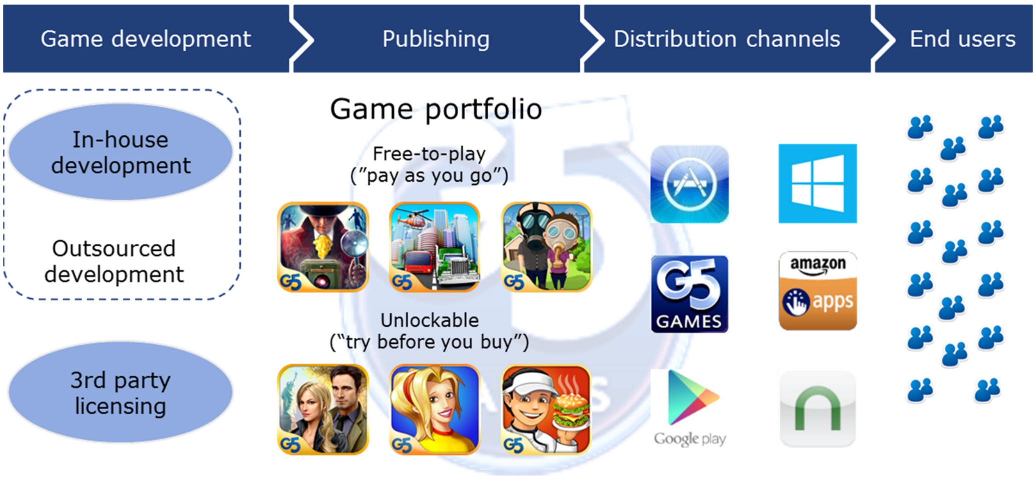
Continued shift towards free-to-play games

As free-to-play games attract a 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 its games via various distribution channels such as Apple App Store, Google Play, Amazon Appstore, and Microsoft Windows Store, 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



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, 2014 – December 31, 2014. All amounts are reported in SEK thousands (kSEK), unless otherwise specified. Information in parentheses refers to the previous accounting year, that is to say 2013. 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 casual free-to-play games for tablets and smartphones. G5's games are available on Apple's iPads and iPhones, Android-powered tablets and phones, including Amazon Kindle Fire tablets, Windows-powered tablets, computers and phones, and Mac computers. The games are distributed through electronic stores like Apple App Store, Google Play, Amazon Appstore, and Windows Application Store. G5's portfolio includes popular games like *Survivors: The Quest™*, *Mahjong Journey™*, *Brave Tribe™*, *Virtual City Playground®*, *Special Enquiry Detail®*, and *Supermarket Mania®*. G5 publishes its own games and games developed by other developers, on certain revenue share terms.

G5's games are primarily targeted at the growing audience of casual game players on tablets and smartphones, the installed base of which continues to grow. Through digital download stores such as Apple App Store, Google Play, and Amazon Appstore, G5's games are available to hundreds of millions of players worldwide. To date, G5 games have been downloaded over 210 million times. In 2014, 55 percent of G5's revenues came from North America, 23 percent from the EU, and 22 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 successful games like *Virtual City Playground®, Survivors: The Quest™*, and *Stand O'Food City™*. 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.

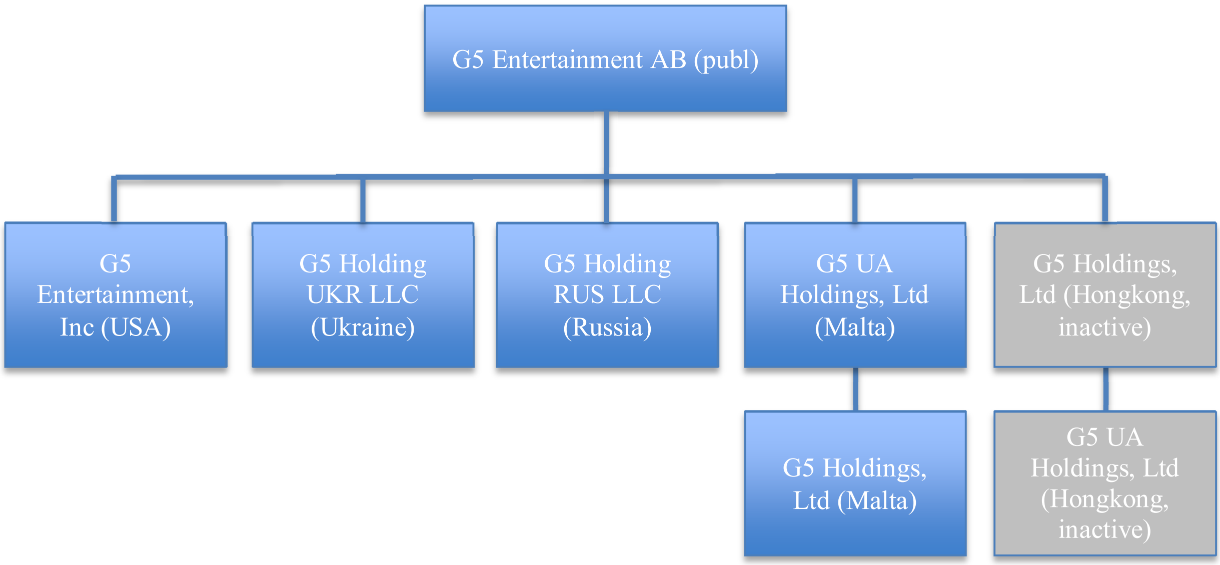
Organizational structure

G5 Entertainment AB (publ) with registered office in Stockholm, Sweden, is the parent company of the G5 group.

The group comprises six different functions, of which development and quality assurance is the largest by the number of employees. The CEO is based in San Francisco, where the group has a marketing office, but spends several months per year in Moscow, where the group has a development studio. 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 and quality assurance takes place.

Organizational chart

During 2014, G5 Entertainment AB had active subsidiaries in Russia, Ukraine, Malta, and the US, as well as non-active subsidiaries in Hong Kong:



Activities during 2014

2014 was a year of strong growth for G5. The growth was based on the group's successful and growing portfolio of free-to-play games (F2P), which grew by 192% and generated 75% of revenues in 2014.

On June 10, 2014 G5's shares began trading on Nasdaq Stockholm. The process of preparing for the listing took place during the second half of 2013 and first half of 2014.

The company's first F2P game - *Virtual City Playground*® - initially released in 2011, continued to perform well during 2014 and received a number of updates throughout the year. *The Secret Society*®, a Hidden object F2P game, continued to perform very well in 2014. The game was first launched in November 2012 on iOS, with Google Play and Amazon versions coming out in 2013. In 2014, updates with new content were released, as well as the version for Windows, and in combination with G5's marketing efforts it elevated the game to a new level.

Several new F2P game were released in 2014, including G5's own games *Survivors: The Quest*™ and *Majhong Journey*™. The company continues to work on improving these games with regular updates that will provide players with more content and make the new games available across all platforms that G5 uses. The company is also working on a number of other F2P-games, G5's own and licensed from 3rd parties, for publication in 2015.

During the year, the company increased investment in the recruitment of new users significantly. Such marketing investments are becoming an increasingly important component in the marketing strategy across the industry, and are practiced by all major peer companies.

Internally, the management focused on refining the process of making improvements to F2P-games through continuous updates to the content, monetization, and game balance, and coordination of such events with marketing efforts. The improved processes allowed the company to achieve substantial increase of sales of its F2P-games, including *Brave Tribe*™, *Letters From Nowhere: Hidden Mystery*™, and *The Island Castaway: Lost World*™. Internal game development, quality assurance, and marketing capacities were further strengthened to prepare the company for continued growth.

The company has also carried out a sale of all remaining intellectual property rights from G5 Sweden to G5 Malta. The purpose was to create a clearer organizational setup, where G5 Malta procures all development work, while G5 Sweden is the group's distribution entity.

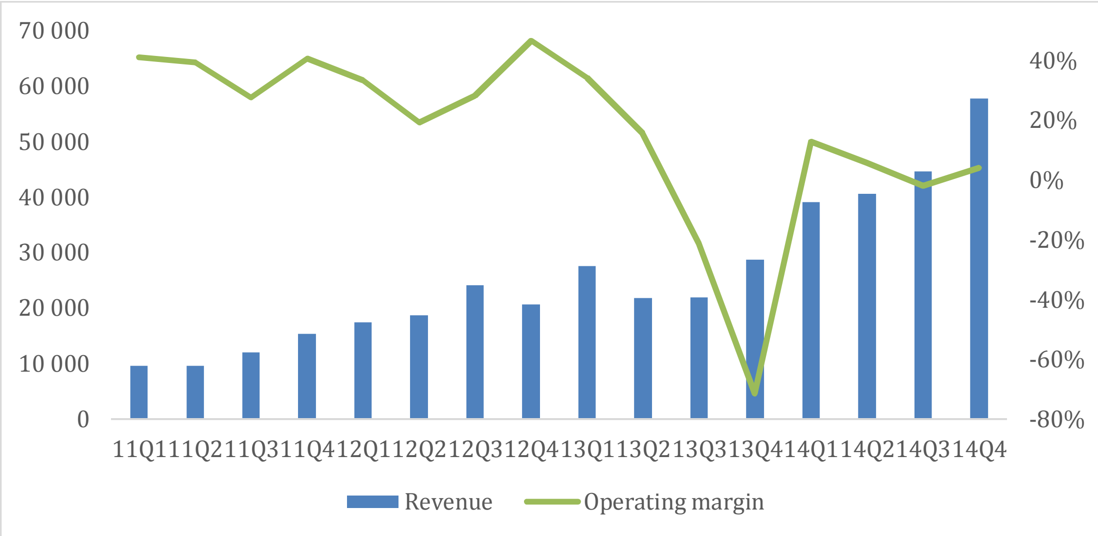
The management believes that G5 is very well equipped for continued strong growth, with a competitive and growing portfolio of F2P-games, working processes for the improvement of its games, and an efficient marketing organization.

Significant events after the end of the year

- Two recently released games, both G5's intellectual property, *Survivors: The Quest*™ and *Mahjong Journey*™, have been received well by the market.
- Martin Bauer has resigned from the Board of Directors.
- Beginning with the reporting period January-March 2015, G5 Entertainment AB will start reporting revenues and costs in a functional income statement format. Operational costs will be classified as Cost of revenue, Research & development, Sales & marketing, and General & administrative costs.
- Simultaneously, G5 Entertainment AB will begin reporting revenues including commission to distributors. This will increase reported revenues by approximately 40% as compared to the present revenue recognition method.
- As the company currently undergoes a phase of fast top-line growth, exceeding the pace of the market expansion, the Board believes the management should focus on maintaining fast organic growth. The Board has therefore decided not to provide any financial targets with regard to the company's future profitability at this stage.
- The Group's CFO, Odd Bolin, has decided to resign from G5, in order take up a new position. The recruitment of a replacement has started, and in the mean time Odd Bolin will continue to perform his duties.
- After the extra-ordinary general meeting on December 19, 2014, the Board of G5 decided to allocate a total of 157 500 warrants to existing employees, keeping 18 500 warrants for potential new recruitments, etc.
- The total number of downloads of the group's games (not counting updates) surpassed 210 million.
- The group's office in Kharkov continues business as usual. It is the group's policy to keep critical code and materials backed up outside Ukraine, keep intellectual property rights in EU entities, and transfer funds to subsidiaries on as-needed basis.

Revenue and earnings

Revenue and EBIT-margin 11Q1-13Q4



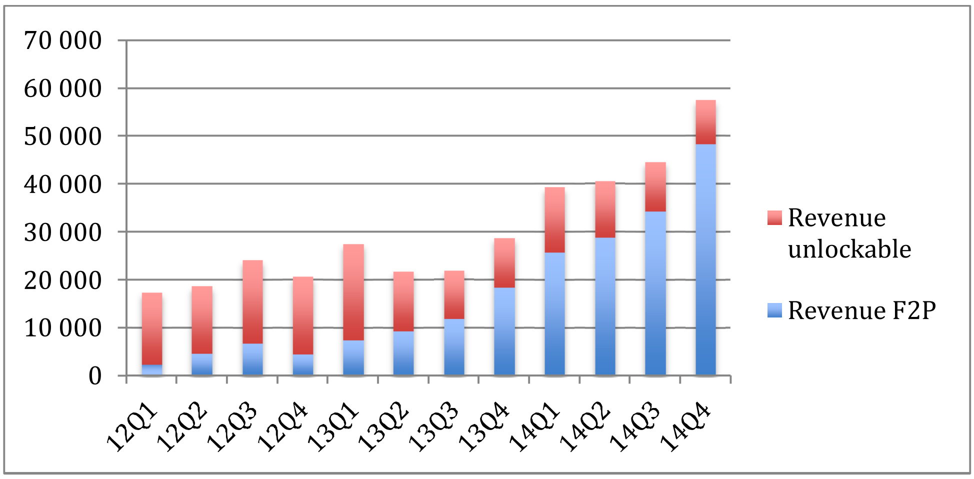
Market developments

The market for unlockable games continued to deteriorate during 2014. F2P-games, on the other hand, continued to increase in popularity. For a number of reasons, F2P-games have better monetization and player loyalty, although 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 F2P-games portfolio demonstrated high growth during the year, with a 192% year-on-year growth. Total revenue growth was 82% during the year compared to 2013. Several new F2P-games have been released during the year, and the company is focusing on launching several successful self-developed games, which have a higher gross margin than games developed by external developers, where G5 acts as a publisher and pay royalties to the external developers.

Revenue share from free-to-play games and unlockable games 2012-2014



Profit development

Financial key ratios	2014	2013
Revenue (kSEK)	182 116	100 007
Revenue growth (%)	82%	24%
Gross profit (kSEK)	80 026	21 082
Gross margin (%)	44%	21%
Gross profit excl write-downs (kSEK)	82 469	39 090
Gross margin excl write-downs (%)	45%	39%
EBIT (kSEK)	9 015	-11 826
EBIT margin (%)	5%	-12%
EBIT excl write-downs and re-listing expenses (kSEK)	13 812	9 965
EBIT margin excl write-downs and re-listing expenses (%)	8%	10%

Year-on-year revenues grew by 82% during the year, driven by the strong growth for the group's free-to-play-games, to 182 116 (100 007) kSEK. Revenue from free-to-play-games grew by 192% during the year compared to 2013.

The group's production cost was 102 090 (78 925) kSEK during the year. Royalties to external developers were 65 968 (38 284) kSEK, corresponding to 36% (38%) of revenue. The gross profit for the year was 80 026 (21 082) kSEK, corresponding to a gross margin of 44% (21%).

Earnings before interest and taxes (EBIT) was 9 015 (-11 826) kSEK. The operating margin was 5% (-12%) for the year. Excluding write-downs and re-listing expenses, EBIT was 13 812 (9 965) kSEK, corresponding to an EBIT-margin of 8% (10%). The change in EBIT-margin compared to 2013, excluding write-downs and re-listing expenses, can primarily be explained by an increase in the level of user acquisition expenses. G5 continues to invest in acquisition of users, and the costs for marketing during the year were 37 724 (10 210) kSEK, corresponding to 21% (10%) of revenue.

The non-recurring re-listing costs of 2 354 kSEK consist of payments to external advisors and Nasdaq Stockholm.

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 primarily due to user acquisition expenses.

Cost analysis

Production costs consist of internal production expenses, royalties to external developers, amortization of capitalized development costs, and write-downs, less capitalized development costs. During 2014, production costs (as in group Condensed Income Statement) were divided as follows:

Production costs (MSEK)	2014	2013
Production expenses	49.0	44.4
Capitalized development costs	-32.4	-41.9
Royalties to external developers	66.0	38.3
Amortization of development costs	17.9	20.1
Write-downs of development costs	1.6	18.0
Sum production costs	**102.1**	**78.9**

The company's publishing strategy is based on having a certain number of different games in the portfolio, in order to maximize potential and reduce risk. Some of these games become very successful and profitable, while a few other games may fail in the market. Capitalized development expenses for unsuccessful games will then have to be written down or off. Over time, the company however expects such write-downs to be more than compensated for by the revenue and profits produced by very successful games in the portfolio. During the third quarter, a number of unlockable games were cancelled due to a limited future potential. Another cancellation was an experimental F2P-game, *Pet Zoometery*, which was launched in 2013, and was licensed from a 3rd party development studio.

An impairment test of the entire game portfolio after the third quarter also resulted in a need for write-downs of a small number of older unolockable games. The total write-down amount was equal to 2 443 kSEK. This amount includes both a write-down of capitalized development costs, i. e. costs that arise from internal development activities, 1 549 kSEK, and a write-down of advances to external developers, 894 kSEK. Unlockable games constitute the absolute majority of the write-downs. The write-downs have no cash flow-effect. No write-downs were deemed to be needed due to the regular impairment test performed at the end of the year.

Cash flow and financial position

During the year, the group had an operating cash flow before changes in working capital of 38 559 (22 489) kSEK and a cash flow of 5 090 (13 798) kSEK. The cash flow was affected negatively by fees of 2 354 kSEK to advisors in connection with the listing on Nasdaq Stockholm. The cash flow for 2013 includes the proceeds from the new share issues undertaken at the beginning of 2013. Excluding those proceeds, cash flow was -20 221 kSEK in 2013.

Cash flow from operating activities increased during the year compared to 2013 primarily due to a higher underlying profit.

G5 continues to invest in free-to-play-games. During the year, the group capitalized 32 358 (41 915) kSEK of direct development costs, while amortizations of capitalized development costs were 17 890 (20 094) kSEK including currency effects. Total capitalized development costs at the end of the year were 71 680 (48 299) kSEK, while total outstanding advances to external developers were 6 659 (4 373) kSEK.

Available cash on December 31, 2014, amounted to 32 864 (27 433) kSEK.

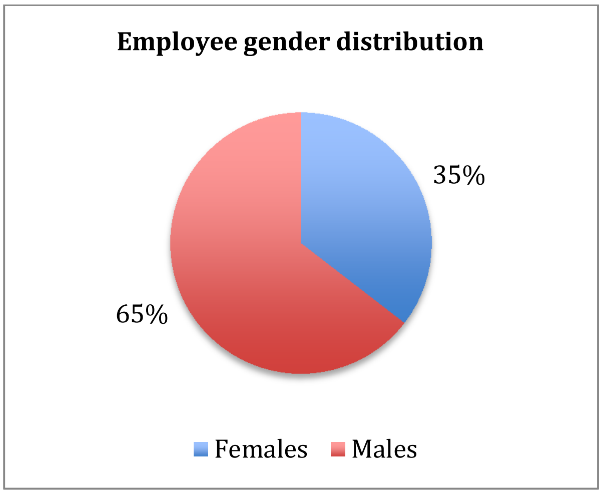
Business and financial ratios

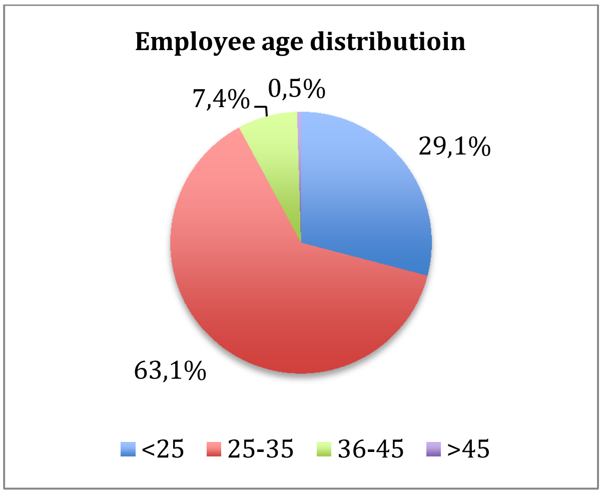
Ratios	2014	2013
Financial strength	71%	80%
Return on equity	2%	-15%
Return on total assets	2%	-12%
Current ratio	1.62	2.53

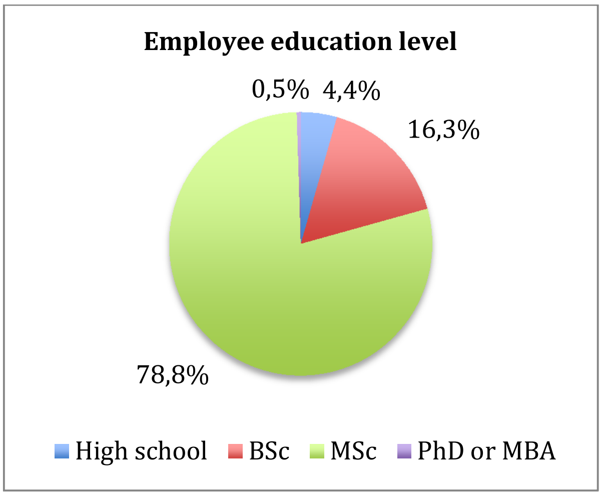
For definitions of business and financial ratios please refer to Note 3.

Employees

As of December 31, 2014, G5 had 203 employees across five locations, Stockholm (2), Malta (2), Moscow (16), San Francisco (4), and Kharkov (179). 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.







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 2014 1 950 (2 281) kSEK were booked as cost for this work.

G5's share and ownership structure

Share

As of December 31, 2014, 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 8 800 000 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 June 10, 2014, G5's share is quoted on Nasdaq Stockholm. At year-end 2014, the share price was 27 SEK and total market capitalization was 237.6 MSEK.

Warrant program 2014

At an extraordinary general meeting held on October 31, 2012, it was decided to implement a multi-year (2012-2014) share warrant program, as part of a long-term incentive program. At the extraordinary general meeting held on December 19' 2014, it was decided to issue a maximum of 176 000 warrants to managers and senior executives of the G5 group in 2014. The Board of G5 then decided to allocate a total of 157 500 warrants to existing employees, keeping 18 500 warrants for potential new recruitments. These 157 500 warrants were fully subscribed. Board members with exception of the CEO were not entitled to subscribe.

Accordingly, G5 issued 157 500 warrants in January 2015. Each warrant entitles the holder to subscribe to one share in the company at an issue price of 83.33 Kr. The warrants were acquired at market price, 0.40 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 157 500 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. On June

10, 2014, trading in G5's share started on Nasdaq Stockholm.

Largest shareholders as of Dec 31, 2014

Shareholder	No. of shares	Holding / votes
Försäkringsaktiebolaget Avanza Pension	1 208 130	13.73%
Nordnet Pensionsförsäkring AB	869 487	9.88%
Rite Internet Ventures Holding AB	624 197	7.09%
Wide Development Limited*	600 000	6.82%
Swedbank Robur Ny Teknik	550 000	6.25%
Proxima Limited**	542 000	6.16%
Purple Wolf Limited***	520 000	5.91%
Tommy Svensk	403 000	4.58%
Torbjörn Liljedal	127 629	1.45%
Altraplan Bermuda Ltd	99 833	1.13%
Totalt	5 544 276	63.00%

*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 Internet-based 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 almost 180 people as of December, 2014.

It is the group's policy to keep critical code and materials backed up outside Ukraine, keep intellectual property rights in EU entities, and transfer funds to subsidiaries on as-needed basis.

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, e g due to external developers not meeting timelines, 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 2015 Annual General Meeting approves the following guidelines for remuneration to senior executives. Senior executives include the CEO and other members of the executive management team. Compensation levels should be competitive and negotiated annually. The CEO and senior executives are remunerated by a fixed monthly salary, and in some cases partly through performance bonuses. Bonus shall be calculated quarterly by 10 percent on the portion of operating income that exceeds an operating margin of 5 percent. This 5 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 such that 40 percent shall go to the Company's CEO and the remaining 60 percent shall be allocated to other members of 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.

Pension plans are to be in line with normal conditions in the market and in substance 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 any 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 2014, 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.

As the company currently undergoes a phase of fast top-line growth, exceeding the pace of the market expansion, the Board believes the management should focus on maintaining this fast organic growth. The focus on fast growth will require investments into marketing and user acquisition, which in the short term is going to put pressure on profitability.

The Board has therefore decided not to provide any financial targets with regard to the company's future profitability at this stage.

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.

At the end of the year the parent company had 2 (1) employees. The average number of employees during the year was 2 (1).

- Sales amounted to 182 040 (99 197) kSEK.
- Operating result amounted to 8 894 (-12 410) kSEK.
- Result after net financial items amounted to 11 122 (-12 297) kSEK.
- The parent company's liquidity as of December 31, 2014 was 27 817 (23 203) kSEK.
- Investments in property, plant, and equipment and intangible non-current assets amounted to 2 137 (6 574) kSEK.

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, user acquisition expenses, and from Q4 also commissions to subsidiaries in Malta.

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 for the financial year 2014. The following non-restricted equity in the parent company is at the disposal of the Annual General Meeting (kSEK):

Share premium reserve	53 989
Fair value reserve	8 420
Profit\loss carried forward	30 043
Net result for the year	8 776
Total	**101 228**

Dividend	0
To be carried forward as:	
Share premium reserve	53 989
Fair value reserve	8 420
Profit\Loss to be carried forward	38 819
Total	**101 228**

Group Financial Results

Group income statement

G5 Entertainment group (kSEK)	NOTE	2014	2013
Revenue	4	182 116	100 007
Production cost	6, 12	-102 090	-78 925
Gross profit		**80 026**	**21 082**
General and administrative expenses	6, 12, 13	-69 583	-34 342
Other operating income	14	1 803	2 046
Other operating expenses	15	-3 231	-612
Operating result before financial items		**9 015**	**-11 826**
Financial income	16	42	85
Financial expenses	17	-439	-301
Operating result after financial items		**8 618**	**-12 042**
Income tax expenses	8	-1 804	378
Net result for the year		**6 814**	**-11 664**
Attributed to:			
Parent company's shareholders		6 814	-11 664
Non-controlling interest		-	-
Earnings per share			
Weighted average number of shares	10	8 800 000	8 711 111
Earnings per share (SEK) before and after dilution	10	0.77	-1.34

Group statement of comprehensive income

G5 Entertainment group (kSEK)	NOTE	2014	2013
Net result for the year		**6 814**	**-11 664**
Items that later can be reversed in profit			
Foreign currency translation differences		8 553	369
Total other comprehensive income for the year		**8 553**	**369**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**15 367**	**-11 295**
Attributed to:			
Parent company's shareholders		15 367	-11 295
Non-controlling interest		-	-

Group balance sheet

G5 Entertainment group (kSEK)	NOTE	2014-12-31	2013-12-31
Fixed assets			
Intangible fixed assets			
Capitalized development costs	4, 7	71 680	48 299
Goodwill	4, 7, 23	2 302	2 318
		73 982	**50 617**
Tangible fixed assets			
Equipment	4, 7	2 892	1 929
		2 892	**1 929**
Deferred tax assets	8	1 025	2 105
Total fixed assets		**77 899**	**54 651**
Current assets			
Accounts receivable	24, 28	7 569	7 156
Tax receivable			4 437
Other receivable	24, 28	7 327	6 915
Prepaid expenses and accrued income	28	21 536	10 916
Cash and cash equivalents	28	32 864	27 433
Total current assets		**69 297**	**56 857**
TOTAL ASSETS		**147 195**	**111 508**
Equity	9		
Share capital		880	880
Other capital contribution		54 032	54 032
Other reserves		8 575	22
Profit\loss brought forward		40 871	34 058
Total shareholders' equity		**104 359**	**88 992**
Current liabilities			
Accounts payable	28	12 893	7 478
Other liabilities	28	1 593	464
Tax liabilities		2 326	6 505
Accrued expenses	18, 28	26 025	8 069
Total current liabilities		**42 837**	**22 516**
TOTAL EQUITY AND LIABILITIES		**147 195**	**111 508**

Group cash flow statement

G5 Entertainment group (kSEK)	NOTE	2014	2013
Cash flow from operating activities			
Operating result after financial items		8 618	-12 042
Adjusting items not included in cash flow	20	31 286	39 114
		39 904	**27 072**
Taxes paid		-1 345	-4 583
Cash flow before changes in working capital		**38 559**	**22 489**
Cash flow from changes in working capital			
Decrease in operating receivables		-19 216	-4 054
Increase in operating liabilities		20 478	4 255
Cash flow from operating activities		**39 821**	**22 690**
Investing activities			
Investing in equipment	7	-2 373	-1 118
Investing in capitalized development costs	7	-32 358	-41 915
Cash flow from investing activities		**-34 731**	**-43 033**
Financial activities			
New share issue			34 019
Premium for warrant program	9		122
Cash flow from financial activities		**0**	**34 141**
CASH FLOW		**5 090**	**13 798**
Cash at the beginning of the year		**27 433**	**13 661**
Cash flow		5 090	13 798
Exchange rate difference		342	-26
Cash at the end of the year		**32 864**	**27 433**

Group changes in shareholders' equity

G5 Entertainment group (kSEK)	Share capital	Other capital contribution	Other reserves	Profit/loss carried forward	Shareholders' equity
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 transactions with the owners recognized directly in equity	**80**	**34 061**	**0**	**0**	**22 846**
Shareholders' equity as of 2013-12-31	**880**	**54 032**	**22**	**34 058**	**88 992**
Net result for the year				6 814	**6 814**
Total other comprehensive income			8 553		**8 553**
Total comprehensive income for the year			**8 553**	**6 814**	**15 367**
Shareholders' equity as of 2014-12-31	**880**	**54 032**	**8 575**	**40 872**	**104 359**

Parent Company Financial Results

Parent company income statement

G5 Entertainment AB (kSEK)	NOTE	2014	2013
Revenue	4	182 040	99 197
Production costs	12	-115 762	-86 107
Gross profit		**66 278**	**13 090**
General and administrative expenses	12, 13, 25	-58 309	-25 471
Other operating gains	14	4 123	
Other operating losses	15	-3 198	-29
Operating profit		**8 894**	**-12 410**
Interest income and similar items	16	2 495	412
Interest expense and similar items	17	-267	-299
Profit after financial items		**11 122**	**-12 297**
Appropriations			2 680
Income tax expenses	8	-2 346	1 399
NET RESULT FOR THE YEAR		**8 776**	**-8 218**

Parent company statement of comprehensive income

G5 Entertainment AB (kSEK)	NOTE	2014	2013
Net result for the year		8 776	-8 218
Items that later can be reversed in profit			
Foreign currency translation differences		7 771	649
Total other comprehensive income for the year		**7 771**	**649**
Total comprehensive income for the year		**16 547**	**-7 569**

Parent company balance sheet

G5 Entertainment AB (kSEK)	NOTE	2014-12-31	2013-12-31
Fixed assets			
Intangible fixed assets			
Capitalized development costs	7	0	7 771
		0	**7 771**
Financial fixed assets			
Shares in group companies	21	570	630
Receivable from group companies	7, 22	91 845	33 342
Deferred tax assets	8		2 101
		92 415	**36 073**
Current assets			
Account receivables	24, 28	8 015	6 185
Receivables from group companies	22		8 657
Other receivables	24, 28	285	7 386
Prepaid expenses and accrued income	28	21 295	10 854
Cash and bank		27 817	23 203
		57 412	**56 285**
TOTAL ASSETS		**149 826**	**100 129**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	9	880	880
Non-restricted equity			
Share premium reserve		53 989	53 989
Fair value reserve		8 420	649
Profit\Loss carried forward		30 043	38 261
Net result for the year		8 776	-8 218
		101 228	**84 681**
Total equity		**102 108**	**85 561**
Liabilities			
Accounts payable	28	4 064	1 584
Liability to group companies		39 543	4 956
Other liability	28	1 265	74
Accrued expenses and prepaid income	18	2 843	7 954
Total liabilities		**47 716**	**14 569**
TOTAL EQUITY AND LIABILITIES		**149 826**	**100 129**
Memorandum items			
Pledged assets	26	3 050	3 050
Contingent liabilities	27	3 500	None

Parent company cash flow statement

G5 Entertainment AB (kSEK)	NOTE	2014	2013
Operating activities			
Operating result after financial items		11 122	-12 297
Adjusting for items not included in cash flow	20	-1 916	21 858
Taxes paid		-804	-3 926
Cash before changes in working capital		**8 402**	**5 635**
Cash flow from changes in working capital			
Increase/decrease in operating receivables		3 488	7 816
Increase/decrease in operating liabilities		31 329	-11 305
Cash flow from operating activities		**43 219**	**2 146**
Investing activities			
Investing in capitalized development costs	7	-2 138	-6 574
Sales of subsidiaries		62	
Investments/new loans to subsidiaries	22	-36 529	-15 848
Cash flow from investing activities		**-38 605**	**-22 422**
Financial activities			
New share issue			34 019
Premium for warrant program			122
Cash flow from financial activities		**0**	**34 141**
CASH FLOW		**4 614**	**13 865**
Cash and bank at the beginning of year		**23 203**	**9 338**
Cash flow		4 614	13 865
Cash and bank at the end of the year		**27 817**	**23 203**

Parent company changes in shareholders' equity

G5 Entertainment AB (kSEK)	Share capital	Share premium reserve	Fair value reserve	Profit/loss carried forward	Shareholders' equity
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**
Net result for the year				8 776	**8 776**
Total other comprehensive income			7 771		**7 771**
Total comprehensive income for the year			**7 771**	**8 776**	**16 547**
Shareholders' equity as of 2014-12-31	**880**	**53 989**	**8 420**	**38 819**	**102 108**

Notes

NOTE 1. Accounting principles

General information

G5 Entertainment AB (publ) is the parent company for a group of active companies: G5 Holdings Ltd. (Malta), G5 Holding RUS LLC (Russia), G5 Entertainment Inc (USA), and G5 Holding UKR LLC (Ukraine). G5 Entertainment AB (publ) is listed on the Nasdaq Stockholm since June 10, 2014.

This Annual Report was approved for publication by the Board of Directors on April 22, 2015. The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders.

Contacts

MAIL:	Riddargatan 18, 114 51 Stockholm, Sweden
PHONE:	+46-84 11111 5
FAX:	+46-84 1111 65
E-MAIL:	contact@g5e.com
WEB SITE:	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, 2014, 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 2014 is from January 1, 2014 up to December 31, 2014.

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 recognized 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 recognized 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 23.
- 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 7.
- 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 January 1, 2014 and have an impact on the group:

- 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. The termination of control regarding subsidiaries included in the G5 group has not changed due to the new standard.

- 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. The new standard has increased the disclosure regarding subsidiaries.

New standards and interpretations not yet adopted by the group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, 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. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 retains a mixed valuation approach but simplifies this approach in certain respects. There will be three measurement categories for financial assets, amortized cost, and fair value through other comprehensive income and fair value through profit or loss. IFRS 9 also introduces a new model for calculating the loan loss reserve based on expected losses. For financial liabilities there will not be any change regarding the classification and measurement except in the case when a liability is recognized at fair value through profit or loss based on the fair value option. Although hedge documentation changed little compared with that being developed under IAS 39.

The standard is effective for fiscal years beginning January 1, 2018. Earlier application is permitted. The Group currently has only financial assets and liabilities measured at amortized cost and do not apply any hedge accounting, why the preliminary assessment is that the G5 group will not substantially be affected by this standard, with respect to the existing financial instruments.

- IFRS 15 "Revenue from Contracts with Customers" regulates the accounting for revenue to be made. The principles IFRS 15 builds on will provide users of financial statements with more useful information regarding the company's revenue. The expanded disclosure requirements means that information about the type of revenue, the date of settlement, uncertainties related to revenue recognition and cash flow attributable to the company's customer contracts shall be provided. A revenue should according to IFRS 15 be recognized when the customer obtains control of the sold goods or services and have the opportunity to use and receive the benefits of the product or service. IFRS 15 supersedes IAS 18 Revenue and IAS 11 Construction Contracts and related SIC and IFRIC. IFRS 15 shall enter into force on 1 January 2017. Earlier application is permitted. G5 The Group has not yet assessed the impact of the introduction of the standard.
- 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 a liability should 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 in all material respects comprise amounts expected to be recovered or paid after more than 12 months from year-end. Current assets and current liabilities in all material respects comprise amounts expected to be recovered or paid within 12 months of year-end.

Consolidated principles

Subsidiaries

Subsidiaries are all entities (including structured companies) over which the Group has control. The group controls a company when it is exposed to or has the right to variable returns from its holdings in the company and have the ability to affect yields through its influence in the company. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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.

Until 2014 the revenue is reported net of the application stores' commissions, which usually are 30% of the price that the end-users pay.

Beginning with the reporting period January-March 2015, G5 Entertainment will begin reporting revenues including commission to distributors. G5's Board of Directors have decided to change the revenue recognition reporting so that it is in line with how most other public companies in this industry reports, and that it will reflect the economic substance of the current distributor agreements more accurately. This means that it is the revenue spent by G5's customers, the players, including commission to distributors, which will be reported as consolidated revenue going forward. This will increase reported revenues by approximately 40% as compared to the present revenue recognition method. Commission to distributors will be classified as Cost of revenue. There is no change as to the timing of when the revenue is recognized.

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,
Group	
Capitalized development costs	2 years
Parent company	
Capitalized development costs	2 years

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
Office furniture	10 years
Computer equipment	5 years

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

G5's business, development and sales of casual games for mobile platforms, is global, and both games and sales channels are the same regardless of where the players are. The company measures revenue for each game, but does not divide all costs, assets and liabilities by game. The operations and the Group's financial performance and position cannot be divided into different segments in such a way that it improves the ability to analyze and manage the company. For this reason, the Board analyzes the consolidated financial position of the Group as a whole, i.e. as one segment.

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 expenses 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	2014	2013
Sweden	180 741	97 477
Other countries	1 375	2 530
Total	**182 116**	**100 007**

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	2014	2013
Sweden		7 771
Malta	74 994	41 886
Other countries	1 890	2 889
Total	**76 884**	**52 546**

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.

The parent company had 2 (1) employees in 2014.

Average number of employees	2014	2013
Men	124	84
Women	69	56
Total	**193**	**140**

Average number of employees by country	2014	2013
Sweden	2	1
Ukraine	169	121
Russia	16	15
Malta	2	0
USA	4	3
Total	**193**	**140**

Average group co-workers through contract	2014	2013
Men	4	29
Women	2	8
Total	**6**	**37**

Board of directors	2014	2013
Men	5	5
Women		
Total	**5**	**5**

Executive management team	2014	2013
Men	4	4
Women		
Total	**4**	**4**

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

Total staff remuneration	2014	2013
Salaries	32 882	18 889
Social security costs	6 873	4 023
Co-workers through contract (invoiced by each co-worker's private company)	1 143	2 596
Total	**39 755**	**25 508**

The CEO and the executive management team is 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. Any contractual pension provisions are solely premium based. Other benefits/compensation includes compensation to Jeffrey Rose for legal advice, healthcare insurance for managers, etc.

Compensation to parent company employees amounted to 1 604 kSEK (811), social costs 492 kSEK (267) and pension costs 189 kSEK (112).

The tables below summarizes remuneration to the board and managers during:

Renumeration to the board and managers 2014	Salary/board fee	Pension	Variable compensation	Other benefits/ compensation
Petter Nylander (chairman)	270			
Jeffrey Rose (director)	150			483
Pär Sundberg (director)	165			
Martin Bauer (director)	83			
Vlad Suglobov (CEO)	1 396	125	0	105
Executive management team (3 persons)	2 769	120	0	12
Totalt	**4 833**	**245**	**0**	**600**

Renumeration to the board and managers 2013	Salary/board fee	Pension	Variable compensation	Other benefits/ compensation
Petter Nylander (chairman)	240			
Jeffrey Rose (director)	150			255
Pär Sundberg (director)	150			
Martin Bauer (director)	150			
Vlad Suglobov (CEO)	1 233		635	
Executive management team (3 persons)	2 449	112	884	6
Totalt	**4 372**	**112**	**1519**	**261**

NOTE 7. Fixed assets

Group

Intangible fixed assets

Capitalized development costs	2014	2013
Intangible fixed assets at the beginning of year	**48 299**	**40 429**
Investment intangible fixed assets	32 358	41 915
Write-down	-1 591	-13 908
Amortization	-17 890	-20 094
Currency exchange difference	10 504	-43
Intangible fixed assets at the end of year	**71 680**	**48 299**

Accumulated capitalized development costs	2014	2013
Accumulated costs	150 742	102 290
Accumulated amortization	-63 563	-40 083
Accumulated write-downs	-15 499	-13 908
Net amount	**71 680**	**48 299**

Out of the net amount of accumulated capitalized development costs as of December 31, 2014, 71 680 (48 299) kSEK, 41 160 (28 138) 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 2015 or 2016.

During the third quarter the company also carried out a sale of all remaining intellectual property rights from G5 Sweden to G5 Malta. The purpose was to create a clearer organizational setup, where G5 Malta procures all development work, while G5 Sweden is the group's distribution entity.

Goodwill	2014	2013
Intangible fixed assets at the beginning of year	**2 318**	**2 319**
Currency exchange effects	-16	-1
Intangible fixed assets at the end of the year	**2 302**	**2 318**

Impairment testing of capitalized development costs

An impairment test of the entire gaming portfolio is performed regularly, both published games and games that are still under development. Every game is considered a cash-generating unit (CGU). Projected revenues are calculated for a period of two years after a game's release, based on sales-to-date, or historic sales patterns for comparable games. Because of the short time period, no discounting is done.

Based on management's assessment of the revenue potential in mainly the unlockable game and development portfolio, a write-down of capitalized development costs was done during the year. Of the write-down amount nothing was attributable to games still under development.

Impairment testing of goodwill

Impairment testing of goodwill is done annually. It is based on forecasted cash flows from the cash-generating units to which the goodwill belongs, in this case brands and intellectual rights associated with a number of games in the company's portfolio. These cash flows are forecasted with the same methodology used for impairment testing of capitalized development costs. Revenue and cash flow is forecasted, and is then compared to the goodwill associated with each game. Due to the short time period, no discounting is done.

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 impairment testing has not indicated any need for a write-down during the year.

Tangible fixed assets

Equipment	2014	2013
Tangible fixed assets at the beginning of year	**1 929**	**1 825**
Investment tangible fixed assets	2 373	1 118
Depreciation/write-downs	-1 152	-1 008
Currency exchange difference	-258	-6
Tangible fixed assets at the end of year	**2 892**	**1 929**

Accumulated equipment	2014	2013
Accumulated costs	7 217	5 498
Accumulated depreciation / write-downs	-4 325	-3 569
Net amount	**2 892**	**1 929**

Parent company

Intangible assets

Capitalized development costs	2014	2013
Intangible fixed assets at the beginning of year	**7 771**	**20 833**
Investment intangible fixed assets	2 138	6 574
Write-down		-9 466
Amortization	-1 752	-10 170
Intra-group transfer	-8 157	
Intangible fixed assets at the end of year	**0**	**7 771**

Financial fixed assets

Long-term receivable from group companies	2014	2013
Financial assets at the beginning of year	**33 342**	
Reclassification of short-term receivables from group companies		16 845
Investment in long-term receivables from group companies	48 346	15 851
Currency effect	10 157	646
Financial assets at the end of year	**91 845**	**33 342**

NOTE 8. Taxes

Group

Income tax expenses	2014	2013
Current tax	-1 518	-2 317
Deferred tax	-286	2 695
Total tax expenses	**-1 804**	**378**

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	2014	2013
Profit / loss before tax	8 618	-12 042
Tax according to current tax rate 22%	-1 896	2 649
Tax effect from income exempted from tax	157	
Tax effect from non-deductible expenses	-680	-73
Refund of tax due to dividends from foreign subsidiaries		
Adjustment for tax rates in foreign subsidiaries	567	272
Effect from change in tax rate		
Tax effect of deferred tax asset not accounted for	-49	-1 850
Tax effect of previous deferred tax assets not accounted for	125	
Other	-28	-620
Tax charge	**-1 804**	**378**

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	2014		2013	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Loss carry forward			2 105	
Intangible assets	2 156			
Accrued expenses		603		
Other	219	747		
Total	**2 375**	**1 350**	**2 105**	
	-1 350	-1 350		
Net deferred tax asset	**1 025**	**0**	**2 105**	**0**

Deferred tax 2014	Amount at the beginning of the year	Income statement	Other comprehensive income	Recalculation differences	Amount at the end of the year
Loss carry forward	**2 105**	-1 959	-146		
Intangible assets		2 025		131	**2 156**
Accrued expenses		-603			**-603**
Other		251	-616	-163	**-528**

Parent company

Income tax expenses	2014	2013
Current tax	-387	-702
Deferred tax	-1 959	2 101
Total tax expenses	**-2 346**	**1 399**

Actual tax charge	2014	2013
Profit / Loss before tax	11 122	-9 617
Tax according to current tax rate 22%	-2 447	2 116
Tax effect of income exempted from tax	157	
Tax effect of expenses not deductible	-56	-14
Other		-703
Tax charge	**-2 346**	**1 399**

Deferred tax assets/liabilities	Loss carry forward	Untaxed reserves
December 31, 2012		
Reported in income statement	2 101	
December 31, 2013	**2 101**	
Reported in income statement	-1 959	
Reported in other comprehensive income	-142	
December 31, 2014		

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 2014 there were 8 800 000 ordinary shares, each with a par value of 0.1 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**
December 31, 2014	**8 800 000**	**880 000**

At an extra-ordinary general meeting held on October 31, 2012, it was decided to implement a multi-year (2012-2014) warrant program, as part of a long-term incentive program.

In January 2015, after a decision by the extra-ordinary general meeting on December 19, 2014, managers and senior executives in the G5 group subscribed for 157 500 warrants. Each warrant entitles the holder to subscribe to one share in the company at an issue price of 83.33 Kr. The warrants were acquired at market price, 0.40 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 157 500 shares, representing approximately 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 2014. 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 2 275 SEK.

NOTE 10. Earnings per share

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

	2014	2013
Shares at the end of the year	8 800 000	8 800 000
Weighted average number of shares	8 800 000	8 711 111

At the end of 2014, 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 2014 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

Transactions with related parties consist of transactions between group companies, fees to the board, CEO and other managers, the warrant program, and fees paid to the board member Jeffrey Rose for legal advice in the US (see note 6).

Transactions between group companies are conducted either as royalty, or at cost plus a certain margin. As of December 31, 2014, the parent company had 92 315 (41 999) kSEK in receivables from group companies and 39 543 (4 956) kSEK in liabilities to group companies. Parent company sales to subsidiaries amounted to 529 (4 956) kSEK. Parent company purchases from subsidiaries amounted to 131 372 (47 590) kSEK, of which some part is put on balance as intangible assets. The main reason for the changes in sales and purchases is the move of game rights from Sweden to Malta.

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.

NOTE 12. Expenses by nature

Group	2014	2013
Royalty to developers and license fees	65 968	38 284
Marketing	38 533	11 382
Personnel costs	39 755	25 508
Amortization and write-downs of capitalized development costs	19 480	32 098
Other costs	40 295	47 910
Capitalized costs	-32 358	-41 915
Total cost	**171 673**	**113 267**

Parent company	2014	2013
Royalty to developers and license fees	113 295	65 819
Marketing	47 301	16 056
Personnel costs	2 293	1 777
Amortization and write-downs of capitalized development costs	1 752	19 636
Other costs	11 567	14 864
Capitalized costs	-2 137	-6 574
Total costs	**174 071**	**111 578**

NOTE 13. Audit fees

Group	2014	2013
Auditing within the audit assignment		
Mazars	693	695
Other auditing firms	27	44
Other auditing tasks		
Mazars	682	464
Total	**1 402**	**1 203**

Parent company	2014	2013
Auditing within the audit assignment		
Mazars	525	552
Other auditing tasks		
Mazars	652	464
Total	**1 177**	**1 016**

”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	2014	2013
Currency exchange gains	1 803	251
Write-off of liabilities		1 657
Other		138
Total	**1 803**	**2 046**

Parent company	2014	2013
Currency exchange gains	455	
Capital gains	3 668	
Total	**4 123**	

NOTE 15. Other operating losses

Group	2014	2013
Currency exchange losses	3 231	612
Total	**3 231**	**612**

Parent company	2014	2013
Currency exchange losses	3 198	29
Total	**3 198**	**29**

NOTE 16. Financial income

Group	2014	2013
Interest	42	85
Total	**42**	**85**

Parent company	2014	2013
Interest income from group companies	2 465	344
Other	30	68
Total	**2 495**	**412**

NOTE 17. Financial expenses

Group	2014	2013
Bank charges		301
Costs due to liquidation	220	
Other	219	
Total	**439**	**301**

Parent company	2014	2013
Currency exchange difference on inter-company loans		203
Interest costs	47	
Other	220	96
Total	**267**	**299**

NOTE 18. Accrued expenses

Group	2014	2013
Royalty	25 515	6 272
Other	510	1 797
Total	**26 025**	**8 069**

Parent company	2014	2013
Royalty	2 404	6 180
Other	439	1 774
Total	**2 843**	**7 954**

NOTE 19. Result from participation in group companies

Parent company	2014	2013
Dividend from subsidiaries		
Total		

NOTE 20. Adjustments for items not included in cash flow

Group	2014	2013
Depreciation/amortization	19 042	21 102
Write-down of fixed assets	1 591	13 908
Write-down of advances	894	4 104
Currency effects	9 759	-
Total	**31 286**	**39 114**

Parent company	2014	2013
Depreciation/amortization	1 752	10 170
Write-down of fixed assets		9 466
Liquidation of subsidiaries		235
Write-off receivables		1 987
Dividend		
Other	-3 668	
Total	**-1 916**	**21 858**

NOTE 21. Shares in subsidiaries

Shares in subsidiaries	2014	2013
Accumulated value, opening balance	630	865
Purchase of shares	2	50
Liquidation of subsidiary		- 285
Divestment of subsidiary	-62	
Accumulated value, closing balance	570	630

Information about the most important subsidiaries

Below are the Group's principal subsidiaries as of December 31, 2014. Unless otherwise indicated, the subsidiaries' share capital consists solely of ordinary shares that are owned directly by the Group, and the proportion of ownership is equivalent to the Group's holdings of voting rights. The countries where the subsidiaries are registered are also those where they have their main activities.

Company name	Domicile	Group ownership	Minority holding	Primary business
G5 Holdings Ltd	Malta	100%	0%	Game publishing
G5 UA Holdings Ltd	Malta	100%	0%	Holding company
G5 Entertainment Inc	USA	100%	0%	Marketing
G5 Holding UKR LLC	Ukraine	100%	0%	Game development
G5 Holding RUS LLC	Russia	100%	0%	Game development

NOTE 22. Receivables group companies

During 2014 long-term receivables to group companies have increased by 58 503 kSEK. Loans to subsidiaries related to these receivables are 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. Account receivables and other receivables

Group

Account receivables

In 2014, the group did a write-down of 0 (0) kSEK for account receivables. As of December 31, 2014, 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	2014	2013
0-3 months	7 569	7 156
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, 2014, the total advances to external developers amounted to 6 659 (4 373) kSEK. No single developer represented more than 21% of those advances.

Maturity of other receivables	2014	2013
0-3 months	1 578	5 276
More than 3 months	5 749	1 639

All development projects are continuously evaluated in order to ensure their profit potential, by comparing forecasted revenue with total development costs. During 2014 a number of games under development were cancelled due to a decrease in forecasted revenue. The corresponding advances were written of, to the amount 894 (4 104) 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 2014, the parent company did a write-down of 0 (0) kSEK for account receivables. As of December 31, 2014, 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	2014	2013
0-3 months	8 015	6 185
More than 3 months		

Maturity of other receivables	2014	2013
0-3 months	285	3 084
More than 3 months		4 302

In 2014 no advances to external developers were written off in the parent company (2013: 1 987 kSEK).

NOTE 24. 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	2014	2013
Rent paid	975	1 746

The future aggregate minimum lease payment under non-cancelable operating lease are all due within one year (2015) at a total amount of 300 kSEK.

NOTE 25. Pledged assets

Floating charge 3 000 (700) kSEK, pledged for cheque account with overdraft facility (400 kUSD). The overdraft facility was unused 2014-12-31.

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

NOTE 26. Contingent liabilities

Different advisors consulted by the company have different views on a tax matter relating to payment of compensation to developers during previous years. The issue includes among others the interpretation of the applicable tax laws in countries where G5 operates. G5 considers the risk of additional tax to be small, but a certain risk exposure exists, with a maximum amount estimated to 3.5 MSEK.

NOTE 27. 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

If no exchange rate movements in relation to the Swedish krona had occurred in 2014, i. e. if all exchange rates had had the same value throughout 2014 as per December, 31, 2013, the Group's revenue would have been 0.8 MSEK lower, while operating profit would have increased by 1.4 MSEK.

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.

Financial instruments split into categories (Group)

Financial assets	2014	2013
Accrued income	21 248	10 916
Account receivable	7 569	7 156
Other receivables	7 327	6 915
Cash and cash equivalents	32 864	27 433
Loan and receivables	**69 008**	**52 420**

Financial liabilities	2014	2013
Account payable	12 893	7 478
Other liabilities	1 593	464
Accrued expenses	26 025	8 069
Financial liabilities measured at amortized costs	**40 511**	**16 011**

Maturity of financial liabilities	2014	2013
0-3 months	40 511	16 011
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 23.

Financial instruments split into categories (Parent company)

Financial assets	2014	2013
Accrued income	21 295	10 854
Account receivable	8 015	6 185
Receivables group (long-term)	91 845	33 342
Receivables group (short-term)		8 657
Other receivables	285	7 386
Cash and cash equivalents	27 817	23 203
Loan and receivables	**149 257**	**89 627**

Financial liabilities	2014	2013
Account payable	4 064	1 584
Liabilities group	39 543	4 956
Other liabilities	1 265	74
Accrued expenses	2 843	7 954
Financial liabilities measured at amortized costs	**47 716**	**14 568**

Maturity of financial liabilities	2014	2013
0-3 months	47 716	14 568
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, 2015

Petter Nylander
Chairman of the Board

Pär Sundberg
Board member

Jeffrey Rose
Board member

Vlad Suglobov
CEO, board member

Our audit report was issued on 2015-04-24

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 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 11-54.

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 2014 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 2014 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 2014.

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 2015

Mazars SET Revisionsbyrå AB

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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 Nasdaq Stockholm in 2014. The board of directors of G5 Entertainment hereby presents the corporate governance report for 2014 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 2015 and is an account of how corporate governance has been conducted at G5 Entertainment during the financial year 2014. 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 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 following exceptions:

- The audit committee has had only two members since February 2015, following the resignation of Martin Bauer from the board. A third member of the committee will be added after the annual general meeting 2015.
- The annual general meeting 2014 was held in English. The reason was that the CEO, one more board member, and a number of major shareholders do not speak Swedish.

Shareholders

Per December 31, 2014 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

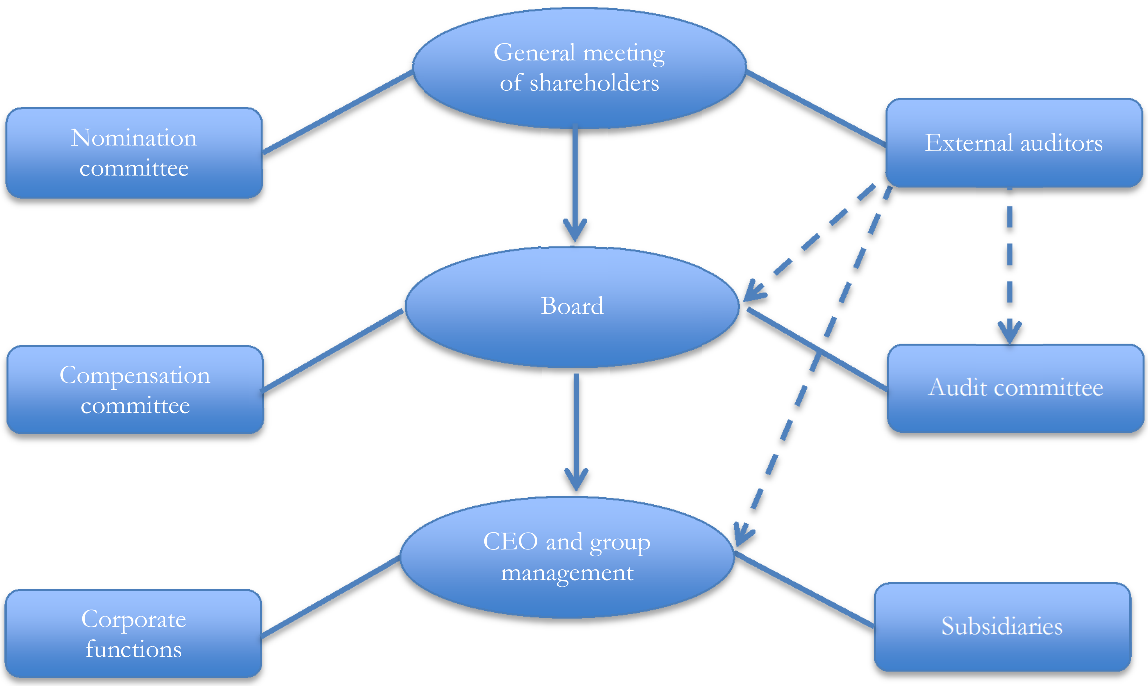
G5 Entertainment's articles of association do not contain any limitations regarding how many votes each shareholder may represent and cast at an annual general meeting.

Articles of association

The current articles of association (see company's website www.g5e.com/corporate) were adopted at the annual general meeting of May 20, 2014. 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 2014 AGM on May 20 at hotel Kung Carl, Birger Jarlsgatan 21, Stockholm, Sweden. 11 shareholders, representing more than 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 2013, 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 2015 AGM will be held at hotel Kung Carl, Birger Jarlsgatan 21, Stockholm, Sweden on May 20.

Extraordinary general meeting

An extra-ordinary general meeting was held on December 19, 2014. It decided to issue a maximum of 176 000 warrants to managers and senior executives of the G5 group in 2014.

Authorizations

The Annual General Meeting 2014 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 2015 AGM consists of representatives of G5 Entertainment's five largest shareholders:

- Magnus Uppsäll, chairman (representing Proxima Limited)
- Petter Nylander (representing Wide Development Limited)
- Jeffrey Rose (representing Purple Wolf Limited)
- Christoffer Häggblom (representing Rite Ventures)
- Marianne Flink (representing Robur)

Board of directors

Board composition

Until the 2014 AGM, the board consisted of Petter Nylander, chairman, Pär Sundberg, Martin

Bauer, Jeffrey Rose, and Vlad Suglobov. The 2014 AGM re-elected all board members. Petter Nylander was elected as chairman of the board. Martin Bauer resigned from the board on his own request in February 2015.

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 2014 the board met on thirteen occasions in addition to the constituent meeting following the AGM (including five per capsulam). During the year the board has focused primarily on the company's strategy, business plan and budget.

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 2014 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
- **July-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

The board has since the annual general meeting 2014 had two committees: the audit committee and the compensation 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

The audit committee comprised until February 2014 of Petter Nylander, chairman, Pär Sundberg, and Martin Bauer. In February Martin Bauer resigned from the board, and from then on the audit committee comprises of Petter Nylander and Pär Sundberg. A third member of the committee will be added after the annual general meeting 2015.

In 2014, the audit committee held nine minuted meetings. Meetings are attended by the company's CFO, who also serves as the audit committee's secretary. The company's auditor attended four 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 and advances to external developers, and internal processes and controls. Finally, the committee dealt with the issue regarding the pricing of assets for the internal transfer of games from G5 Sweden to G5 Malta.

Compensation committee

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

In 2014, the compensation committee held three minuted meetings.

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

Name	Elected	Inde-pen-dent	Position	Committees	Board atten-dance	Audit committe e atten-dance	Compen-sation committee attendance	Fees kSEK	No. of shares/ warrants in G5 Entertainment
Petter Nylander	2013	Yes	Chairman of the board	Audit committee, compensation committee	14 (14)	9 (9)	3 (3)	270	3900/0
Pär Sundberg	2012	Yes	Member of the board	Audit committee, compensation committee	14 (14)	9 (9)	3 (3)	165	8000/0
Jeffrey Rose	2011	No	Member of the board	Compensation committee	14 (14)		3 (3)	150	2000/0
Martin Bauer	2013	Yes	Member of the board	Audit committee	14 (14)	9 (9)		83	101 713/0
Vlad Suglobov	2006	No	Member of the board, CEO		14 (14)			0	616 000/ 60 000

Auditors

The auditing firm appointed by the 2014 AGM for a period of one year is Mazars SET Revisionsbyrå AB. Authorized public accountant Bengt Ekenberg is the head auditor.

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 physical 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 continued development of the company's portfolio of free-to-play games, as well as increasing revenue from released free-to-play-games. Processes and tools for acquiring new users in a profitable and cost efficient way have been introduced and continuously improved. Some new positions have been 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. Pär Sundberg is also owner and board member of the media company Buzzador AB.
- **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 14 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, 2014 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 was 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 the VPF 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. He joined G5 in May 2013.

Stockholm, April 24, 2015

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 2014 on pages 56-64 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 2015

Mazars SET Revisionsbyrå AB

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Bengt Ekenberg
Authorized Public Accountant

Upcoming report dates and IR information

Interim report, January-March 2015	May 8, 2015
Annual General Meeting 2015	May 20, 2015
Interim report, January-June 2015	July 24, 2015
Interim report, January-September 2015	November 6, 2015

For questions regarding this report please contact Odd Bolin, Investor Relations, by email at investors@g5e.se, or by phone at +46 84 11111 5.

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 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 Survivors: The Quest™, Mahjong Journey™, The Secret Society™, Virtual City®, Special Enquiry Detail® and Supermarket Mania®. G5 Entertainment AB is listed on Nasdaq Stockholm since 2014.

G5 ENTERTAINMENT AB (publ)
RIDDARGATAN 18, 114 51 STOCKHOLM SWEDEN
PHONE: +46 84 111115
FAX: +46 84 1111 65
E-MAIL: CONTACT@G5E.SE
ORG.NR. 556680-8878
HTTP://WWW.G5E.SE