



**G5 Entertainment AB**

**2022**

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**Annual Report**

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The Annual Report is prepared in Swedish and translated into English. Should differences occur between the Swedish Annual Report and the English translation, the Swedish version shall prevail.



Image from: Sherlock: Hidden Match-3 cases, © 2023 G5 Holdings Ltd.

# This is G5 Entertainment: Global market and presence

**G5 Entertainment AB (G5) is a developer and publisher of free-to-play games (F2P) that are played on smartphones, tablets and personal computers. In 2022, G5 generated revenues of SEK 1,400 million and EBIT of SEK 79 million. Geographically, G5's most important market is North America which accounted for 63 percent of group revenues in 2022.**

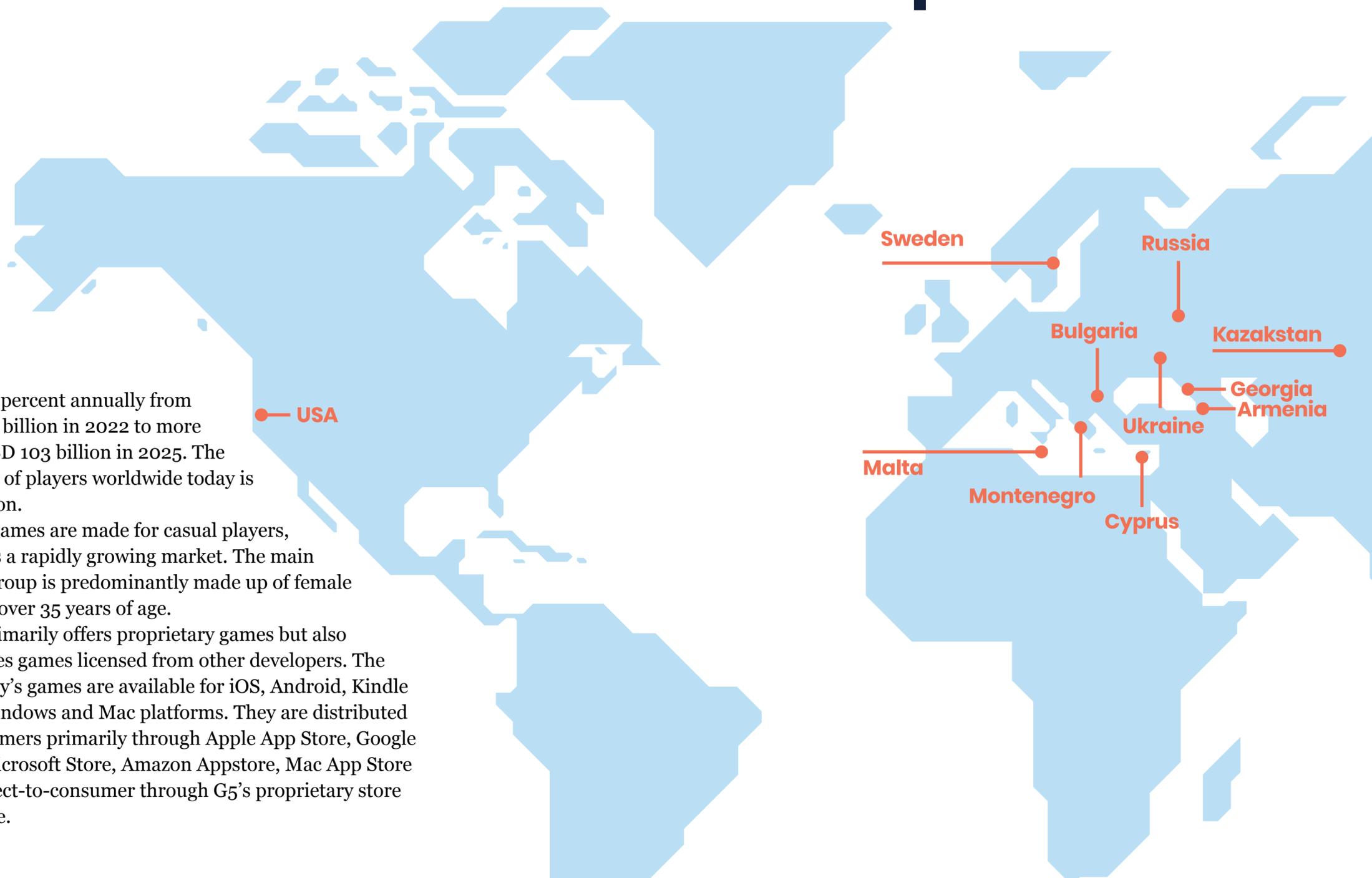
The company, which is listed on Nasdaq OMX since June 2014, is headquartered in Stockholm and had 961 employees at the end of 2022. When the year started the company had two development offices. Due to the war in Ukraine and subsequent relocations the company has formed seven new development offices. The division responsible for intellectual property rights, creative processes and game licensing is located in Malta while development offices and studios are situated in Armenia, Bulgaria, Cyprus, Kazakhstan, Montenegro, \*Poland, Ukraine and Russia. G5 also has a marketing office in the San Francisco Bay Area, California, USA. During the year the office in Russia has shrunk considerably due to the relocations.

Mobile games are the fastest growing segment of the overall gaming market. The mobile games market is, according to consulting firm NEWZOO, expected to grow by

about 4 percent annually from USD 92 billion in 2022 to more than USD 103 billion in 2025. The number of players worldwide today is 2.7 billion.

G5's games are made for casual players, which is a rapidly growing market. The main target group is predominantly made up of female players over 35 years of age.

G5 primarily offers proprietary games but also publishes games licensed from other developers. The company's games are available for iOS, Android, Kindle Fire, Windows and Mac platforms. They are distributed to customers primarily through Apple App Store, Google Play, Microsoft Store, Amazon Appstore, Mac App Store and direct-to-consumer through G5's proprietary store G5 Store.



\*Closure of the Poland entity is currently being implemented

# The year in brief: Resilient in a challenging year

**1.4**  
billion

Revenue for the period  
(SEK)

**79**  
million

Operating profit for the  
period (SEK)

- Consolidated revenue was SEK **1,400 M** (1,315), an increase of **6** percent compared to **2021**, in USD terms revenue decreased **10** percent year-over-year
- EBIT for the year was SEK **79.5 M** (216.1), a decrease of **63** percent compared to **2021**
- Net result was SEK **66.9 M** (198.2)
- Earnings per share before dilution was SEK **8.00** (23.32) and after dilution SEK **7.96** (23.02)
- Cash flow before financing activities was SEK **128.1 M** (152.1)

## Financial summary

FINANCIAL KEY RATIOS, KSEK	2022	2021	Change,%
Revenue	1,400,117	1,315,703	6%
Commission to distributors	-320,718	-349,183	-8%
Royalty to external developers	-142,978	-156,073	-8%
Gross profit	936,420	810,447	16%
<b>Gross margin</b>	<b>67%</b>	<b>62%</b>	
Operating costs excluding costs for user acquisition	-521,590	-329,755	58%
EBIT excluding costs for user acquisition	414,830	480,691	-14%
<b>EBIT margin before costs for user acquisition</b>	<b>30%</b>	<b>37%</b>	
Costs for user acquisition	-335,380	-264,571	27%
Costs for user acquisition as a percentage of revenue	-24%	-20%	
EBIT	79,451	216,121	-63%
<b>EBIT margin (%)</b>	<b>5.7%</b>	<b>16.4%</b>	
Earnings per share before dilution	8.00	23.32	-66%
Cash flow before financing activities	128,091	152,106	
Cash and cash equivalents	177,469	149,964	

## Operational KPI:s

F2P	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
DAU (mn) <sup>1</sup>	1.7	1.8	1.8	1.8	1.7	1.8	1.8	1.8
MAU (mn) <sup>1</sup>	6.0	6.4	6.4	6.2	6.5	6.7	6.7	7.0
MUP (thousands) <sup>1</sup>	177.2	181.8	183.9	205.6	189.7	197.7	203.2	205.6
MAGRPPU (USD) <sup>1</sup>	63.3	61.2	64.1	62.1	63.3	64.2	66.1	63.4

<sup>1</sup> For more information regarding the operational metrics, see the glossary on page 72

“We strive to deliver stable performance in line with the ‘new normal’ of the fourth quarter 2022.”

# Word from the CEO: A year of transformation



**G5 is arguably in the best position it has ever been business-wise. We have a strong balance sheet and continue to operate with zero debt**

2022 was a year of transformation. In the first quarter, we drastically had to change many things due to the invasion of Ukraine, in the second quarter we boosted UA for Sherlock, and in the third quarter, we made changes to the development funnel and new game capitalization. Even though relocation efforts continued, the fourth quarter was the beginning of a “new normal” with regards to cost structure, level of UA spend, and profitability.

During 2022, Sherlock was our star performer and the Jewels family of games remained a stable and strong money maker. At the same time, Hidden City ended the year on a stronger note and also started 2023 on a high level.

G5 Store, which is available on PC, Mac, and Android, now generates more monthly net revenue than Mac App Store or Amazon Appstore. In December 2022, G5 Store even reached over seven percent of the group’s net revenue. As payment processing fees in G5 Store are far lower than third party application store fees, G5 Store revenue improves our gross margin and profitability. Thus, we are excited to see continued strong growth dynamics in G5 Store at high revenue levels in 2023.

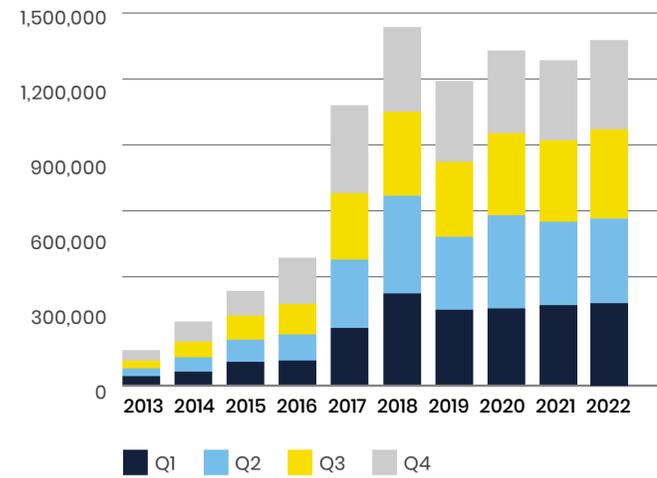
Following the war in Ukraine, we established new offices in several countries and put effort into providing our employees with the opportunity to relocate, aiming to diversify our geographic footprint. While Ukraine remains our largest office, employees who physically remain in Ukraine stood for only about 35 percent of our total workforce by the end of 2022, compared to about 50 percent in 2021. Employees physically located in EU, Montenegro, Armenia, Georgia, and Kazakhstan, now stand for 37 percent of our staff. We expect to further reduce our exposure to the risks of this conflict during 2023.

G5’s success over the years is due to its awesome employees and I would once again like to give a big thanks to our great team which kept the company going during 2022. Especially to our employees in and from Ukraine, given what they endured during this past year. The fantastic work our employees have done to keep the business going during such difficult and heartbreaking circumstances is quite remarkable. I hope 2023 can bring peace and relief.

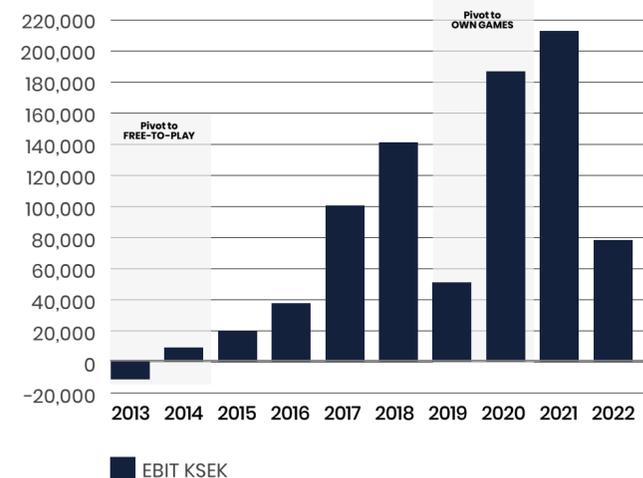
Thanks to the outstanding efforts of our team, G5 is arguably in the best position it has ever been business-wise. We have a strong balance sheet and continue to operate with zero debt, while fully funding our marketing and development efforts, including new games, from operational cash flow. In recognition of the strong fundamentals of our business, the board proposed an increased dividend of 8 SEK per share, equal to approximately 65.4 MSEK.

We are entering 2023 with strong growth trends in Sherlock and G5 Store and growing profitability due to lower fees in G5 Store and a higher percentage of revenue generated by

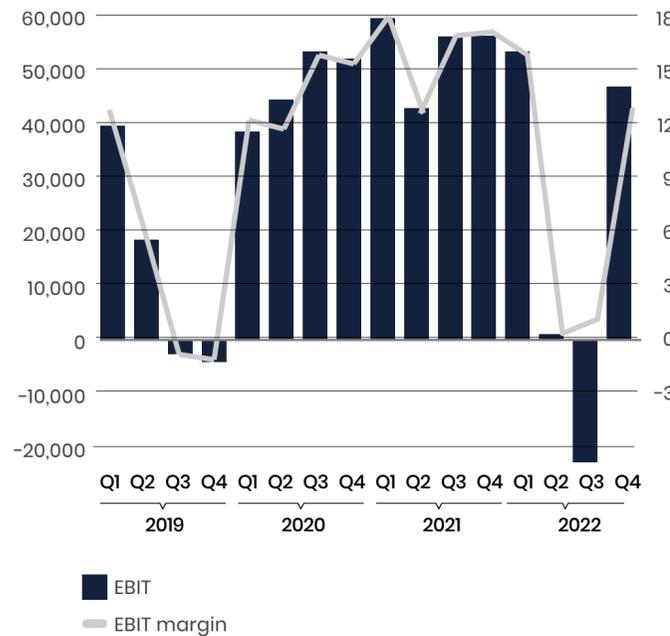
Revenue KSEK



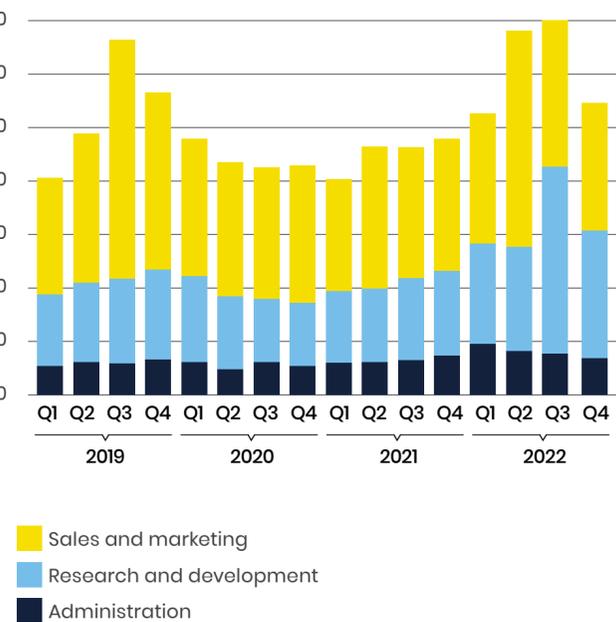
EBIT KSEK



EBIT (KSEK) | EBIT-margin (%)



Costs in % of revenue



our own games. In 2023, we strive to deliver stable performance in line with the “new normal” of the fourth quarter 2022. We expect to spend about 17-22 percent of our revenue on user acquisition. As outlined in the quarterly report for the third quarter we have now reduced the workforce to 931 at the end of March from 965 in the end of October.

We are working on multiple new games with the goal to soft-launch five to six per year and develop one to two per year that we can release globally and scale. We remain active in publishing of third party titles looking for outstanding studios to work with. In line with this strategy, we have recently signed a publishing deal with a studio established by some of the original members of the Happy Star studio which created Hidden City. We expect to soft launch their new hidden object game before the summer.

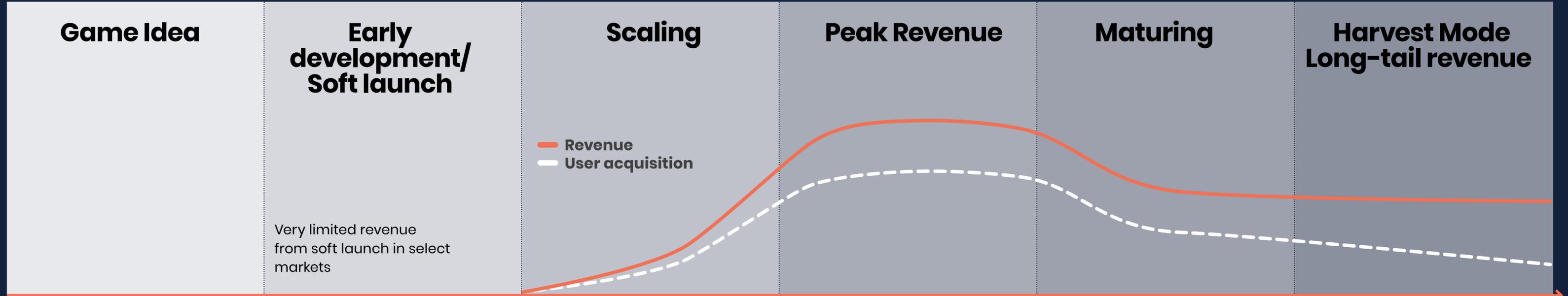
We look forward with anticipation to a prosperous 2023.

Thanks for following us at G5!

**Vlad Suglobov**  
CEO, co-founder

**“We are excited to see continued strong growth dynamics in G5 Store at high revenue levels in 2023.”**

# Revised Games Development Funnel



In this stage the argument for the new product is developed through **extensive marketing tests**

Game is released in limited markets and tested against benchmarks. Usually iterative process to find the best product/market fit.

The game either clears benchmarks for Global release or gets cancelled. We expect 5-6 games to reach this stage and **1-2 games to be released Globally every year.**

After **global release**, we invest in growing the game's revenue. Game continues to be analyzed and updated to find the best game balance for worldwide audience.

**UA and Growth:** As revenue grows, games are optimized, **user acquisition is increased, and games are scaled to higher revenue levels.**

Often during the growth phase, games appear to have reached a plateau, **however improvements can be made to the game and/or the marketing strategy to achieve a higher peak level**

In time, growth may slow as the game reaches a more mature state. Cross-selling with the rest of the G5 games portfolio extends the already long tail of revenue.

Harvest mode games do not have a dedicated team and only very limited UA is done on the games. **These games bring in a healthy cash flow** that can be invested in new or active games.

The games have very limited updates through one shared team.

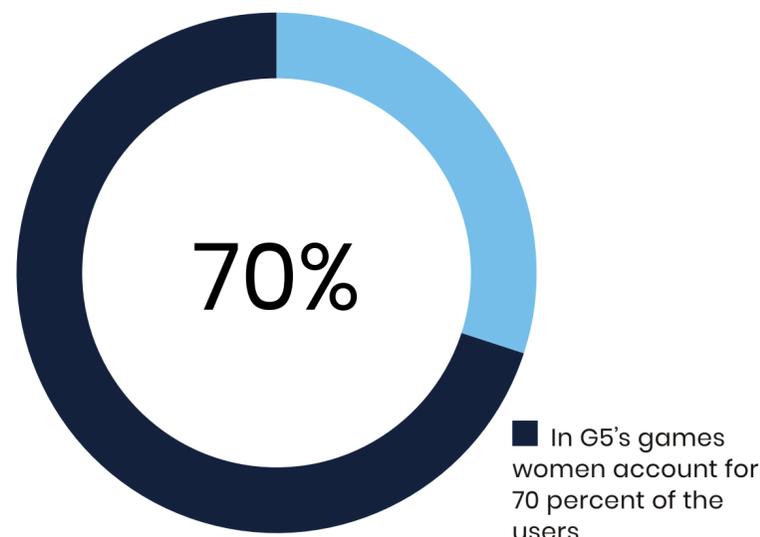
# Vision and Strategy: From one of many to one of few

**G5 aims to grow from “one of many” developers and publishers of free-to-play games for smartphones, tablets and personal computers to “one of few”. To achieve this the company shall deliver above market growth through adhering to the following four strategic guidelines that have been established;**

- G5 shall continue to focus on its core audience of women 35+, maximizing the knowledge about its audience and using it to bring new products to the market.
- G5’s customers, the players, shall be offered top quality content in our games, existing and new.
- G5 shall exceed market growth through smart marketing, by maintaining the engagement of existing customers and winning new players.
- G5 shall, in a responsible way, venture into new and adjacent genres and target groups.

## G5 target groups and genres

G5’s main target group is women aged 35 and over. In G5’s more popular games women account for around 70 percent of the users. G5 Entertainment has a clear focus in relation to game genres and target groups. The games that are developed and published can generally be referred to as puzzle games. The G5 games are in the four genres Hidden Object, Match-3, Solitaire/Match-2 and New Genres. They are adventure or casual games where the player progresses by solving puzzles.



## Focus on f2p-games

G5 exclusively makes F2P games. This type of game can be continuously updated throughout the game’s life cycle. This increases G5’s ability to retain players during a longer time period which renders these games a significantly greater earning capacity than other game types.

## User acquisition

G5 is actively acquiring new players through marketing, so called user acquisition (UA). This is an important part of the business model for F2P-games and the company invests a significant share of the revenues in user acquisition. G5 has developed a profound knowledge about its player types, its target group and how to reach these. It also uses advanced analytical tools to secure a healthy return and payback time on marketing investments.

The purpose is to create a larger user base which can provide higher long-term earnings, if not immediately during the subsequent quarter, then after an additional one or two quarters, when revenues have had time to catch up with spending. Through analytical tools the company can track spending with good precision and make sure that the right kind of players are attracted.

Because players keep playing the games for a long period of time and are monetized only gradually, the profit margin is affected in the short term when the company decides to substantially increase spending on UA and hold it at the new level, while the revenue increases gradually. Over time profitability grows in the following quarters, and then in relation to a larger revenue.

A broad user base is also an asset that the company can benefit from in the coming launches in order to attract existing players to try new games.

## Retention and earnings potential

G5 has one of the largest mobile games portfolios in its niche and target group. Only a few other established players are consistently targeting the company’s main target group and create games with a similar structure to G5’s most successful products. The company’s continued success will depend on its ability to continue offering existing and new customers the best and most engaging experiences. At the same time, those games that are launched must possess enough earnings potential. This means that the company needs to continue to produce and/or license successful games, and that the company’s development over time will depend on its ability to do that.

**“A broad user base is also an asset that the company can benefit from in the coming launches in order to attract existing players to try new games.”**

# G5's success factors



## 1. Players

- Main audience women 35+
- Loyal and repeat buyers
- Growing demography

**Defined target group** G5 focuses on games for women over the age of 35, a globally growing and financially strong target group that is loyal to their games and where G5 is one of the leading players in the market in its niche. Mobile gaming platforms have opened up gaming for the company's target group and women account for a growing share of the active players on mobile gaming platforms, more and more reports show that women account for almost 50% of the number of players. In G5's successful titles women account for 70% of the active audience.



## 2. Game Genre expertise

- Hidden object
- Solitaire/Match-2 and Match-3
- New Genres
- Gradual genre expansion

**Extensive portfolio** G5 has a number of F2P games that are attractive to large numbers of players in the target group. The company focuses on games in the genres of Hidden Object, Match-3 and Mahjong Solitaire, while also trying to enter new genres that are popular among G5's target group.

**Focused activities** G5 focuses on F2P games that are accessible, do not require up-front payment and provide a longer gaming experience. This allows players to become involved and continue playing for a longer period, which increases the game's earning capacity.



## 3. Development

- Analytics and Analytical approach
- World class development talent

**Proprietary platform** G5 has the capacity for quality assurance, customer support, sales, marketing and user acquisition, as well as cross selling between games. We also have Talisman cross-platform engine which allows for quick deployment of games on multiple platforms including direct-to-consumer G5 Store. And G5 Friends is a built-in social network and cloud progress storage platform for easy platform migration. We also have proprietary game engines in our main genres.

**Own UA team and tools** G5 has built up its own organisation for user acquisition, which concentrates on different types of campaigns to increase the number of users and cross selling between games. G5 has also developed its M.A.R.S suite of tools to further enhance its competitive advantage.

**Efficient channels** G5's games reach the end user through global distributors such as Apple App Store, Google Play, Amazon Appstore, Microsoft Windows Store, Mac App Store and the G5 store.

**Own analysis** G5 has an analytics platform that delivers real-time insight into player behavior and how earnings can be improved.



## 4. Marketing

- G5 Brand
- User acquisition
- Distribution

**Inhouse development** G5's gaming portfolio is based on proprietary and licensed games. Over a number of years G5 has strived to increase the proportion of revenue generated by its own games. In the fourth quarter 2022 the share of revenue coming from own games was 71 percent.

**Own studios** G5 has during 2022 expanded its development studios and currently has studios in eight countries for game development and outsourcing of development services.

# Value chain

## Game development

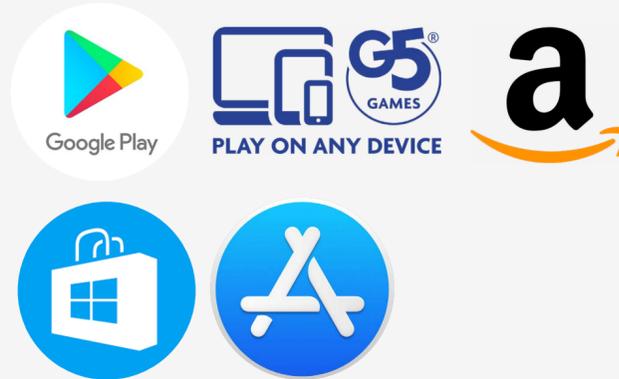
1.



- G5 develops proprietary casual games based on its own technology.
- G5 sometimes licenses games from independent game studios which reduces financial risk and expands the company's offering to various target groups and experimental genres.

## Distribution

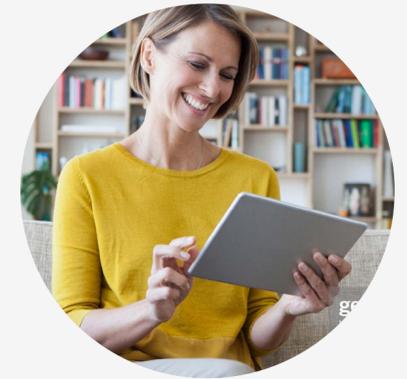
2.



- G5 uses strong distributors such as Apple, Google, Microsoft and Amazon. During the year the proprietary G5 store, where G5 has own payment solutions and distribution, grew to represent over seven percent of group revenue in Q4.
- External distributors charge approx. 30 percent of revenue, Microsoft Store 12 percent for which G5 gains access to a global market without the need for its own distribution and payment system. For the own store, G5 has its own distribution and payment solutions where fees paid to these parties are only single digit percent.

## Engagement & marketing

3.



- Players are regularly offered updates for existing games and new games to try.
- Own analytical tool secures efficient marketing.
- G5 builds customer touch points through email, social media, G5 Friends social network built into all G5's games, and other means.

# Value chain: From idea to the player

## 1. Development

G5 strives to produce the best games in the genres where it is active. G5 develops and renews its game portfolio mostly through in-house game development but also, in carefully selected situations, through licensing of games from independent game developers. For its in-house development, the company seeks to employ the most talented individuals and pays a lot of attention to the quality and detail in the games.

The combination of own development, where the margins are higher, and licensing, where G5 can test new games and broaden the offering with limited risk, gives G5 a good portfolio balance. The model also reduces the dependence on individual game titles.

The contractual agreements for the licensed games vary but the starting point is usually an even split of game revenues between the developer and G5.

## 2. Distribution and platforms

G5 distributes its own games and the licensed games through a handful of strong and established application stores such as the Apple App Store, Microsoft Store, Google Play, Amazon Appstore, Mac App Store and the G5 Store available on the company's website [www.g5e.com](http://www.g5e.com). Through the stores G5 makes the games available to the global market. For the external stores, G5 usually pays 30 percent of the revenues from each game to the app stores that are responsible for distribution and payment processing. From the 1st of August, 2021 Microsoft lowered their commission to 12 percent. In

addition, the stores also provide a source for organic traffic through the exposure of the games to the top charts, search tools and occasional promotion of the best games.

G5 strives to adapt its games to smartphones, tablets, and personal computers of all screen sizes. The trend towards larger screen sizes on smartphones favors G5 as the gaming experience in G5's core genres typically benefits from a larger screen. This trend contributed to the company's success in the last years as it clearly correlates with higher in-game spending.

## 3. Engagement and analysis

G5's customers constantly seek new gaming challenges and G5 therefore carefully analyzes the players' behavior through a comprehensive computer-based data analysis, both via the proprietary analytics platform and through the data coming in through the distribution channels. The results are used to further develop existing F2P games through continuous updates that in various ways improve the games. Such updates are often carried out monthly. The goal is to maximize the player interest and commitment so that they continue playing for a long time and are positively inclined to new products that G5 launched.

The analytical approach also contributes to securing returns from user acquisition, and optimizing the games' earnings capacity.

Players in G5's games are also motivated to engage with G5 through email newsletters and social media which creates important customer touch points for the company.

**“The trend towards larger screen sizes on smartphones favors G5 as the gaming experience in G5's core genres typically benefit from this.”**

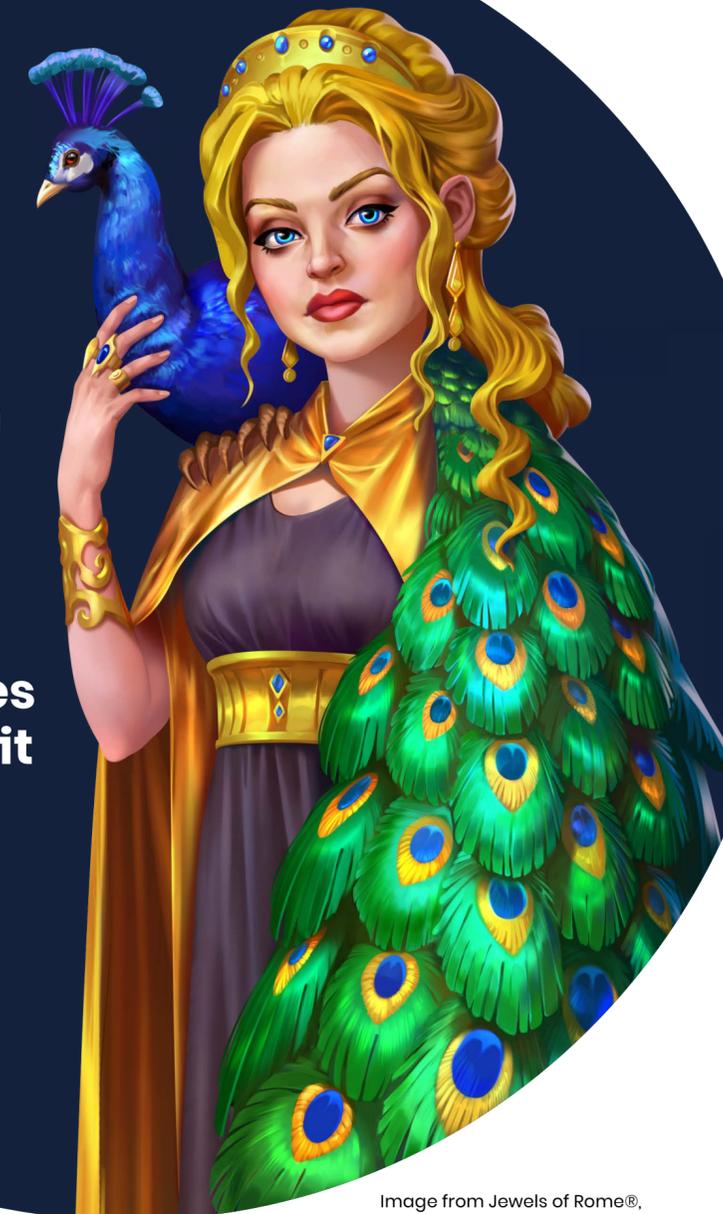
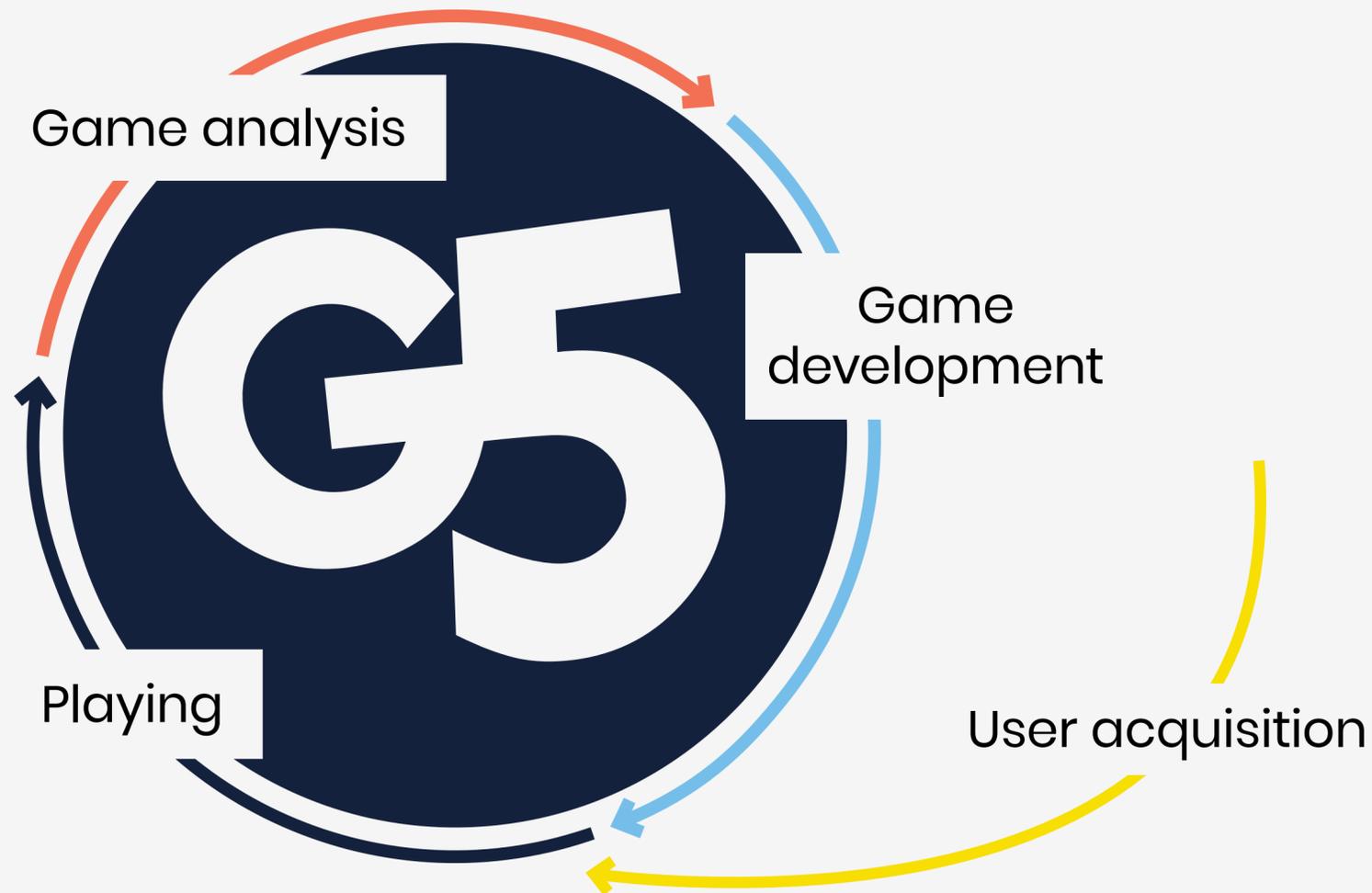


Image from Jewels of Rome®. ©2023 G5 Holdings Ltd.

# Value chain: Lifecycle of games and gamers

## The game cycle

During a game's lifetime G5 acquires users through marketing, which combined with organic traffic and cross-selling between games creates the user base that plays a specific game. During the game's lifetime G5 continuously tracks and analyzes how the players act in the game. Based on the analysis, G5 evolves the game by adapting the difficulty level and adding new features in the game. The goal is to keep the players in the game as long as possible and to strengthen the game's earnings capabilities.



## The optimal life cycle

When G5 launches a new game, it takes the form of a so-called soft launch where the game is tested against the market, only in one or two specific countries. The soft launch can be completed within months but is usually done over at least six months. During the soft launch, as well as during the entire lifetime of the game, a large number of KPIs in the game are analyzed. The KPIs all contribute to improve the game's earnings capacity after which it can be compared to the investments required in user acquisitions, UA, and if UA then is profitable within the company's set return requirements.

During the soft launch there is also more content added to the game. These steps are then repeated after the soft launch where G5 continuously adjusts the game to achieve an optimal performance. A game that is too easy, or which does not have a sufficiently exciting plot, does not normally reach the earnings requirements. Similarly, a game that is perceived as too difficult makes players leave which in turn needs to be adjusted.

These processes are ongoing throughout the game's lifecycle, which can last for many years. The goal is to extend the lifecycle of the game for as long as possible and to make sure that if players are about to leave the game, they would have had such a positive experience that they would try another game by G5.

# Market: Trends support G5's growth

Both G5 as a company and G5's market have expanded significantly in recent years. Behind the expansion are a number of strong drivers in the form of technological progress and global trends in terms of demography and growing affluence. The technology allows advanced games on mobile platforms and a large and growing group of people have the interest, time and money to spend on mobile games.

## Technology

The biggest growth driver has been the global spread of mobile phones. There has also been an increasing demand for casual games entertainment, both on mobile devices as well as personal computers. The quick development in both software and hardware has enabled the use of advanced graphics and the handling of large amounts of data on mobile devices, something that has made the games increasingly advanced and of high quality. Bigger screens with ever-better resolution improves the gaming experience and contributes to increased usage.

As more people use smartphones, tablets and personal computers G5's potential user base is constantly increasing and widening. Today, playing games is the most popular activity associated with smartphones, and it is mobile games that constitute the fastest growing segment in the gaming market.

## Time to play

As the number of smartphones and tablets increases, an ever-improving gaming experience together with the opportunity to play anywhere, anytime, made users play only on mobile devices or in addition to traditional gaming platforms. Casual games of the type that G5 offers contribute to an increasing player base, because they are games that are easy to begin playing and they appeal to a wide target group, both in gender and age.

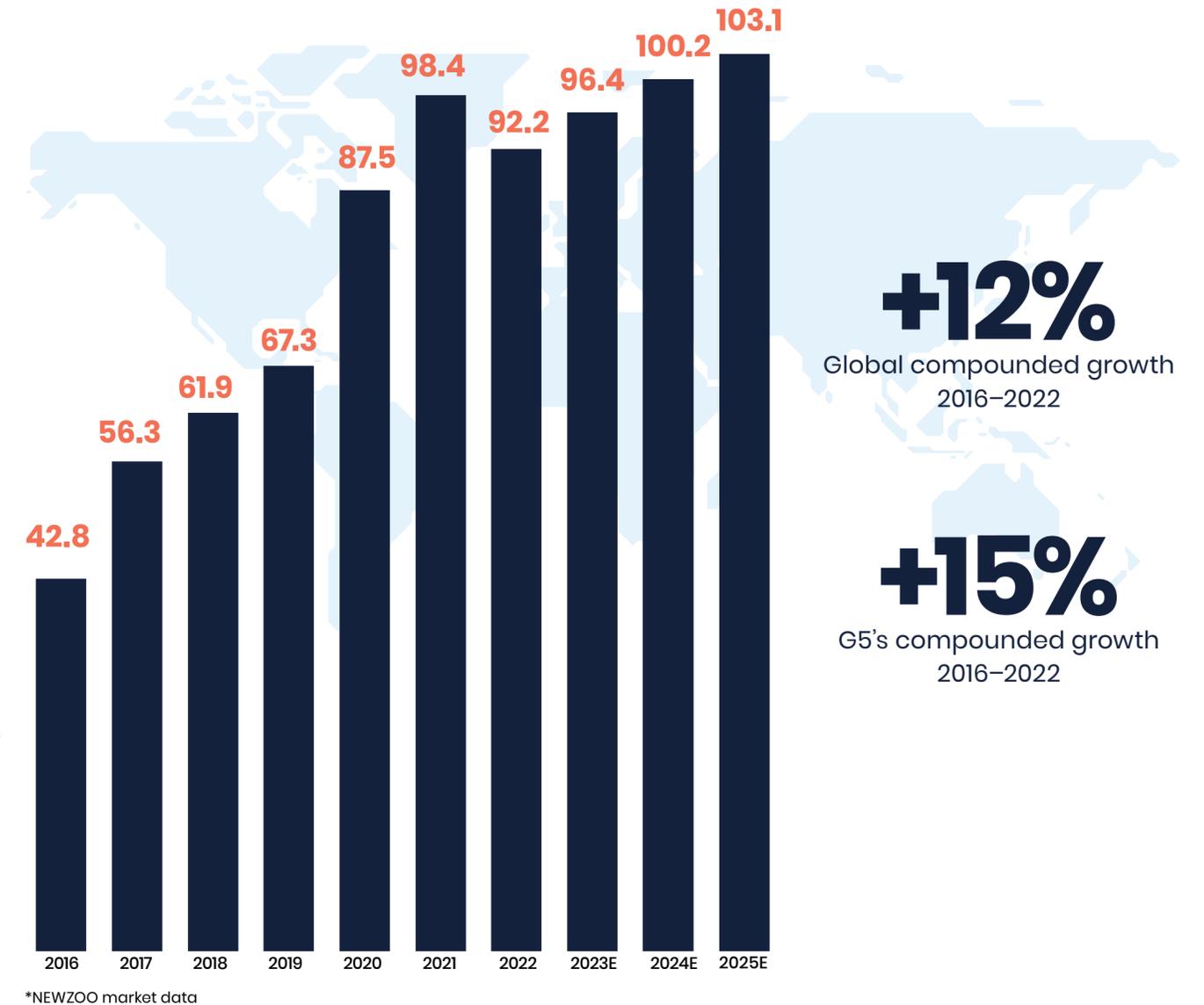
Revenues from different types of mobile games are expected, according to consultancy firm NEWZOO, to increase from USD 92 billion in 2022 to over USD 103 billion by 2025.

## Demography

G5's games are aimed at a wide range of players but are popular in the segment of female players over 35 years. As early as 2009, G5 saw that this market segment was underserved by the gaming industry and therefore began to develop and publish games targeting this group. Only a few established market participants today produce games that are aimed at G5's target group. The competition in the segment is lower than for other parts of the market, and it requires a thorough understanding of the needs of the target group which differ from other segments in the traditional gaming market.

The target group has over time proved to be loyal who use and play the company's games for a long time, often more than a year. The female players have both the time to play and a financial strength that allows purchases in the games. They also prefer to use tablets and smartphones with larger screens, which benefits G5's games which are optimized for larger screens and have high quality content.

Global Revenue from Mobile Games, Bn USD



**Global business – growing market**

Mobile games in various forms are becoming a global business. Asia is today the overall largest market and accounts for half of the mobile gaming industry’s turnover. The development is driven by China and Japan, and Japanese players spend more than any other player of mobile games. Japan is G5’s largest market in Asia while the company’s main market is North America. In 2022, North America accounted for 63 percent of the company’s revenue. Through the G5 distribution channels, the games are available to a global market immediately after the launch of a new game. Also, the games are initially published with the support of at least eleven different languages to cater to all markets.

The company’s main markets fit well with the company’s strategy, as the target group is large and financially strong in these markets.

**G5 and competitors**

G5 operates in a very competitive environment, where not only mobile game developers, but also the broader entertainment industry are trying to catch the audience’s interest. That does however not mean that G5 competes with all mobile games on the market. There is for example virtually no competition between G5’s games, which target women over 35, and games with a younger male target group aged 13 – 35. G5’s games do not compete with war games, strategy games or role playing games, although they can be said to operate on the same market.

**App Store Ecosystem**

In 2021, following the *Epic Games vs Apple* trial, Apple won the federal antitrust laws, but Epic won the California antitrust law. The courts concluded that Apple was violating California’s anticompetition law by forbidding app developers to communicate directly with customers about ways to pay for services outside the App Store, and gave Apple until December

2021 to make changes that would support implementation of third-party payment systems for apps that are downloaded from the App Store.

Even though in-app purchases made through third parties would not be subject to the standard commission fee, the courts decision does not forbid Apple for charging it, and the courts believe that the stores indeed are entitled to some form of compensation for maintenance and R&D investments, but it also concluded that the 30% fee that Apple currently charges is arbitrary. The implications of the trial are not clear, but Apple and other app stores are now under pressure to adjust their commission fees before there is legal and government intervention.

As of 2022, developers are allowed to communicate to the players outside of the apps with regard to the alternative options to make payments within the games. G5 is actively informing its players about direct-to-consumer options such as G5 Store. With the continued rollout of the new Digital Markets Act over the next year, G5 also anticipates that additional direct-to-consumer payment systems will become available in regard to the App Store, at least in the European Union.

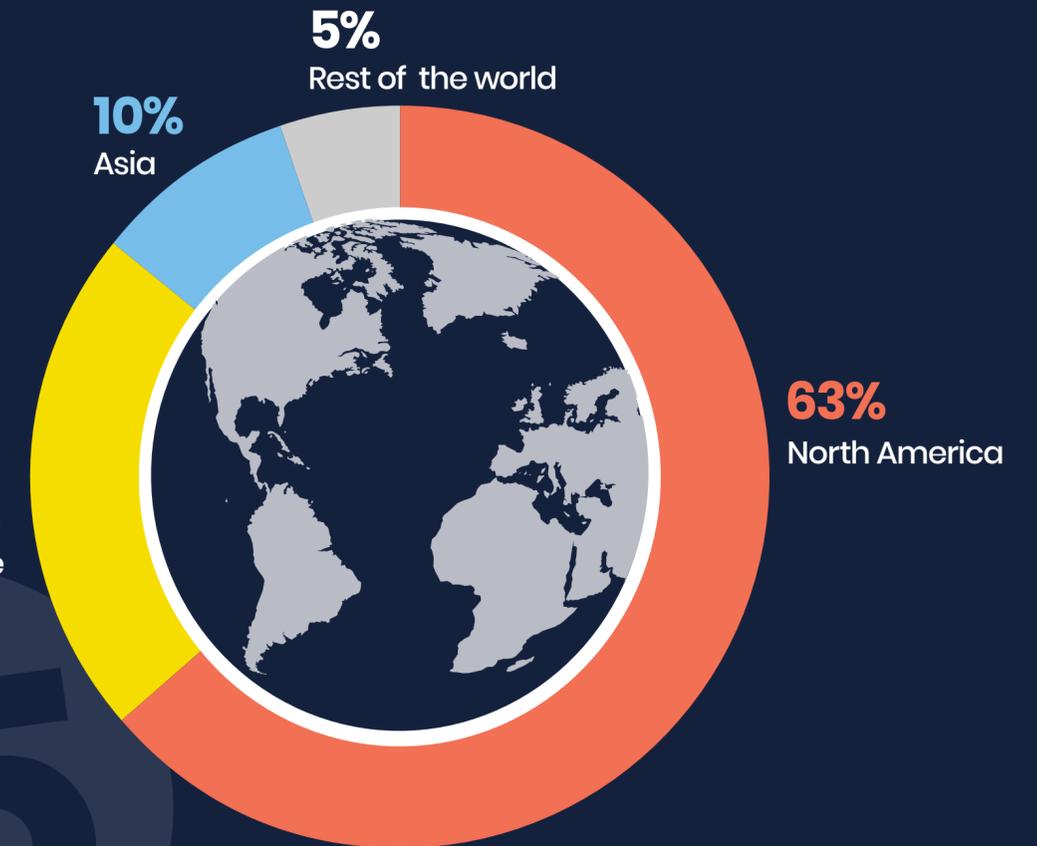
**Privacy policies**

In 2021, Apple rolled out an update which features a new privacy policy “App Tracking Transparency”. Prior to this update the tracking via Apples identifier for advertisers, IDFA, which is a unique soft ID, was turned on by default. The roll-out of the opt-in solution for IDFA has caused disruptions for the app marketing ecosystem as the ability to attribute events in the ecosystem has been impacted negatively. Additional platforms are planing similar changes which might impact the industry negatively.

**G5’s Revenue breakdown by region (2022)**

**Target audience**

- Focus on female audience 35+
- Loyal audience
- Growing demographic
- Low piracy



# Operations: Three genres, one target group

G5 has chosen to focus its activities on four “evergreen” puzzle game genres: Hidden Object, which currently is the highest grossing of the company’s genres, and where G5 has its fastest growing game Sherlock; Match-3 which is a slower growing but strongly profitable genre for the company; and Mahjong Solitaire, which is one of the original genres the company pursued.

The properties of the three genres are different, but what they have in common is that they are puzzle/adventure games where the player searches for clues and solves puzzles to advance in the game. These types of games have been around for many years, which is why the company considers them evergreen. In addition, they are also all liked by G5’s main target group, women over 35, which is loyal, has time to play, good payment ability and is growing in size.

Today almost half of the 2.7 billion people that regularly play mobile games are women, with an average age of 36 years and they describe themselves as financially independent. In the same target group 94 percent say they prefer to play games on the mobile instead of on a computer, which is considerably more than their male counterparts, where only 90 percent prefer the phone. 62 percent of G5’s target group plays every day, they are habitual players and willing to spend money in



the games. An increasing global prosperity where incomes are rising and people live longer and have more time for leisure, makes G5’s main target group increase over time.

### Hidden Object

The G5’s Hidden Object games, where Hidden City is the leading game, but Sherlock is quickly catching up, is designed to be immersive and engage the players over a long time. These games have advanced graphics, which is crucial for the success of the games and G5 works constantly to further develop the games. The games have the G5 social network “G5 Friends” built in, as well as seasonal content and the possibility to directly purchase clues and items needed in the game. The games have a long service life and high earning capacity. One of G5’s Hidden Object Games have so far earned over USD 140 million and another - over USD 400 million, during their lifetime. G5 has released one additional Hidden Object game in 2022.

### Solitaire/Match-2

G5’s largest game in the genre is Mahjong Solitaire which is a Match-2 game where players match mahjong tiles in

different combinations in a large and complex puzzle. The genre is well-liked by G5’s main target group.

### Match-3

Today, Match-3 is one of the largest genres in mobile gaming and G5 estimates that the genre generates over six billion USD of revenue yearly. They are based on the player matching three items in a row to remove them, and work towards completing level goals. The game type is very popular with the G5’s main target group, but also in wider groups.

### New Genres

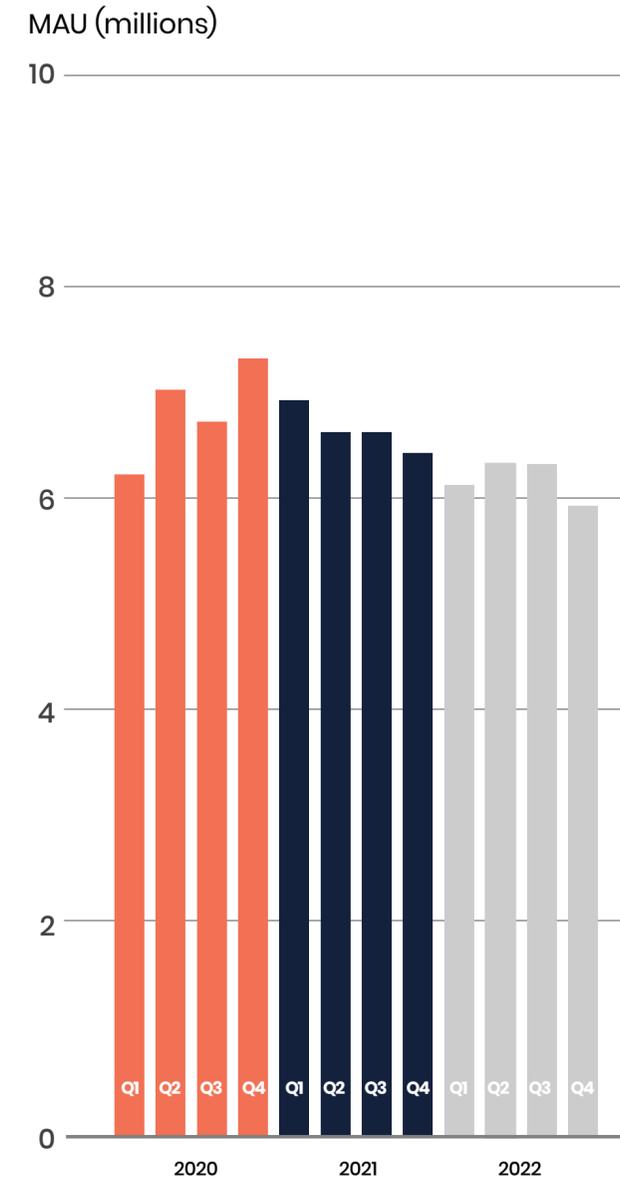
The company is continuously looking to enter new genres. G5 releases approximately one game per year in a new genre. As with all releases some games become moderate successes, some become new big genres for the company, such as Match-3 and some fail.

“G5 has a range of genres that are all liked by the company’s target audience. The games are different types of puzzle games that accomodates various tastes in type and genre”

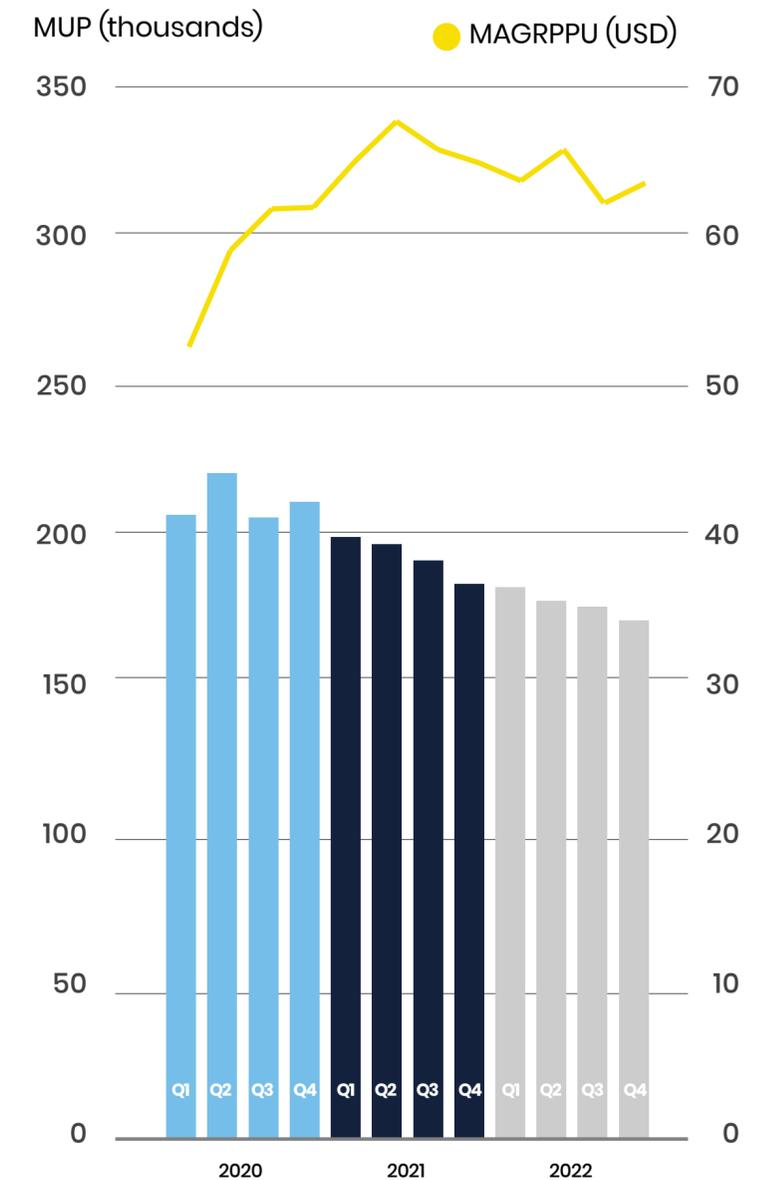
### Top Games by Revenue – 2022

#1		Hidden City	Licensed	Released: February, 2014
#2		Sherlock	Wholly Owned	Released: August, 2020
#3		Jewels of Rome	Wholly Owned	Released: May, 2019
#4		Jewels of the Wild West	Wholly Owned	Released: April, 2020
#5		Jewels of Egypt	Wholly Owned	Released: June, 2020
#6		The Secret Society	Wholly Owned	Released: November, 2012
#7		Mahjong Journey	Wholly Owned	Released: December, 2014
#8		Sheriff of Mahjong	Wholly Owned	Released: October, 2020
#9		Homicide Squad	Wholly Owned	Released: January, 2017
#10		Crime Mysteries	Wholly Owned	Released: May, 2020

### Monthly active users (average over quarter)<sup>1</sup>



### Monthly unique payers (average over quarter)<sup>1</sup> and Monthly Average Gross Revenue Per Paying User



<sup>1</sup>For more information regarding the operational metrics, see the glossary on page 72.

# Director’s 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, 2022 – December 31, 2022. All amounts are reported in SEK thousands (KSEK), unless otherwise specified. Information in parentheses refers to the previous accounting year, that is to say 2021. 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

G5 is a developer and publisher of free-to-play games for smartphones, tablets and personal computers. G5 is active in a market that has grown sharply with the wide spread adoption of smartphones, tablets, and free-to-play game format. More recently, the growth is due to expanding audience and the popularity of free-to-play games for the company’s target group.

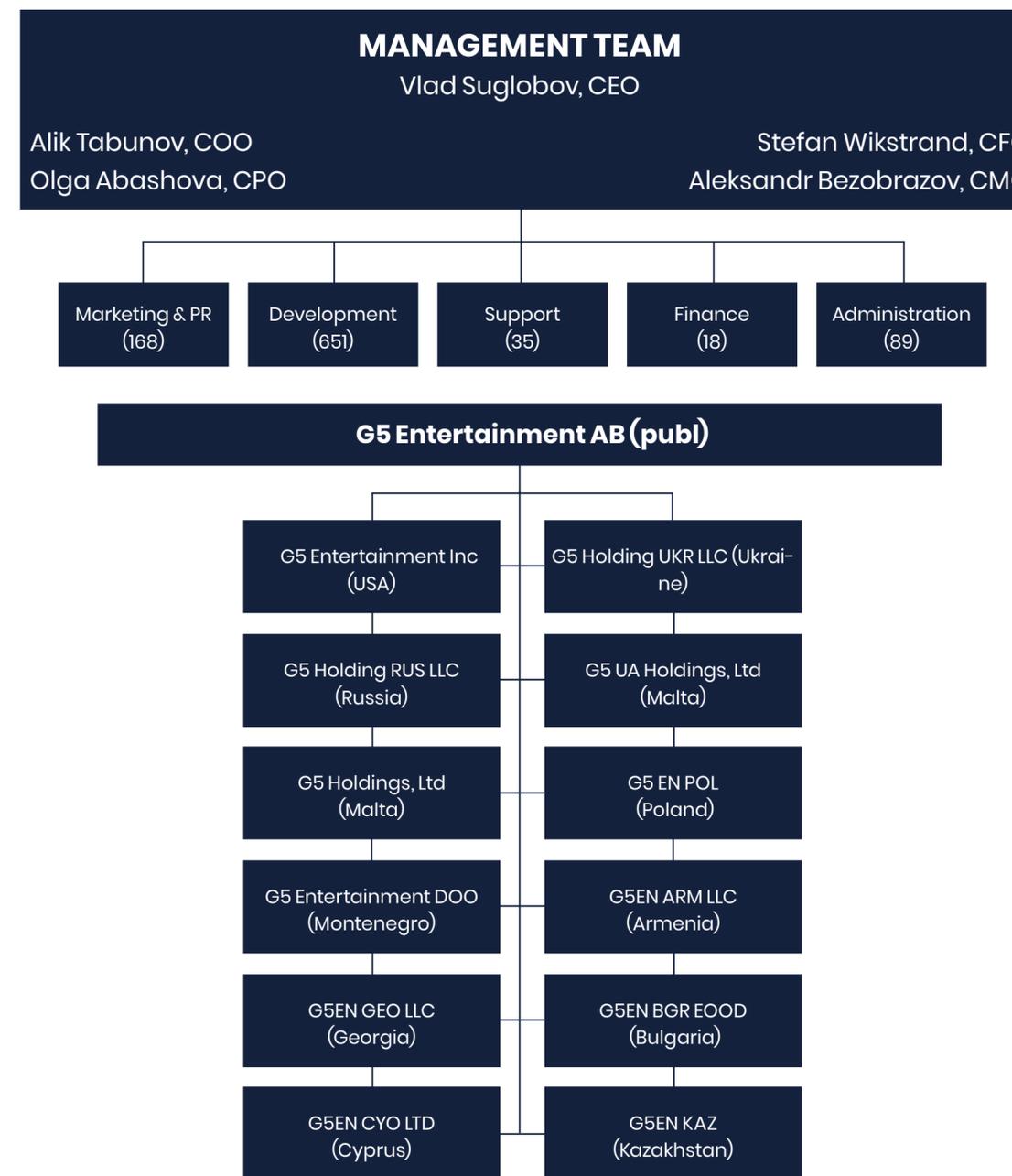
Thanks to the rapid technological progress and the development of hardware, games that are designed for mobile devices have become more and more advanced and high quality, both in the content and game play, as well as the possibility to process large amounts of information to produce advanced graphics. In line with the technological development and market penetration, the user base has increased significantly but also broadened. With the ever improving experience

on mobile, users can choose to leave their traditional gaming platforms and become mobile as well as users who never tried games before, or were only playing occasionally, are becoming regular casual game players on their mobile devices. Casual games are well adapted for mobile platforms and are becoming more popular also help broaden the user base. This is because casual games are games that are easy to start playing for an inexperienced player, and therefore they appeal to a broader audience, both in terms of age and gender. In addition to the number of mobile devices used, the time spent playing games on these devices, and the amount of money people spend on games on average, is also increasing.

Games are the most popular activity linked to smartphones, and mobile games is the fastest-growing segment of the entire games market. The revenue from various types of mobile games is expected, according to the analytics company Newzoo, to increase from USD 92 billion in 2022 to over USD 103 billion by 2025 despite the temporary decline in 2022 and 2023 compared to the pandemic all-time-high in 2021.

## G5 2023 and onwards

G5 operates in the fastest growing segment of the gaming market, where revenues from smartphone and tablet games are expected to be going back to growth in the coming years after 2022 which was the first year of a decline in the mobile gaming market following the peak of pandemic popularity of games in 2021. The



company has a broad portfolio of games with a growing number of proprietary free-to-play games, has focused on an economically strong and loyal audience and has a large experience in developing attractive games in different genres. The business model is simple and scalable where the number of players can grow significantly without at the same time requiring a larger organization.

In the coming years, G5 will continue to develop and improve its proprietary free-to-play games and further develop its direct-to-consumer channels to reduce effective store fees, and thereby improve the company’s profitability. G5 strives to achieve excellence in its games and push the boundaries of quality within their genres. With larger scale and more resources, the company is dedicated to producing some of the best games in the world within their genres. The company is planning to do around five to six soft launches per year of which one to two games are expected to be globally launched. The company will balance user acquisition spending with the goals to achieve higher profitability, while sharpening its focus on retaining customers, and acquiring customers organically through the application stores and internal tools.

### Organizational structure

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

During 2022, G5 opened offices in more countries to support the relocation but also to hire locally and diversify its geographic footprint. The group now has offices in Armenia, Bulgaria, Cyprus, Georgia, Kazakhstan, Malta, Montenegro, Russia, Sweden, Ukraine

and USA. Since the start of the pandemic the absolute majority of the company’s workforce are working remotely. During the year the company also opened an office in Poland which is currently being discontinued.

The group comprises six different functions, of which development and marketing are the largest by the number of employees. The CEO is based in the San Francisco Bay Area since 2011, where the group has a marketing office. Due to the conflict in Ukraine the company has been working actively to decrease the amount of employees in Russia and supporting relocation of individuals that want to and are allowed by law relocate from Ukraine. Development, admin and marketing are now more distributed across all new and existing offices.

Game licensing and management of the group’s IPRs (Intellectual Property Rights) is done from Malta, where the COO and CPO are stationed together with parts of the senior development team. The CFO and CMO are stationed in Stockholm.

### Activities during 2022

The year has continued the trends from 2021 where the portfolio of free-to-play games continues to be expanded and the revenue share of own games has increased. The company continues to divide the portfolio in three categories: “own games - New”, “own games - Old” and “Licensed games”. At year-end the company had 16 “own games - New”, 12 “own games - Old” and 4 “Licensed” games.

The “own games - New” that are released in 2019 and afterwards continued to grow during the year and in the fourth quarter of 2022 the games represented 59 percent (52) of revenue and the share of revenue from own games in the fourth quarter was 71 percent (67).

In addition to the releases made, the current games in the portfolio are regularly updated with new content and features. Such updates also contain optimizations to improve the profitability of the games as well as increased and enhanced content for the players.

During the year the marketing department has been continuously expanded, in-line with the development in 2021. Also there has been further improvement to the systems, tools and frameworks through which the marketing department works.

Management has, in addition to game development and marketing, focused on the new legal entities, relocations and other handling of the war in Ukraine including local aid efforts towards both society and personnel. In addition, continued improvements have been made to G5’s direct to consumer offering, G5 Store, which had a strong positive impact on the company’s turnover from the platform as well as improvements within the company’s internal processes to be able to more effectively update, improve and analyze the portfolio of F2P games.

The Board believes that G5 is positioned for continued strong long term growth with a competitive, growing and well diversified portfolio of free-to-play games, work processes to continuously improve the games, and an efficient marketing organization.

### Significant events after the end of the year

In February, G5 appointed Olga Abashova as CPO and Aleksandr Bezobrazov as CMO, expanding G5’s management team from three to five people.

No other significant events have occurred after the balance sheet date, see also the risk section on page 24.

### Revenue and earnings Revenue and gross profit

Revenue amounted to SEK 1,400 M (1,316), an increase of 6 percent compared to 2021. In USD terms the revenue decreased 10 percent year-over-year.

The group’s cost of revenue was SEK 464 M (505). Gross profit amounted to SEK 936 M (810), an increase of 14 percent compared to 2021. Gross margin was 67 percent (62).

### Operating Costs Research and development

Costs for research and development increased with 92 percent compared to 2021. Research and development costs are impacted by amortization and write-downs which amounted to SEK 143 M (116) and SEK 73 M (0) respectively. The significant write-downs were done as a consequence of a new publishing strategy and they were a one-time cost. The new adopted strategy also had the consequence that games not released will not be capitalized upon. Adjusted for amortization and write-downs of the company’s game portfolio the costs were SEK 148 M (73), an increase of 103% from previous year. The major item impacting the line is the reduction in the capitalization factor, the percent of expenses that are capitalised, which in turn is due to the change in publishing strategy. Some additional costs were incurred related to the war during the year, a stronger RUB over the course of a few months impacted the line negatively as well as the increase in staff.

**Sales and marketing**

Costs for sales and marketing are primarily affected by the costs for user acquisition. During the second and third quarter the company boosted user acquisition on the game Sherlock which increased the costs for user acquisition for the year. User acquisition increased with 27 percent to SEK 335 M (264). UA corresponded to 24 percent of revenue (20).

Excluding costs for user acquisition, sales and marketing has increased with 29 percent due to a larger team and enhanced technical tools for user acquisition.

**Administration**

Costs for administration were SEK 114 M (85), an increase of 34 percent. Within administration there are costs related to long-term incentive schemes, costs that have increased during the year. Administration also includes development related to platforms and tools which also has increased during the year.

**Other operating income and operating expenses**

Currency exchange rate differences on operational assets and liabilities have impacted the year with SEK 21.5 M (-5.0).

**Operating profit**

Operating profit was SEK 79 M (216) and the operating margin was 6 percent (16). Operating profit decreased with 63 percent year-over-year, primarily due to the UA boost as well as the write-downs made.

**Net profit**

Finance net impacted the result negatively with SEK -4 M (-7), primarily related to revaluation of short term investments. Tax affected the result with SEK -9 M (-11) corresponding to a tax rate of 11 percent (5).

Net profit amounted to SEK 67 M (198) which is corresponding to earnings per share before dilution of SEK 8.00 (23.32).

**Financial position**

During the year the company has capitalized development expenses amounting to SEK 167 M (163). The company amortizes its games over 24 months. As a consequence of the new publishing strategy the company will not capitalize on not released games. The company will therefore not separate between released and not released games going forward. Amortizations amounted to SEK 143 M (116). Write-downs amounted to SEK 73 M (0). Capitalized development expenses are also impacted by currency exchange differences of SEK 47 M (24), as they are capitalized in one of the subsidiaries that has USD as its functional currency. At year-end total capitalized expenses amounted to SEK 273 M (275).

Accounts receivable and deferred income are primarily attributed to the revenue from the stores. Accrued expenses and accounts payable are primarily constituted of royalty related to licensed games, debts to external developers and costs for user acquisition.

Equity amounted to SEK 500 M (492) corresponding to a equity/asset-ratio of 76 percent (79).

**Financial ratios**

	2022	2021	2020
Equity/asset-ratio	76%	79%	73%
Return on equity	13%	43%	41%
Return on total assets	13%	35%	33%
Current ratio	2.3	2.4	2.0

**Cash Flow**

During the year the group had an operating cash flow before changes in working capital of SEK 293 M (346). Cash flow before investing activities amounted to SEK 305 M (361).

Investments have impacted the cash flow with SEK -177 M (-209). Investments are primarily constituted of capitalized development expenses that amounted to SEK -167 M (-163).

Financing activities impacted the cash flow negatively with SEK -109 M (-192). Financing activities were impacted by repurchases of own shares amounting to SEK -48 M (-126). Dividend impacted the cash flow with SEK -59 M (-54).

Cash flow amounted to SEK 19 M (-40). Available cash on December 31, 2022 amounted to SEK 177 M (150).

**Seasonal variations**

G5’s sales are to some extent affected by seasonal variations where the fourth and first quarter are normally the strongest and the second and third quarter are seasonally weaker. The fourth quarter is positively impacted by the holidays that occur during the quarter and the first quarter is positively affected by a larger number of new devices on the market.

**Employees**

As of December 31, 2022, G5 had 961 (913) employees across twelve locations, Armenia 41 (0), Bulgaria 4 (0), Cyprus 2 (0), Georgia 57 (0), Kazakhstan 21 (0), Malta (including remote workers) 61 (33), Montenegro 49 (0), Poland 39 (0), Russia 290 (422), Sweden 4 (5), Ukraine 390 (448) and USA 3 (5). G5 has significantly reduced its presence in Russia during the year, a work that is ongoing into 2023. G5 constantly strives to attract employees that are essential for the company to maintain a strong market position. The company’s HR department 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 called “G5 University”, 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. With the increasing profitability, G5 is actively searching for, and aims to employ the best talent in the field in order to be able to keep the quality standards high and push the boundaries of the genres G5 is active in. 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 Talisman™ cross-platform mobile technology and Development Tools that facilitates a cost-efficient, high-quality development process for multiple platforms. The Talisman™ tech-

nology is being continuously improved to be adapted in accordance with rapid technological progress. In addition, the company has analytic platforms and the publishing platform.

The largest part of the development expense is spent on developing and maintaining the games portfolio. A large part of the work is specific for the respective game, but a part of the development is related to mechanics and functionality that can be reused and enhanced for future titles.

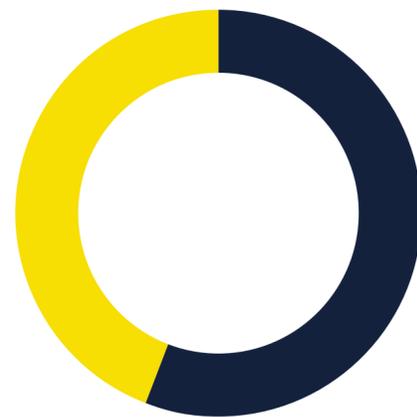
**Share information**

As of December 31, 2022, G5 Entertainment’s share capital was 928,390 SEK divided between 8,783,650 ordinary shares and 172,200 c-shares, each with a quoted value of 0.104 SEK per share. As of the balance sheet day the company held 609,650 ordinary shares and 172,200 c-shares. During the year the company has repurchased 266,000 ordinary shares. The average number of outstanding shares during the year was 8,369,835 shares. Each share confers equal rights to participation in G5’s assets and earnings. The ordinary shares confers the holder with one vote, the c-shares confers 1/10 of a vote. All class c-shares are held by the company to be able to deliver shares in accordance with the performance share programs. No shareholder owns more than 10 percent of the total number of outstanding shares.

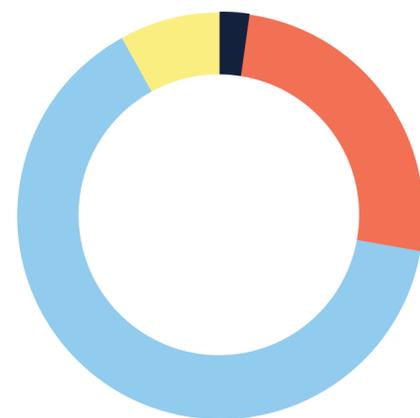
The annual general meeting 2022 authorized the Board of Directors to issue up to 10% of the outstanding shares, with or without deviation from the shareholders’ preferential right, no issuance of shares was made under the mandate.

For more information regarding the share, see page 71.

**Employee gender distribution**



**Employee age distribution**



**Sustainability report**

As a dynamic company with 961 employees in eleven countries, G5 has a responsibility to contribute to sustainable economic, environmental and social development in the countries where it operates. G5 is focused on developing appropriate policies and governance models to further develop the work in these areas. In the sustainability area, the company is focusing mainly on issues relating to its employees, in addition to environmental and ethical issues while our primary goal remains creating value for shareholders.

**G5’s business model**

G5 operates in a market where revenues from games played on tablets, smartphones and personal computers are projected to grow in the following years. The company focuses its activities on so-called free-to-play games (F2P). The F2P-games are free to download and play but during the user journey some players may buy virtual goods and tools that enhance the gameplay experience and/or make it easier to advance in the game. These payments make up 99 percent of G5’s revenue stream. The company also has advertising monetization in its games, in the fourth quarter it represented 1 percent of the group’s revenue. G5 focuses on game types that are divided into genres such as Hidden Object, Match-3 and Mahjong Solitaire, and continuously works on finding successes in other genres. These genres have a target audience of predominantly women over the age of 35. This is a large, growing and economically strong and loyal user base, as they tend to spend longer periods of time in a single game, compared to other demographics. During 2022

G5 had an average of 4.8 million unique monthly users and 1.8 million daily users. During the year, the average monthly income from an average paying player was 62.3 USD per month.

G5 has built its own development platform and its own publishing platform, both of which are used by the company for its own games but also are attractive to third party developers who want to take their own games to the market. Games published by G5 are distributed to customers through global distributors; primarily Apple App Store, Google Play, Amazon Appstore, Microsoft Store and Mac App Store. G5 also publishes its games on a number of other smaller stores and during the year the company has continued to roll out the portfolio of games to G5’s own direct-to-consumer store - G5 store. G5’s main market is North America and the second largest market is EU countries. To increase the number of users, G5 systematically uses performance marketing, also known in the industry as User Acquisition, commonly known as UA. The company has a dedicated UA team that continuously attracts users using a large number of performance marketing campaigns to increase the number of users and thus the earnings in each game. In practice, this means G5 is regularly reinvesting a portion of earnings into UA, resulting in an increased number of users and higher earnings. G5’s business model is simple and scalable and the number of users can increase significantly without simultaneously requiring a larger and more complex organisation or proportional increase in the usage of hardware.

**Governance**

At G5, sustainability is integrated in the day-to-day operations. In the defined areas, policies that govern the day-to-day operations incorporate the key aspects outlined in the sustainability report.

The company’s sustainability work is governed by the executive management team.

**Non-financial matters as required by the Swedish Annual Accounts Act**

The Board of Directors has evaluated the following non-financial matters: employee, social, environmental, respecting human rights as well as anti-corruption and bribery, as required by the Swedish Annual Accounts Act and set forth in EU Directive 2014/95/EU.

**1. Employee**

**Identified key areas**

**Equality**

G5 has no tolerance for discrimination and promotes an inclusive work environment where employees have equal opportunities. While the company takes non-discrimination seriously, the hiring and promotional decisions within the company are based on employee performance assessment only, as the company operates in a highly competitive industry. With a gender balance of 44 percent female, one of the highest in the industry, G5 has through its procedures proven that a healthy gender balance can be achieved in a technology company without affirmative action.

**Career Development**

Each employee is evaluated at least annually, for many roles bi-annually, in terms of achieved results, skills

development and possible changes in responsibilities. The evaluation is carried out by the respective departmental management together with HR. The goals for the departments and employees are set bi-annually using a top-down approach starting with the top management and propagating downward detailing specific goals and key performance indicators for all departments.

**Human talent development**

G5 provides and promotes learning opportunities for the employees. G5 provides opportunities for growth and multiple educational opportunities in related fields to one’s work specialisation, through internal webinars and paid specialised professional education courses for employees of different levels. In 2022, the company hosted 40 professional skills over 35 webinars on different topics for employees. G5 supports employees and their personal growth to develop their skills and grow within the group. In addition, G5 also provides language courses for all employees.

**Working environment**

G5 develops and digitally distributes software and therefore has no direct physical stressful work environment. In regards to the mental and social work environment, it is regulated in part by the applicable labour laws, which are well-developed in every country where G5 operates, and partly in the policy for each individual office.

Since the beginning of the war in Ukraine the physical environment for a large part of the workforce has been poor. G5 has during the year engaged in employee relocation activities both internally in the country as well as, where applicable, to other countries. G5 has

supported the staff financially and also with technical equipment, in order to enable remote work. To some extent, the company also provided generators, backup batteries and Starlink systems for key employees in order to ensure uninterrupted work of the company during episodic electricity blackouts.

**Governing Policies**

**Code of Conduct**

G5 has a common code of conduct for the company as a whole. Also each office can have its own policies that do not constitute rules, but are clear recommendations for how employees interact, facilitate effective communication, and work to develop a good culture at the workplace. The basic principles for each employee’s conduct towards colleagues and companies, as well as the company’s responsibility and conduct, are included as part of each employment contract. All policies are featured in the core team workspace which new employees are required to go through.

**Policies and legal framework**

For the office in the United States, G5 has issued a local policy, “Personnel Management Rules for the United States Office”, which complies with US rules and practices regarding, for example, gender equality, equal treatment and integrity. For all operating locations G5 strictly adheres to the labour laws of the respective countries. Local laws in the countries where G5 operates cover issues such as non-discrimination and employee rights and obligations. The labour law thus constitutes an important regulator for both group companies and group employees.

**Performance indicators**

**Net promoter score**

The source for G5’s most important performance indicator for employee satisfaction is the annual employee survey. The 2022 employee survey showed higher results than in 2021. Remote mode of work did not impact the survey negatively. The company continued with processes established during the pandemic with new formats of activities and training. New positive challenges, growth of the company and projects have also impacted the numbers positively. The Employee Net Promoter Score was a high 57.1% (65.7%) as well as a high Satisfaction Index of about 88.5% (85.3%). The company believes that the reduction of NPS score has to do with a difficult year and the difficult decisions that had to be made in connection with the conflict. There are still areas for improvements pointed out by the employees such as education, career path and deeper individual plans of development of employees that remain from previous year.

**Employee turnover**

G5 regularly monitors the development of the company’s staff turnover, as this is an important indicator of the mood of employees and how well the work processes function. In 2022, staff turnover was 13.3 percent (18.7), a decrease from last year. G5 has increased the staff at a fast pace in recent years but has stabilised the staff count from the second quarter in 2022. A large part of the company’s employees are young and it is not uncommon that it is their first job. These factors have a negative impact on staff turnover, especially when they have passed their first year. G5 eval-

uates and compares its staff turnover with the overall market as well as IT companies specifically, and in those comparisons G5 is very well-placed.

**Whistleblowing policy**

To ensure that G5 operates with sound business ethics and that the above mentioned policies and procedures are adhered to, G5 has a Whistleblowing policy and procedures in place to support the policy. The function of the whistleblowing policy is to provide a safety net if the regular procedures are not enough to capture unwanted behaviour. The whistleblowing policy includes channels to circumvent management layers depending on the complaint the employee has.

There have been no incidents during the year that have been escalated and through the complaint have either had the outcome of sanctioning a team member in any significant way or indicated that policies or procedures within the company have been breached in any significant way.

**2. Social**

**Identified key areas**

**Social responsibility**

G5’s games are mostly family friendly and targeted at the widest possible audience. The majority of the games have an age rating of 4+ or equivalent.

**Data privacy**

G5 is diligent in following the rules and regulations with regards to data privacy. GDPR specifically, and other local rules and procedures in general, is an important topic for the organisation, maintaining and

monitoring established rules and procedures is integrated in the daily work within the company. G5’s website contains information on the rights that users have and also descriptions of how we process personal data.

G5 has its own social network built into the games called the G5 Friends network. Some general personal data is collected when provided by the player explicitly, that gives the user the ability to play the games on multiple devices and store their progress. No credit card, or other payment information, is saved on company servers at any time. The company can also assist players in recovering their games if they get issues with their devices. In compliance with laws, upon a written request the company will fully delete any personal information belonging to the player.

**Responsible marketing**

G5 is committed to ensure that our marketing practices are responsible and reflect a creative and safe environment for our players. We continually strive to have a positive gaming culture through our diverse portfolio of games and through our G5 Friends network.

**Economic sustainability**

G5 contributes to local, regional and national economic growth by directly and indirectly creating jobs, as well as paying taxes and duties where the business is conducted. The group usually hosts two corporate events each year, which also contributes to local economic growth. Long-term growth and profitability for G5 is good for both society and employees. At the same time, G5 will be a responsible company that always acts in accordance with existing legislation at national, regional and local levels.

**War in Ukraine**

During the year G5 started its own charitable initiative “G5 Charity for Ukraine”. The initiative was established in 2022 with the purpose of contributing, engaging and supporting charitable programs and campaigns to support Ukraine. So far the charity has contributed over SEK 2.4 M in donations (from employees and players through campaigns) and has helped to support equipment and supplies to people in need in various regions of Ukraine in addition to the efforts the company has made during the year.

**Governing policies**

G5 has IT security policies that aim to protect client data as well as G5’s own data.

**Performance indicators**

With regard to IT security, G5 monitors and tracks incidents that occur. During the year there have been no significant breaches recorded. Significant breaches in this context are breaches where internal or GDPR-protected data is leaked.

G5 also measures financial KPI’s as a part of its aim for economic sustainability. G5 has achieved a CAGR of 28% over the last decade while at the same time delivering a positive result during nine out of ten years.

G5 has not set any targets relating to the ongoing conflict in Ukraine and the supporting efforts that are done.

**3. Environment**

**Identified key areas**

**Carbon dioxide emissions**

G5’s core business operations generate limited CO2 emissions. G5 has identified three primary areas of emissions, day-to-day computer usage of the staff, infrastructure (servers etc.) and travel.

During 2022 the company has terminated the majority of its office leases, and only retains a few smaller offices for administrative personnel. As the vast majority of the staff is working from home, G5’s electricity consumption is therefore aligned with the local energy mix and will improve as corresponding countries reduce their carbon emissions. G5 encourages the use of sustainable energy sources where available.

The group’s infrastructure primarily consists of servers. G5 utilises external providers for the majority of its servers and corresponding equipment needed for operations. The majority of G5’s servers are with Amazon Web Services (AWS). According to AWS their infrastructure is 3.6 times more energy efficient than the median data centre and the company has a goal to have 100% of its energy coming from renewable sources in 2025. Where G5 has the opportunity to choose electricity supplier, the company chooses larger, recognized partners. This is for two reasons, partly because certain functions of the company are dependent on electricity supply and partly because major suppliers are already carrying out their own sustainability work.

As G5 is a geographically diversified company, with offices in eleven countries as of Dec 31, 2022, G5 affects the environment through employee travel. Where

possible, the company strives to replace travelling with internet-based communications, such as video conferencing, both for environmental and cost-related reasons. During 2022 most employees worked from home whilst travel increased due to relocations caused by the war in Ukraine. Transportation types with the least possible environmental impact are used when possible.

**Hardware**

As a company in the technology industry, all our employees use computer hardware on a daily basis. As is normal for all companies in the technology industry the hardware needs to be replaced on an ongoing basis. G5 strives, as much as possible, that the expired and outdated equipment is sent for proper recovery. The largest volumes in this respect are created at the company’s office in Ukraine, where most employees are located. Recycling of hardware in Ukraine has not been a priority for the company during the year due to the war. As the other units in G5 are small and relatively autonomous in terms of administrative issues, recycling is adapted to local conditions and requirements.

**Governing policies**

G5 has adopted travel policies which incorporate the focus on limited travels, a strict approval process for travelling and guidelines for the use of transportation types with the least environmental impact. For hardware G5 has policies that make sure that the company optimises the usage over time and reuses the equipment as far as possible. G5 buys equipment from well-known and market leading brands.

**Performance indicators**

G5 has not established any performance indicators that are regularly tracked to measure the environmental impact from its operations.

It is noted that G5 during 2022, due to the war in Ukraine, have worked actively to provide electricity to both its employees as well as civil society. The electricity production is done through generators which have an adverse impact on the CO2 emissions produced by the company, however generators are used on the days when normal electricity supply is disturbed. There has also been a temporary increase in travel as significant relocations have occurred due to the war.

**4. Human rights**

Through its operations, G5 has limited exposure to events that could negatively impact an individual’s human rights. G5 operates in countries where laws prohibit any infringements of human rights. G5’s products are sold globally but are not considered to have any harmful impact either.

G5 does not have a specific policy that governs the area nor any performance indicators that are regularly tracked.

**5. Anti-corruption and bribery**

G5 has zero tolerance against bribery and corruption. We observe the standards of conduct set in applicable anti-bribery and anti-corruption law and regulations of the countries where we operate. In addition, G5 continually strives to maintain a high standard to protect its players from card fraud when playing our games, and we comply with all applicable legislations.

**Governing policies**

The G5 Board has issued a special policy dealing with corruption and bribery: G5 Entertainment AB Anti-Corruption and Bribery Policy. The policy will ensure compliance with rules regarding bribery and corruption principles. It applies to all employees and suppliers in all markets and also in relationships with customers and partners.

G5 has specific resources that assess and evaluate all purchases to spot any indication of corruption or bribery. If there are suspicions of violation of the policy, an internal investigation will be carried out immediately, which may be supplemented by an external review, if necessary, by an independent actor. All events are reported to the company management and board. G5’s CFO is responsible for anti-corruption work.

**Performance indicators**

As G5 has a zero tolerance against bribery and corruption, any reported instance is escalated. During 2022 there have been no recorded instances of bribery or corruption.

**Working towards the UN SDGs**

In accordance with Agenda 2030 and the 17 UN Sustainable Development Goals, G5 has selected 5 main goals that are considered to be aligned with the areas of focus:

**3 – Good health and well-being**

Ensuring good health and promoting the well-being of G5’s employees is essential to G5’s sustainable

development. Even though a large majority of employees continue to work from home since the pandemic in 2020, G5 still ensures that all employees are provided an opportunity to use a flexible hours work model and have a healthy and good work/life balance so that employees can perform at their full potential over the long term.

**4 – Quality Education**

As a workplace that encourages personal development, G5 offers all employees training and development opportunities through digital seminars and web-based online courses. We provide opportunities to advance employees’ qualifications in the line of work they are pursuing within G5, and advance the skills applicable in their work through digital seminars and online courses provided by the company.

**5 – Gender Equality**

G5 is an equal-opportunity and inclusive company and stays committed to ensuring that the working environment is inclusive. As we have a larger geographical presence compared to 2021, G5 continues to strive to create a workplace that is gender inclusive and equal gender representative.

**8 – Decent work and economic growth**

With 961 employees in 11 offices globally, G5 continually makes an effort to be an attractive employer in the industry. To achieve this, we promote our diverse and secure working environment and promote our training and development opportunities so that employees have the opportunity to develop and thrive within the company.

**10 – Reduced inequalities**

G5’s continuous objective is to be an open and inclusive employer. With eleven offices the company has a no tolerance policy for discrimination and all employees have an equal opportunity to achieve their full potential. By promoting a culturally diverse workplace results in a more inclusive working environment, increased creativity, increased cooperation between employees and ultimately a more diversified influence in the games we create.

**EU Taxonomy**

The EU Taxonomy Regulation was adopted in June 2020 and is a framework regulation to determine which economic activities are to be considered environmentally sustainable and is part of a standardised reporting of sustainability data within the EU. In order for a certain economic activity to be classified as environmentally sustainable, it must make a significant contribution to one or more of the six established environmental objectives, not cause significant damage to any of the other objectives and fulfil certain minimum protection measures (the activity must take place in accordance with OECD

Guidelines for Multinational Enterprises and the UN Guiding Principles on Enterprise and Human Rights). The conditions for “significant contribution” and “significant damage” to various economic activities are specified in more detail by so-called technical review criteria which are found in acts delegated under the Regulation. The purpose of the taxonomy is to make it easier for investors to find environmentally sustainable investments and standardise reporting so that comparisons can be made through a common classification system. For the financial years 2021 and 2022 transitional rules apply. For 2022, it is mandatory to disclose to the market if the company has parts of its operations that are covered by the taxonomy, “eligible” vs. “non-eligible”, which in this context means that the activity is identified as having an environmental impact, further information must be provided regarding the extent to which such activity also meets the environmental goals (“alignment”). G5 Entertainment has reviewed its activities and evaluated it against the descriptions for applicable activities contained in the act on climate. During the review regarding “eligibility” for the financial year 2022, there was no activity from which G5 receives

turnover that is defined in the taxonomy. Thus, G5 has no applicable turnover to report in the first out of three mandatory KPI’s. For the other two KPI’s, Investments and Operating Expenses, the company’s assessment is that there are no significant amounts that would be classified as “eligible”. See the company’s reporting according to the table.

**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. The mobile gaming market, from which G5 derives substantially all of its revenue, is a market that is maturing but is still a rapidly evolving industry. The growth of the mobile games 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 games 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 devices, and the rate of any such growth and general economic conditions, particularly economic conditions adversely affecting discretionary consumer spending.

The ability to plan for game development, distribution and promotional activities will be significantly affected by the company’s ability to anticipate and adapt

Classification EU Taxonomy	Total KSEK	Share of eligible (%)	Share not eligible (%)
Net turnover	1,400,117	0	100
Investments	175,602	0	100
Operating expenditure	1,320,666	0	100

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 could potentially negatively impact the company. It is the group’s policy to keep critical code and intellectual property as well as having materials backed up in EU entities, and transfer funds to subsidiaries on an as-needed basis.

**Invasion of Ukraine**

The risks highlighted in previous annual reports with regards to the relationship between Ukraine and Russia have to some extent materialised with the invasion of Ukraine. There is still a very large uncertainty how the conflict will develop and thereby how it will impact the operations for the G5 group over time. Currently, G5 is supporting the staff to relocate to safety within the country and supporting relocation to other countries for the ones that are allowed and wish to do so.

On the other side of the conflict is Russia where G5 significantly has reduced its presence during the year. At year-end G5 had approximately 20-25 percent of its staff in Russia, a significant decrease from almost 50 percent in the previous year. The share of the work-

force in Russia is continuing to shrink in the beginning of 2023. The risks posed by the conflict includes the inability to transfer funds to pay for the staff, further sanctions that could impact the company but not least the uncertainties facing the employees with regard to military draft efforts on both sides. G5 is continuously offering relocation opportunities for its staff to further reduce the footprint in the countries of the conflict.

If the situation would deteriorate further, or expand into other territories, there is a risk that it would impact the operations to a larger extent, including delay in releases, further described below on this page.

**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 players 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 games industry compared to other games markets, they are however rising with the increasing amount of apps and as marketing becomes more important and creates technical and monetary barriers.

The company’s competitors that develop so called “casual” free-to-play games for mobile devices vary in

size. There are larger well-established publicly-listed videogame companies that are active on different video game platforms, like Activision (owners of King), Take-Two Interactive (owners of Zynga), Electronic Arts, and Ubisoft, which have their own mobile game operations through acquisitions over time and internal development. There are also mobile-focused publicly-listed companies like Playtika (owners of Wooga), Rovio, AppLovin and Huuuge which are the company’s closest peers in the public market. There are also numerous private companies successfully developing and operating “casual” free-to-play games. Among these companies that are active and prominent in the genres where G5 operates are MyTona, Jam City, Vizor Interactive, Scopely and Playrix, to name just a few. There are also numerous other private companies active in the space where G5 operates. In addition, traditional online game developers and distributors who are currently primarily focused on specific international or video games market segments may decide to develop mobile 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. G5 generates substantially all of its revenue 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, Microsoft Store and Mac App 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 alter-

native channels for marketing, promotion 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 attract and retain 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, disruptions impacting the internal workforce 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 distri-

bution models based on 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, damage the company's reputation and image, have G5's players 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 manager, engineer, or another key employee due to, for example, such employee leaving to work for a competitor, may result in loss of important know-how and may significantly delay or prevent the achievement of development objectives or the implementation of the group's business strategy.

If the companies within the group are unable to hire or retain qualified and experienced executives, game designers, product managers, engineers and other key employees, this may have an adverse effect on the company's business, financial position and profits in the future.

#### **Capitalized development expenses**

G5 capitalizes development expenses. Such expenses 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. The company is no longer capitalizing on games in early stage of development. Released games are tested for impairment quarterly. In the event that such tests in respect of sustained decreases in the value of capitalized development expenses 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 above mentioned 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 Eastern Europe, and some risks, that in developed countries can be insured, cannot be insured in Ukraine and Russia where the group still has operations. Costs for such unforeseen risks can therefore arise.

#### **Financial risks Currency exposure**

G5 receives most of its revenue in USD and EUR, and some in SEK. Expenses for employee compensation and other operating expenses at non-Swedish locations are in EUR, RUB, UAH, and USD, and some other regional currencies. The company's sub-contractors and licensors are primarily paid in USD. With the establishment of new legal entities in 2022 there are more currencies that the group is exposed to. Depending on the amount of employees that will relocate and the possibility to hire in these new markets the exposure to additional currencies could be larger or smaller.

The company does not hedge these risks at present.

**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 is considered immaterial, since almost all sales are generated through major 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 uses 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. G5’s financial position is very strong which doesn’t take out the risk from 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 proposes that the 2023 Annual General Meeting approves the following guidelines for remuneration to senior executives. The guidelines apply for the CEO of G5 Entertainment as well as members of the Executive Committee. The guidelines do not cover compensation decided on by a general meeting of shareholders, such as share-based incentive programs.

The guidelines shall be applied for compensation that is agreed upon, and changes made to already agreed upon compensation, after the guidelines have been adopted by the 2023 Annual General Meeting.

The guidelines steer the decisions on compensation made by the Board’s Compensation Committee and CEO with respect to senior executives and by the Board in its entirety with respect to the CEO.

**The guidelines’ promotion of G5 Entertainment’s business strategy, long-term interests and sustainability**

G5’s vision entails that the Company shall be “one of few” in the mobile gaming space. To achieve this, G5 focuses on developing competitive mobile games for its target audience and through efficient marketing efforts promoting them to the same. As the company’s most valuable resource is its employees, a strong employee focus is a foundation for achieving the vision of the group. Achieving the vision requires that G5 Entertainment can offer competitive compensation. The guidelines ensure that senior executives can be offered a competitive total compensation package.

G5 Entertainment also has long-term share-based incentive programs. The programs have been decided by the Annual General Meeting. The programs include the Chief Executive Officer (CEO), other senior executives and key individuals across the organization. The performance requirement of the share-based programs is the company’s shares price which in the long-term has a clear relationship to the long-term value creation of the business. For further information about the programs see note C13 in the annual report or at [g5e.com/corporate](http://g5e.com/corporate).

Variable compensation covered by these guidelines shall aim to promote G5 Entertainment’s business strategy and long-term interests.

**Forms of compensation**

G5 Entertainment shall offer compensation that is in line with the going rate in the market and is based on factors such as the importance of the work duties and

the executive’s expertise, experience and performance, and may consist of fixed base salary, short-term variable compensation, pension benefits, insurance and other benefits. In addition, the general meeting of shareholders can decide on share-based compensation, which is not covered by these principles.

**Fixed salary**

Fixed salary constitutes compensation for the work contribution at a high professional level that ultimately aims to create value for all stakeholders of G5 Entertainment, including but not limited to our players, shareholders and employees. Fixed salary shall be competitive in the market and based on the expertise, experience and performance of the executive. Salaries are reviewed yearly.

**Variable compensation**

In addition to fixed salary, variable compensation may be payable. Variable compensation should primarily be based on the financial development of the company, measured in growth and operating margin for the group. A target range and a sum of normalized results are defined for both parameters. This in turn defines the result. The target ranges shall be adopted yearly by the Compensation Committee and the Board of Directors. The variable compensation is paid out based on quarterly results but the full measurement period is the financial year. A part of the variable compensation may also be tied to discretionary targets that the Board deems are important to achieve the long-term strategy of the group. The variable compensation is structured as follows:

The CEO’s variable compensation during the year

may not exceed 80 percent of the fixed salary, divided so that 60 percent shall be based on the Company’s financial development and 20 percent shall be based on targets determined by the board of directors.

The COO’s variable compensation during the year may not exceed 70 percent of the fixed salary, divided so that 60 percent shall be based on the Company’s financial development and 10 percent shall be based on targets determined by the board of directors.

The variable compensation to other executive management may not exceed 60 percent of the fixed salary and shall be based on the Company’s financial development.

#### **Pension and other benefits**

The pension plan is to be in line with normal conditions in the market and the same for senior executives as for other employees. The pension premium shall be defined contribution.

Other benefits shall be of limited scope and may include, for example, disability, life and health insurance, and a car and travel benefit.

#### **Cessation of employment**

The employment agreements with senior executives shall contain a notice period of at least 3 months for the employees and a maximum of 12 months from the Company. Upon termination by the Company a severance pay may at most be equal to the fixed monthly salary for 12 months.

In addition, compensation may be payable for any noncompete obligation. Such payment shall compensate the executive for possible loss of income and

shall only be made during the period that the executive lacks a right to severance pay. The monthly compensation shall amount to a maximum of 100% of the executive’s monthly income. The compensation shall be payable during the time that the noncompete obligation applies, which shall be a maximum of nine months after the end of employment.

#### **Procedure for review, implementation and decision on guidelines**

The Board of Directors has established a Compensation Committee. The committee’s duties include conducting preparatory work for the Board’s decisions on proposed guidelines for compensation of senior executives, compensation and other terms of employment for this group. The Board shall review the guidelines yearly and propose updated guidelines for decision by the Annual General Meeting.

The guidelines shall apply until new guidelines have been adopted by a general meeting of shareholders. The Compensation Committee shall also monitor and evaluate ongoing programs and programs concluded during the year for variable compensation for members of the Executive management team, application of guidelines for compensation of senior executives, and applicable compensation structures and compensation levels at G5 Entertainment. The Compensation Committee’s members are independent in relation to the Company and the Executive management team. In the Board’s handling of and decisions on compensation-related matters, the CEO or other members of the Executive Committee are not present to the extent they are the subject of the matter at hand.

#### **Departures from the guidelines**

The Board of Directors may decide to temporarily depart from the guidelines entirely or partly if in specific cases there are special reasons for doing so and a departure is necessary to safeguard G5 Entertainment’s long-term interests, or to safeguard the Group’s financial soundness.

For senior executive remuneration 2022, see Note C7.

#### **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.

As the market currently undergoes a phase of stagnation after reaching high levels during pandemic years, the Board believes the management should focus on maintaining strong organic growth. This will require investments into marketing and user acquisition, which in the short term may 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.

#### **Corporate governance report**

The corporate governance report is published with a separate auditors statement on page 63 in this document.

#### **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 4 (5) employees. The average number of employees during the year was 5 (5).

- Sales amounted to SEK 1,400 M (1,316)
- Operating result amounted to SEK 16.5 M (-7.7)
- Result after net financial items amounted to SEK 207 M (335)
- The parent company’s cash and cash equivalents as of December 31, 2022 was SEK 129 M (127)
- The parent company’s revenue increased in-line with the group’s revenue.

#### **Outlook**

The group’s revenue exceeds expenses. Cash flow is used to invest for future growth: funding product development, and investing in a growing user base. 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**

Earnings in the Parent Company at the disposal of the Annual General Meeting (KSEK):

Share premium reserve	52,401
Profit carried forward	80,294
Net results for the year	205,135
<b>Total</b>	<b>337,830</b>

The Board of Directors proposes that dividends be paid in an amount of SEK 8.0 (7.0) per share.

The Board of Directors proposes that the earnings be disposed of as follows:

To be distributed to the shareholders	64,840
To be carried forward to new account	272,990
<b>Total</b>	<b>337,830</b>

**Statement by the board of directors pursuant to chapter 18 section 4 of the companies act**

The board of directors of G5 Entertainment AB (publ.), org.nr 556680-8878 has proposed that the annual general meeting to be held on June 14, 2023 shall decide on share dividend in an amount of SEK 8.0 for each share. The proposed record day for the share dividend is Friday June 16, 2023.

In accordance with chapter 18 section 4 of the Swedish Companies Act the board of director hereby leaves its statement regarding the proposed payment of dividends.

The profits and the financial position of the company are good, as indicated by the balance sheet and the profit and loss account in respect of the financial year 2021. The board of directors has assessed that the proposed payment of dividends would be sufficiently covered by the unrestricted shareholders’ equity. The equity ratio and the liquidity will be sufficient, also subsequent to the proposed payment of dividends, and it is believed that the company will be in a position to perform its short term and long term obligations.

It is the opinion of the board of directors that the proposed payment of dividend is justifiable taking into account the demands which the nature, scope and risks of the operations impose on the shareholders’ equity of the company and the consolidation requirements, liquidity and financial position of the company in general.

In the assessment the Board has taken into account the requirements of the consolidated nature, scope and risks on the Group’s equity and the consolidation requirements, liquidity and position in general.

Any fair value measurement of assets or liabilities of the parent company, in accordance with Chapter 4 Section 14 § Annual Accounts Act (1995: 1554), has not taken place.

The Board of director was given an authorization to issue ordinary shares at the annual general meeting on June 15, 2022. If the board of directors exercises the authorization prior to the annual general meeting 2023, the above statement shall be equivalent to the potential additional dividend.

# Group Financial Results

## INCOME STATEMENT

KSEK	Note	2022	2021
Net turnover	C3	1,400,117	1,315,703
Cost of revenue		-463,697	-505,256
<b>Gross profit</b>		936,420	810,447
Research and Development expenses		-364,050	-189,180
Sales and Marketing expenses		-400,844	-315,343
General and administrative expenses		-113,619	-84,800
Other operating expenses		21,544	0
<b>Operating result</b>	C4, C5, C6, C7, C8	79,451	216,121
Financial income		1,663	175
Financial expenses		-5,507	-7,209
<b>Operating result after financial items</b>	C9	75,607	209,086
Taxes	C10	-8,660	-10,878
<b>Net result for the year</b>		66,947	198,208
<b>Attributed to:</b>			
Parent company's shareholders		66,947	198,208

KSEK	Note	2022	2021
<b>Earnings per share</b>	C14		
Weighted average number of shares (thousands)		8,370	8,498
Weighted average number of shares after dilution, (thousands)		8,416	8,611
Earnings per share (SEK) before dilution		8.00	23.32
Earnings per share (SEK) after dilution		7.96	23.02

## STATEMENT OF COMPREHENSIVE INCOME

KSEK	2022	2021
<b>Net result for the year</b>	<b>66,947</b>	<b>198,208</b>
<b>Other Comprehensive income</b>		
<b>Items that later can be reversed in profit</b>		
Revaluation long-term investments	-1,499	0
Foreign currency translation differences (net after tax)	38,083	37,343
<b>Total other comprehensive income for the year</b>	<b>36,584</b>	<b>37,343</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>103,531</b>	<b>235,551</b>
<b>Attributed to:</b>		
Parent company's shareholders	103,531	235,551

**BALANCE SHEET**

KSEK	Note	Dec 31, 2022	Dec 31, 2021
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Capitalized development costs	C11	273,073	274,757
<b>Total intangible assets</b>		<b>273,073</b>	<b>274,757</b>
<b>Tangible fixed assets</b>			
Equipment	C12	16,718	26,013
<b>Total tangible fixed assets</b>		16,718	26,013
<b>Other assets</b>			
Long-term Investments+		16,589	18,088
Deferred tax receivable	C10	63	0
<b>Other assets</b>		16,652	18,088
<b>Total non-current assets</b>		306,443	318,858
<b>Current assets</b>	C21		
Accounts receivable	C15	5	3
Tax receivable	C10	1,664	3,880
Other receivable	C15	13,656	11,575
Prepaid expenses and accrued income	C17	150,622	129,316
Financial assets		8,017	12,195
Cash and cash equivalents		177,469	149,964
<b>Total current assets</b>		351,433	306,933
<b>TOTAL ASSETS</b>		657,876	625,791

KSEK	Note	Dec 31, 2022	Dec 31, 2021
<b>Equity</b>	C13		
Share capital		928	928
Other capital contribution		-189,704	-141,638
Other reserves		80,726	33,207
Profit brought forward		607,780	599,913
<b>Total shareholders' equity</b>		499,730	492,410
<b>Non-current liabilities</b>			
Deferred tax liabilities	C10	1,467	466
Non-current liabilities		1,578	4,841
<b>Total non-current liabilities</b>		3,045	5,307
<b>Current liabilities</b>	C21		
Short term		1,281	7,450
Accounts payable	C19	61,123	24,253
Other liabilities		8,499	6,965
Tax liabilities	C10	23,371	24,040
Accrued expenses	C17	60,827	65,367
<b>Total current liabilities</b>		155,101	128,075
<b>TOTAL EQUITY AND LIABILITIES</b>		657,876	625,791

**CHANGES IN SHAREHOLDERS' EQUITY, 2021**

KSEK	Share capital	Other capital contribution	Other reserves	Profit/loss brought forward	Shareholders' equity
<b>Shareholders' equity 2021-01-01</b>	928	-15,616	-9,307	455,802	431,807
Net result for the year				198,208	198,208
Total other comprehensive income			37,343		37,343
<b>Total comprehensive income for the year</b>			37,343	198,208	235,551
Dividend				-54,097	-54,097
Repurchase of shares		-126,022			-126,022
IFRS2 - Employee share schemes			5,171		5,171
<b>Total transactions with the owners recognized directly in equity</b>		-126,022	5,171	-54,097	-174,948
<b>Shareholders' equity as of 2021-12-31</b>	928	-141,638	33,207	599,913	492,410

**CHANGES IN SHAREHOLDERS' EQUITY, 2022**

KSEK	Share capital	Other capital contribution	Other reserves	Profit/loss brought forward	Shareholders' equity
<b>Shareholders' equity 2022-01-01</b>	928	-141,638	33,207	599,913	492,410
Net result for the year				66,947	66,947
Revaluation long-term investments			-1,499		-1,499
Total other comprehensive income			38,083		38,083
<b>Total comprehensive income for the year</b>			36,584	66,947	103,531
Dividend				-59,080	-59,080
Repurchase of shares		-48,066			-48,066
IFRS2 - Employee share schemes			10,935		10,935
<b>Total transactions with the owners recognized directly in equity</b>		-48,066	9,436	-59,080	-96,211
<b>Shareholders' equity as of 2022-12-31</b>	928	-189,704	80,726	607,780	499,730

**CASHFLOW**

KSEK	Note	2022	2021
<b>Cash flow from operating activities</b>			
Operating result after financial items		75,607	209,086
Adjusting items not included in cash flow	C22	232,032	144,393
Taxes received/paid		-14,290	-7,241
<b>Cash flow before changes in working capital</b>		293,349	346,238
<b>Cash flow from changes in working capital</b>			
Decrease in operating receivables		-22,944	-8,084
Increase in operating liabilities		34,351	22,477
<b>Cash flow from operating activities</b>		304,756	360,631
<b>Investing activities</b>			
Investment in equipment	C12	-8,439	-9,701
Investment in capitalized development costs	C11	-167,163	-162,523
Short term investments		-1,063	-18,213
Long term investments	C21	0	-18,088
<b>Cash flow from investing activities</b>		-176,665	-208,525

KSEK	Note	2022	2021
<b>Financial activities</b>			
Lease financing	C18	-1,475	-12,219
Dividend		-59,080	-54,097
Repurchase ordinary shares		-48,066	-126,022
<b>Cash flow from financial activities</b>		-108,621	-192,338
<b>Cash Flow</b>		19,470	-40,232
<b>Cash at the beginning of the year</b>		149,964	188,411
Cash flow		19,470	-40,232
Exchange rate difference		8,035	1,785
<b>Cash at the end of the year</b>		177,469	149,964

# Group notes

## NOTE C1 Accounting principles

### General information

G5 Entertainment AB (publ) is a Swedish public limited liability company incorporated and domiciled in Sweden with its registered office at Birger Jarlsgatan 18, 114 51 Stockholm.

G5 Entertainment AB (publ), reg nr 556680-8878 is listed on the Nasdaq Stockholm since June 10, 2014.

G5 Entertainment AB (publ) is a parent company for the group consisting of G5 Entertainment AB (publ) and its subsidiaries. A list of major subsidiaries is included in note M9.

The Annual Report and consolidated financial statements were approved for publication by the Board of Directors on April 29, 2023. The group and parent company balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders.

### 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, 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. Certain financial assets or liabilities are measured 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 P1.

### Fiscal year info

Fiscal year 2022 is from January 1, 2022 up to December 31, 2022.

### 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 can be read in the note C2 - Critical estimates and judgments.

### Changes in accounting policy and disclosures

No new standards have been issued that are effective for annual periods beginning on or after January 1, 2022.

There are amendments to standards and interpretations that are effective for annual periods beginning on or after January 1, 2022. None of these have a material effect 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 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.

The acquisition method of accounting is used by the group to account for business combinations. 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.

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.

**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 C3) in the G5 group comes from agreements with distributors (application stores), such as Apple App Store, Microsoft Store, Google Play, Amazon Appstore and Mac App Store.

The Group's revenue is made up by the sell of virtual goods that are offered in the game. These are considered to be consumables and that no further performance obligation is present after the good has been delivered to the customer.

For the G5 group this means that revenue is recognized at the time of in-game purchases are made by the smartphone/tablet users.

Revenue is reported including commission to distributors, which usually is 30% of the price for the end-user,

with the exception of Microsoft Store that takes a commission of 12% and the G5 Store where G5 has its own payment and compliance procedures.

Interest income is recognized using the effective interest method and dividends received are reported after the right to the dividend is deemed secure.

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

**Cost of revenue**

Consists of expenses to generate revenue from the company's games. This includes mainly fees to distributors, as well as royalties to external developers.

**Research and Development expenses**

Consists mainly of salaries, bonuses and other benefits for the company's developers. It also includes external services, premises, software and hardware and other indirect costs attributable to the company's research and development. Development expenses that are directly attributable to the development and testing of the company's games are capitalized as intangible assets and amortized over a 24-month period. Amortization and write-downs of the games portfolio is included in Research and Development.

**Sales and Marketing expenses**

Composed primarily of the acquisition costs for users. It also includes salaries, bonuses and other benefits for staff in sales and marketing, as well as certain consulting costs. In addition, sales and marketing expenses include general marketing, brand operations,

advertising and promotional costs.

**General and administrative expenses**

Composed primarily of salaries, bonuses and other benefits for management, finance department, IT, human resources and other administrative staff, as well as the support department. It also includes external consultants, legal services, certain accounting, insurance and office expenses and other indirect costs that are not allocated to other functions. In addition, all included depreciation and amortization not attributable to the company's games.

**Leasing**

The group leases offices. Rental contracts are typically made for fixed periods of 1 year to 5 years, but may have extension options. Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease lia-

bilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the lessee's incremental borrowing rate.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Extension and termination options are included in a number of property leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The extension and termination options held are exercisable only by the group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Most extension options in offices leases have not been included in the lease liability, because the group could replace the assets with-

out significant cost or business disruption.

### 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

#### Capitalized development expenses

Development expenses 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 costs occurs when the asset is put to use. For games, the amortization would commence upon global release. Ongoing capitalized development costs, that is, where the depreciation has not yet commenced, is regularly tested for impairment in accordance with the principle described in the section "Impairment of Assets".

Supplementary expenditure for capitalized intangible assets is accounted as an asset only if it increases the future financial benefits for the specific asset to which they are attributable. The carrying amount of the asset is removed from the balance sheet upon disposal, or when no future financial benefits are ex-

pected 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.

### Depreciation and amortization

#### Intangible fixed assets

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 as-

sets 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.

The following depreciation periods are applied:

Subject of amortization	Amortization period
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. 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. Current tax is also affected by adjustment of current tax of prior periods

Deferred taxes are estimated in accordance with the liability method, based on temporary differences between the tax bases of assets and liabilities and their carrying amounts. The following temporary differences are not taken into consideration; temporary differences arising on the initial recognition of goodwill, the initial recognition of assets and liabilities that are not business combinations and, which on the transaction date did not affect the recognized or taxable result. Furthermore, temporary differences are not taken into consideration that are attributable to investments in subsidiaries and associated companies and, which are not expected to be reversed within the foreseeable future. The measurement of deferred tax is based on how the carrying amounts of assets or liabilities are expected to be realized or settled. Deferred tax is measured using the tax rates and tax regulations which, have been enacted or which in practice were enacted on the balance sheet date.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying

amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets in respect of deductible temporary differences and loss carry-forwards are only recognized to the extent that it is probable that they can be utilized. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilized.

**Employee benefits**

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

The pension 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 contributions are recognised as employee benefit expense when they are due. 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.

### Share based payments

The Group has a number of long-term share-based compensation plans for a larger group of employees. The share programs give employees the right to receive shares free of charge after the vesting period if the performance criteria are met.

The total cost is calculated as of the allotment date through the monte carlo method and is reported over the vesting period as a personnel cost with a corresponding increase in equity. The social security contributions that arise are considered an integral part of the allocation and are reported as a liability in the balance sheet.

### Investments and other financial assets

#### Investments and other financial assets

##### (i) Classification

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

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

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

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

##### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

##### (iii) Measurement

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

### Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments

measured at FVOCI are not reported separately from other changes in fair value.

### Impairment of financial assets

#### Loans and receivables

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### Financial liabilities

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

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

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

### 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 adjust-

ing 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 (based on the days the share price has exceeded the strike price for each warrant program) 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.

### 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. The CEO is the Chief operating decision maker and for this reason, the CEO analyzes the consolidated financial position of the Group as a whole, i.e. as one segment.

### NOTE C2 Critical estimates and judgments

The preparation of accounts and the application of accounting policies is often based on the management’s judgments and on estimates and assumptions that are deemed to be reasonable at the time the judgment was made. However, the result may be different using different judgments, assumptions and estimates and events can occur which can require an adjustment of the carrying amount of the asset or liability in question.

The accounting policies whose application is based on such judgments are described below and the most important sources of uncertainty in the estimates that the company believes may have the most important impact on the group’s reported results and financial position.

The information in this note refers to those areas, where risk of future adjustments of carrying amounts is greatest.

#### Capitalized development expenditure

The basis for calculating the future value of capitalized development expenses is based on future revenues.

Capitalized development expenses are tested quarterly for impairment by a calculation of future income which, in some cases, include estimates and judgments about future events that may affect the value.

For more information, see Note C11.

#### Fair value of financial instruments

The fair value of financial instruments is an estimate that requires judgment. Fair value is the amount at which an asset could be exchanged or a liability settled in an orderly transaction between market participants at the measurement date. Estimates of fair value can be complex and subjective, especially for financial instruments that are not actively traded in liquid markets.

For more information, see Note C21.

### NOTE C3 Classification of revenue and fixed assets

Revenue split by countries	2022	2021
Sweden	1,400,117	1,315,703
Other countries	0	0
<b>Total</b>	<b>1,400,117</b>	<b>1,315,703</b>

The revenue from end customers is administrated and managed through the distributors. The Company has no customer who generates more than 10% of the company’s revenue.

Of the company’s revenue 99% (99%) is related to free-to-play games.

#### Fixed assets (tangible and intangible asset) split by countries

	2022	2021
Malta	275,452	277,316
Other countries	14,339	23,454
<b>Total</b>	<b>289,791</b>	<b>300,770</b>

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

### NOTE C4 Expenses by nature

	2022	2021
Fees to distributors	320,718	349,183
Royalty to developers and license fees	142,78	156,073
Research and development	166,721	68,896
Sales and marketing	353,854	283,802
Staff costs	329,192	234,341
Amortization and write-downs of capitalized development costs	215,679	116,031
Capitalized costs	-167,163	-162,523
Other costs	-41,315	53,780
<b>Total</b>	<b>1,320,664</b>	<b>1,099,583</b>

### NOTE C5 Audit fees

	2022	2021
Auditing within the audit assignment		
PwC	1,695	1,159
Other auditing tasks		
PwC – Tax advice	91	188
PwC – Other	25	0
<b>Total</b>	<b>1,811</b>	<b>1,347</b>

”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. Of the total fee for audit assignments of 1,811 KSEK, 1,545 KSEK is invoiced by PricewaterhouseCoopers (PwC) in Sweden for the statutory audit. Other auditing tasks are invoiced from PwC in Sweden, PwC Malta and PwC Japan and related to tax advice (including VAT treatment) and accounting-related advice.

**NOTE C6 Employees**

The staff consists of employees in the active subsidiaries.

Gender distribution	2022	2021
Men	523	457
Women	414	359
<b>Total</b>	<b>937</b>	<b>816</b>

Average number of employees by country (of which women)	2022	2021
Sweden	5 (2)	5 (2)
Malta	10 (4)	8 (3)
Malta (subcontractors)	37 (18)	18 (9)
Russia	356 (154)	349 (146)
Ukraine	419 (183)	430 (195)
USA	4 (2)	6 (4)
Armenia	21 (8)	-
Georgia	28 (13)	-
Montenegro	24 (14)	-
*Poland	20 (10)	-
Bulgaria	2 (1)	-
Kazakhstan	10 (4)	-
Cyprus	1 (1)	-
<b>Total</b>	<b>937 (414)</b>	<b>816 (359)</b>

\*Closure of the Poland entity is currently being implemented

Executive management team	2022	2021
Men	3	3
Women	-	-
<b>Total</b>	<b>3</b>	<b>3</b>

Board of directors	2022	2021
Men	4	4
Women	2	1
<b>Total</b>	<b>6</b>	<b>5</b>

**NOTE C7 Remuneration to staff including CEO, members of the executive management team, and board of directors**

Total staff remuneration	2022	2021
Salaries and variable remuneration	301,170	207,181
- of which CEO and senior executives	8,694	8,034
Social security*	28,022	27,160
- of which CEO and senior executives	1,397	1,059
<b>Total</b>	<b>329,192</b>	<b>234,341</b>

\*of which pension costs 809 (806) KSEK, of which to CEO and executive management 380 (320) KSEK

The CEO and other senior executives are remunerated partly by a fixed monthly salary and partly through variable compensation based on the groups profitability.

The CEO's variable compensation during the year may not exceed 80 percent of the fixed salary, divided so that 60 percent is based on the Company's financial development and 20 percent is based on targets determined by the board of directors. The COO's variable

compensation may not exceed 70 percent of the fixed salary, divided so that 60 percent shall be based on the Company's financial development and 10 percent shall be based on targets determined by the board of directors. The variable compensation to the other executive management may not exceed 60 percent of the fixed salary and shall be based on the Company's financial development.

Variable compensation based on the Company's financial development shall be calculated quarterly on the basis of the Company's revenue growth and operating margin. A target range and a sum of normalized results are defined for both parameters. This in turn defines the result. The target ranges shall be adopted yearly by the Compensation Committee and the Board of Directors. The variable compensation is paid out based on quarterly results but the full measurement period is the financial year. A part of the variable compensation may also be tied to discretionary targets that the Board deems are important to achieve the long-term strategy of the group. The variable compensation is paid in the form of salary not conferring pension rights.

The pension plan is to be at a market level and alike for senior executives as for other employees. The pension premium shall be defined contribution. Similarly, other benefits for senior executives shall be at a market level, competitive and in substance alike as for other employees. Senior executives, including the CEO, shall be offered to participate in long-term incentive programs, if established by the Company.

In addition, compensation may be payable for any noncompete obligation. Such payment shall compensate the executive for possible loss of income and shall only be made during the period that the executive lacks a right to severance pay. The monthly compensation shall amount to a maximum of 100% of the executive's monthly income. The compensation shall be payable during the time that the noncompete obligation applies, which shall be a maximum of nine months after the end of employment.

The annual general meeting 2022 resolved that the remuneration to the chairman of the Board should amount to SEK 625,000 and SEK 295,000 each to the other members. In addition an annual fee is paid to the members of the audit committee, SEK 125,000 to the chairman and SEK 50,000 to the other members and an annual fee is paid to the members of the remuneration committee, SEK 50,000 to the chairman and SEK 30,000 to the other members.

The tables below summarize remuneration to the board and managers:

<b>Remuneration to the board and managers 2022</b>	Salary/ board fee	Pension	Variable compensation	Other benefits/ compensation
Petter Nylander (chairman)	671			
Marcus Segal (director)	336			
Johanna Fagrell Köhler (director)	336			
Jeffrey Rose (director)	285			792
Sara Börsvik (director)	228			
Vlad Suglobov (CEO, director)	5,215	205	0	283
Executive management team (2 persons)	3,585	175	6	14
<b>Total</b>	<b>10,656</b>	<b>380</b>	<b>6</b>	<b>1,089</b>

<b>Remuneration to the board and managers 2021</b>	Salary/ board fee	Pension	Variable compensation	Other benefits/ compensation
Petter Nylander (chairman)	598			
Marcus Segal (director)	313			
Johanna Fagrell Köhler (director)	314			
Jeffrey Rose (director)	263			756
Vlad Suglobov (CEO, director)	3,946	167	473	243
Executive management team (2 persons)	3,292	153	323	12
<b>Total</b>	<b>8,726</b>	<b>320</b>	<b>796</b>	<b>1,011</b>

## NOTE C8 Other operating gains and losses

	2022	2021
Currency exchange gains	21,544	0
<b>Other operating income</b>	<b>21,544</b>	<b>0</b>
Currency exchange losses	0	-5,004
<b>Other operating losses</b>	<b>0</b>	<b>-5,004</b>
Total other operating gains and losses	<b>21,544</b>	<b>-5,004</b>

## NOTE C9 Financial income and expenses

	2022	2021
Interest	1,663	175
<b>Financial income</b>	<b>1,663</b>	<b>175</b>
Interest expense	-266	-1,190
Revaluation to fair value	-5,241	-6,019
<b>Financial expenses</b>	<b>-5,507</b>	<b>-7,209</b>
Financial income and expenses	<b>-3,844</b>	<b>-7,034</b>

**NOTE C10 Taxes**

Income tax expenses	2022	2021
Current tax	-8,075	-10,483
Deferred tax	-585	-395
<b>Total tax expenses</b>	<b>-8,660</b>	<b>-10,878</b>

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	2022	2021
Profit / loss before tax	75,607	209,086
Tax according to current tax rate 20.6% (20.6%)	-15,575	-43,072
Tax effect from income exempted from tax	561	139
Tax effect from non-deductible expenses	-2,770	-1,626
Adjustment for tax rates in foreign subsidiaries	7,540	33,892
Non-recognized deferred tax	1,583	-1,583
Other	0	1,371
<b>Tax charge</b>	<b>8,660</b>	<b>-10,878</b>

\*Taxes recoverable are related to the subsidiaries on Malta. In Malta the company is taxed with 35% on profit before tax. When dividend is distributed from the Maltese entities, taxes are recovered which means that the long-term tax rate is 5%. A deferred tax asset is accounted for based on the distributable profits in the maltese subsidiaries.

**Non-recognised deferred tax assets**

The group has no (SEK 1,583) M in non recognized deferred tax assets related to losses carryforward.

Deferred tax reconciliation	2022		2021	
	Deferred tax assets	Deferred tax liability	Deferred tax assets	Deferred tax liability
Intangible assets	-	-1,467	0	-466
<b>Total deferred tax assets/liabilities</b>	<b>0</b>	<b>-1,467</b>	<b>0</b>	<b>-466</b>

	Amount at the beginning of the year	Income statement	Reclassification over balance sheet	Recalculation differences	Amount at the end of the year
Intangible assets	-466	-645	0	-356	-1,467
Other	0	60	-60	-	-
<b>Total</b>	<b>-466</b>	<b>-585</b>	<b>-60</b>	<b>-356</b>	<b>-1,467</b>

**NOTE C11 Intangible fixed assets**

<b>Change of intangible fixed assets</b>	2022	2021
Beginning of the year	274,757	204,649
Investments	167,163	162,523
Write-downs	-72,530	0
Amortization	-143,149	-116,031
Currency exchange difference	46,832	23,616
End of the year	<b>273,073</b>	<b>274,757</b>

<b>Accumulated capitalized development costs</b>	2022	2021
Accumulated costs	1 128,258	914,263
Accumulated amortization	-735,923	-592,774
Accumulated write-downs	-119,261	-46,731
Net amount	<b>273,073</b>	<b>274,757</b>

After the change of the Company's publishing strategy, that was done during the year, capitalization on non-released games will be limited. The Company will therefore not publish the split between released and not released games.

**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. For games that are still not launched the revenues are projected for a period of 36 months after the launch of the game. The forecast is usually based on historic sales patterns for comparable games. For launched games that are demonstrating a potential write-down, a discounted cash flow model is used which is then compared to the book value of the game. The model is calculating a free cash flow during, at the most, 48 months. In the model a discounting factor (WACC) of 13% (13%) is used.

**NOTE C12 Tangible fixed assets**

<b>Change of tangible fixed assets</b>	2022	2021
Beginning of the year	26,013	15,506
Investments	8,439	9,701
Leased assets	3,196	23,614
Depreciation	-6,748	-7,697
Depreciation leased assets	-1,429	-11,879
Currency exchange difference	-12,753	-3,232
End of the year	<b>16,718</b>	<b>26,013</b>

<b>Accumulated equipment</b>	2022	2021
Accumulated costs	87,327	88,446
Accumulated depreciation/write-downs	-70,609	-62,432
Net amount	<b>16,718</b>	<b>26,013</b>

**NOTE C13 Equity**

G5 Entertainment AB has two share classes, ordinary shares and c-shares. By the end of 2022 there were 8,783,650 ordinary shares and 172,200 c-shares, each with a par value of 0.104 SEK.

<b>Outstanding shares</b>	2022	2021
Ordinary shares at the end of the year*	8,174,000	8,440,000
Weighted average number of ordinary shares	8,369,835	8,498,236

\*There are also 172,200 c-shares and 609,650 ordinary shares that are held by the company.

During the year, a total of 266,000 shares were repurchased. As of Dec 31, 2022 the company holds 609,650 ordinary shares.

At the annual general meeting 2018 no new long-term incentive program was suggested, a new program was instead decided at an extraordinary general meeting in November 2018. The new program was a performance share program which at most could comprise of 120,000 performance shares. Identical performance share programs were decided at the annual general meetings 2019, 2020, 2021 and 2022 with a maximum of 140,000, 160,000, 160,000 and 160,000 performance shares respectively. The program can at most give the holder one ordinary share per performance share, and the allocation is made on a sliding scale as can be seen in the table below.

If a participant of the program ends the position at G5, the performance shares are terminated.

Date of issue	Number of performance shares	Weighted share price at issuance	Price for minimum allocation	Price for maximum allocation	Exercise period
May 15, 2019	108,400	95.4	186.0	291	May 2023
June 15, 2020	108,650	211.2	411.8	644.2	May 2023
June 23, 2021	145,400	501	866.7	1232.5	May 2024
July 1, 2022	153,500	240.7	416.4	592.1	May 2025

The total costs related to active performance share programs can be seen in the table below:

Costs related to performance share program	2022	2021
Personell costs	10,935	5,171
Social fees	498	473

### Dividend

The Board of Directors has decided to propose to the Annual General Meeting a dividend of SEK 8.0 (7.0) per share to the shareholders.

### Other reserves

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.

### NOTE C14 Earnings per share

	2022	2021
Net profit for the year (SEK K)	66,947	198,208
Weighted average number of share used as denominator		
Issued shares at the start of the year	8,933,650	8,845,850
Adjustment for calculation of diluted earnings per share		
Shares in own custody at the start of the year	-493,650	-198,850
Repurchases	-70,165	-148,764
Weighted average number of shares	8,369,835	8,498,236
Duilation performance shares	45,717	112,550
Weighted average number of shares after dilution	8,415,552	8,610,786
Earnings per share before dilution	8.00	23.32
Earnings per share after dilution	7.96	23.02

### NOTE C15 Account receivables and other receivables

#### Account receivables

In 2022, there was no (0) write-downs for account receivables. As of December 31, 2022, 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

	2022	2021
0-3 months	5	3
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, 2022, the total advances to external developers amounted to SEK 9,163,000 (5,264,000).

#### Maturity of other receivables

	2022	2021
0-3 months	13 656	11 575
More than 3 months	0	0

All development projects are continuously evaluated in order to ensure their profit potential, by comparing forecasted revenue with total development costs.

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.

During 2022 there was no write-downs (0 KSEK) of advances to external developers.

### NOTE C16 Related parties

Transactions with related parties consist of transactions between group companies, fees to the board, CEO and other managers, the performance share program and fees paid to the board member Jeffrey Rose for legal advice (see note C7). CEO Vlad Suglobov's wife has been an independent contractor to the Group during the year and received remuneration amounting to 415 (363) KSEK, all remuneration is approved by the Board.

### NOTE C17 Accrued receivables and expenses

	2022	2021
Accrued income	128,624	120,865
Other	21,998	8,451
<b>Prepaid expenses and accrued income</b>	<b>150,622</b>	<b>129,316</b>
Royalty	-44,350	-49,976
Other	-16,477	-15,391
<b>Accrued expenses</b>	<b>-60,827</b>	<b>-65,367</b>
<b>Total</b>	<b>89,795</b>	<b>63,949</b>

The company reclassifies accrued income to accounts receivable when final income reports are received from each counterparty. Credit risks defined under Note C21 can therefore also be applied to accrued income.

### NOTE C18 Leasing

#### Leases of premises

The Group only leases premises. G5 Entertainment leases premises for offices. The leases normally have a term of between one and five years.

#### Extension and termination options

Certain leases include extension options and termination options that the Group may or may not exercise up until one year before the expiration of the non-can-

cellable lease term. Whether or not it is reasonably certain that an option will be exercised is determined on the commencement date of the lease. The Group reconsiders whether or not it is reasonably certain that an option will be exercised if an important event or significant changes in circumstances take place that are within the Group's control. At the latest, an extension of a lease is made in connection with the option's expiration.

#### Amounts reported in the Statement of profit or loss

	2022	2021
Depreciation of right-of-use assets	-1,429	-11,879
Interest on lease liabilities	-265	-1,182
Costs for short term leases	-583	-464

The group has short term lease contracts where the contract can be terminated within three months.

#### Amounts reported in the Statement of cash flows

	2022	2021
Total outgoing cash flow attributable to leases	-1,475	-12,219

The outgoing cash flow above includes amounts for leases recognized as a lease liability.

#### Movement of leased premises

	2022	2021
Opening balance	43 429	21 780
Investments	0	23 614
Terminations	-39 303	
Currency exchange difference	635	-1 965
Closing accumulated cost	<b>4 761</b>	<b>43 429</b>
Opening depreciation	-30 526	-16 313
Depreciation for the year	-1 429	-11 879
Terminations	28 908	
Currency exchange difference	620	-2 334
Closing accumulated depreciation	<b>-2 427</b>	<b>-30 526</b>
Closing planned residual value	<b>2 334</b>	<b>12 903</b>

#### Maturity analysis financial liabilities

	2022	2021
Within one year	1,281	7,450
Between 1 and 5 years	1,578	4,841
More than 5 years	-	-
<b>Total</b>	<b>2,859</b>	<b>12,291</b>

See also note C12 for further information.

**NOTE C19 Accounts payable**

Accounts payable consists primarily of invoices related to User acquisition and rent.

**NOTE C20 Pledged assets**

The company has pledged assets amounting to SEK 3 M (3).

**NOTE C21 Financial instruments and risk management**

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. The daily management 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 cur-

rency risk, credit risk, and liquidity risk. Interest risk is considered marginal as G5, at present, 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. In addition to transaction risk the Group is exposed to translation risk, i.e. the translation of subsidiaries net assets, including its income statement to SEK.

The company does not hedge these risks at present.

**Foreign currency sensitivity analysis**

The Group’s currency risk is primarily related to USD and EUR. If the USD had strengthened with 10% at closing date, all other variables constant, the annual earnings per December 31, 2022 would be positively affected by SEK -27.4 M. If the Euro had strengthened with 10% at closing date compared to the Swedish krona, all other variables constant, the annual earnings per December 31, 2022 would be positively affected by SEK 1.8 M. If the currencies would weaken the reverse effect would incur.

**Amounts recognized in profit and loss**

	2022	2021
Net foreign exchange profit/loss included in other income/expense	21.5	-5.0

**Credit risk**

**Accounts receivable**

Credit risk related to accounts receivable are considered immaterial, since almost all sales are generated through the largest internet 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.

**Banks**

G5 strives to keep the company’s cash and cash equivalents at banks with good creditworthiness. The majority of the company’s cash and cash equivalents are held in Sweden and the United States, where the company primarily works with Handelsbanken and Swedbank.

**Advances to external developers**

For development projects (development of the games), G5 partly uses 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.

The group's exposure to foreign currency risk	2022-12-31		2021-12-31	
	USD	EUR	USD	EUR
Trade receivables	-	-	366	-
Other current assets	49,201,816	694,445	12,279,221	536,035
Cash and cash equivalents	9,934,449	1,281,346	9,786,014	1,116,372
Accounts payable	4,250,030	-	2,634,034	-
Other current liabilities	27,795,532	111,667	7,066,663	42,401

**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 Microsoft being the most important. G5 generates substantially all of its revenue and a majority of its users leads through these distribution channels and expects to continue to do so for the foreseeable future. Deterioration in G5's relationship with these companies can harm G5's business. Competition among these distributors is intense, and all of them try to attract the most attractive games to their electronic store. Based on a strong game, G5 does not consider the risk inherent in these business relationships to be high.

**Fair value**

The group has a minority holding in Artifex Mundi S.A classified as a short term investment and a minority holding in UplandMe Inc., classified as a long-term in-

vestment. Both are measured at fair value. The carrying values of the financial instruments (as reported in the table below) are consistent with the fair values.

Financial instruments split into categories:

Financial assets	2022	2021
<b>Fair value</b>		
Long-term investments	16,589	18,088
Short-term investments	8,017	12,195
<b>Amortized cost</b>		
Accrued income	128,624	120,865
Account receivable	5	3
Other receivables	13,656	11,575
Cash and cash equivalents	177,469	149,964
<b>Total</b>	<b>344,360</b>	<b>312,690</b>

Financial liabilities	2022	2021
Account payable	61,123	24,253
Other liabilities	8,499	6,965
Accrued expenses*	60,827	65,367
Financial liabilities measured at amortized costs	<b>130,499</b>	<b>96,585</b>

\*Accrued expenses which are classified as financial liabilities are primarily constituted of royalty.

**Maturity of financial liabilities**

	2022	2021
0-3 months	130,499	96,585
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 C8, C9 and C15.

**Calculation of fair value**

G5 makes the following classification regarding the determination of fair value for the financial instruments that are reported at fair value. A description of the valuation methodology follows the table:

**Recurring fair value measurement**

	Level 1	Level 3
2022-12-31		
Long-term investments	-	16 589
Short-term investments	8 017	-
<b>Closing balance 2022-12-31</b>	<b>8 017</b>	<b>16 589</b>
2021-12-31		
Long-term investments	-	18 088
Short-term investments	12 195	-
<b>Closing balance 2021-12-31</b>	<b>12 195</b>	<b>18 088</b>

Level 1: Assets classified under level one refer to financial instruments that are traded on an active market. The asset is valued in accordance with the closing price on the balance sheet date.

Level 3: As the asset classified according to level three refers to unlisted shares, these are primarily valued after the most recent capital acquisition. Valuation has been made based on a risk-adjusted probability of completion of ongoing capital raisings. If it is not possible for the company to raise new capital there is a great risk that it will affect the valuation negatively.

At the previous year's end of the year, the shares in the company were recently acquired.

No transfers have taken place between the different valuation levels during the year.



<b>Movement leasing liabilities</b>	2022	2021
<b>Net debt as at 1 January</b>	<b>-12,305</b>	<b>-6,378</b>
Financing cash flows	1,168	11,032
New/terminated leases	8,464	-16,958
Interest expense	-262	-1,188
Interest payments	262	1,188
<b>Net debt as at 31 December</b>	<b>-2,673</b>	<b>-12,305</b>

**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 28 in the Directors report. G5 does not have any loan financing.

**NOTE C22 Adjustments for items not included in cash flow**

	2022	2021
Depreciation/amortization	151,326	133,204
Write-down of intangible assets	72,530	0
Revaluation short-term investment	5,241	11,190
Revaluation long-term investment	1,499	-
Other	1,436	-
<b>Total</b>	<b>232,032</b>	<b>144,394</b>

**NOTE C23 Significant events after the balance sheet date**

In February, G5 appointed Olga Abashova as CPO and Aleksandr Bezobrazov as CMO, expanding G5’s management team from three to five people.

No significant events have occurred after the balance sheet date.



# Parent Company Financial Results

## INCOME STATEMENT

KSEK	Note	2022	2021
Net turnover		1,400,043	1,315,703
Cost of revenue		-1,025,579	-1,012,047
<b>Gross profit</b>		<b>374,464</b>	<b>303,656</b>
Research and development expenses		-109	-107
Sales and marketing expenses		-347,126	-236,178
General and administrative expenses		-32,126	-71,316
Other operating income		21,371	13,915
Other operating expenses		0	-17,704
<b>Operating result</b>	P2, P3, P4, P5	<b>16,474</b>	-7,734
Interest income and similar items	P6	195,891	348,393
Interest expense and similar items	P6	-5,241	-6,028
<b>Operating result after financial items</b>		<b>207,124</b>	334,631
Taxes	P7	-1,989	0
<b>NET RESULT FOR THE YEAR</b>		<b>205,135</b>	<b>334,631</b>

## STATEMENT OF COMPREHENSIVE INCOME

KSEK	2022	2021
<b>Net result for the year</b>	<b>205,135</b>	334,631
<b>Items that later can be reversed in profit</b>		
Revaluation of long-term investments	-1,499	
<b>Total other comprehensive income for the year</b>	<b>-1,499</b>	
<b>Total comprehensive income for the year</b>	<b>203,636</b>	<b>334,631</b>

**BALANCE SHEET**

KSEK	Note	Dec 31, 2022	Dec 31, 2021
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Tangible fixed assets		5	22
<b>Total tangible fixed assets</b>		<b>5</b>	<b>22</b>
<b>Financial fixed assets</b>			
Shares in group companies	P9	105	70
Long-term investment		16,589	18,088
<b>Total financial fixed assets</b>		<b>16,694</b>	<b>18,158</b>
<b>Total fixed assets</b>		<b>16,699</b>	<b>18,179</b>
<b>Current assets</b>			
Account receivables	P10	0	3
Receivables from group companies		392,909	170,023
Tax receivables		762	2,751
Other receivables		714	3,847
Prepaid expenses and accrued income	P12	131,174	122,901
Short term investment		8,017	12,195
Cash and cash equivalents		129,196	127,096
		662,772	438,816
<b>TOTAL ASSETS</b>		<b>679,471</b>	<b>456,995</b>

KSEK	Note	Dec 31, 2022	Dec 31, 2021
<b>Restricted equity</b>			
Share capital		928	928
<b>Non-restricted equity</b>			
Share premium reserve		52,401	51,434
Profit carried forward		80,294	-145,691
Net result for the year		205,135	334,631
<b>Total equity</b>	P11	<b>338,758</b>	<b>241,302</b>
<b>Liabilities</b>			
Accounts payable		44,606	21,487
Liability to group companies		289,699	189,566
Other liability		2,664	1,575
Accrued expenses and prepaid income	P12	3,743	3,065
<b>Total liabilities</b>		<b>340,713</b>	<b>215,694</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>679,471</b>	<b>456,995</b>

## CHANGES IN SHAREHOLDERS' EQUITY

KSEK	Share capital	Share premium reserve	Profit/loss carried forward	Shareholders' equity
<b>Shareholders' equity as of 2021-01-01</b>	928	50,996	34,420	86,341
Net result for the year			334,631	334,631
<b>Total comprehensive income for the year</b>			<b>334,631</b>	<b>334,631</b>
Dividend			-54,097	-54,097
Repurchase of share			-126,022	-126,022
IFRS2 - Employee share schemes		438		438
<b>Total transaction with the owners recognized directly in equity</b>	0	438	-180,119	-179,681
<b>Shareholders' equity as of 2021-12-31</b>	928	51,434	188,934	241,302
<b>Shareholders' equity as of 2022-01-01</b>	928	51,434	188,934	241,302
Net result for the year			205,135	205,135
<b>Total comprehensive income for the year</b>			<b>205,135</b>	<b>205,135</b>
Dividend			-59,080	-59,080
Repurchase of shares			-48,066	-48,066
Revaluation long-term investments			-1,499	-1,499
IFRS2 - Employee share schemes		967		967
<b>Total transaction with the owners recognized directly in equity</b>	0	967	-108,645	-107,678
<b>Shareholders' equity as of 2022-12-31</b>	928	52,401	285,426	338,758

**CASHFLOW**

<b>KSEK</b>	Note	2022	2021
<b>Operating activities</b>			
Operating result after financial items		207,124	334,631
Adjusting for items not included in cash flow	P16	6,225	9,784
Taxes paid		-126	-279
<b>Cash flow before changes in working capital</b>		213 223	344 136
<b>Cash flow from changes in working capital</b>			
Increase/decrease in operating receivables		-188,650	69,163
Increase/decrease in operating liabilities		16,976	87,489
<b>Cash flow from operating activities</b>		172,462	161,002
<b>Investing activities</b>			
Investment in equipment		-	-
Long-term investments		-35	-18,088
Short-term investments		-1,063	-18,213
<b>Cash flow from investing activities</b>		<b>-1,098</b>	<b>-36,301</b>

<b>KSEK</b>	Note	2022	2021
<b>Financial activities</b>			
Dividend		-59,080	-54,097
Premiums paid on excersiced/issued warrants		-	-
Repurchase of ordinary shares		-48,066	-126,022
<b>Cash flow from financial activities</b>		-107,146	-180,119
<b>CASH FLOW</b>		2,101	-43,958
<b>Cash and bank at the beginning of year</b>		127,096	171,054
Cash flow		2,101	-43,958
<b>Cash and bank at the end of the year</b>		129,196	127,096

# Parent Company notes

## NOTE P1 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/IAS 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.

## 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 P2 Expenses by nature

	2022	2021
Fees to distributors	320,718	349,183
Royalty to developers and license fees	704,861	662,863
Marketing	344,952	234,314
Personnel costs	7,559	7,949
Other costs <sup>1</sup>	5,479	69,127
<b>Total</b>	<b>1,383,569</b>	<b>1,323,437</b>

<sup>1</sup>Other costs are primarily related to costs for user acquisition that are invoiced to the parent company from the subsidiaries. These costs are classified as General and administration costs in the financial statement.

## NOTE P3 Employees

The parent company had 5 (5) employees during the year. Compensation to parent company employees amounted to 5,102 KSEK (5,012), social costs 1,603 KSEK (2,098) and pension costs 677 KSEK (675).

## NOTE P4 Audit fees

	2022	2021
Auditing within the audit assignment		
PWC	1,545	1,027
Other auditing tasks		
PWC – tax advice	0	110
PWC – Other	25	0
<b>Totalt</b>	<b>1,569</b>	<b>1,137</b>

## NOTE P5 Other operating gains and losses

	2022	2021
Currency exchange gains	24,303	13,915
<b>Other operating gains</b>	<b>24,303</b>	<b>13,915</b>
Currency exchange losses	-2,933	-17,704
<b>Other operating losses</b>	<b>-2,933</b>	<b>-17,704</b>
<b>Total other operating gains and losses</b>	<b>21,370</b>	<b>-3,789</b>

**NOTE P6 Financial income, expense and other similar items**

	2022	2021
Interest income	824	51
Interest income from group companies	0	0
Dividend	195,067	348,342
<b>Financial income</b>	<b>195,891</b>	<b>348,393</b>
Interest costs	0	-9
Unrealized fair value adjustment	-5,241	-6,019
<b>Financial expense</b>	<b>-5,241</b>	<b>-6,028</b>
<b>Financial income and expense</b>	<b>190,650</b>	<b>342,365</b>

**NOTE P7 Taxes**

<b>Income tax expenses</b>	2022	2021
Current tax	-1,989	0
Deferred tax	-	-
<b>Total tax expenses</b>	<b>-1,989</b>	<b>0</b>

<b>Actual tax charge</b>	2022	2021
Profit / Loss before tax	207,124	334,631
Tax according to current tax rate 20.6% (20.6%)	-42,668	-68,934
Tax effect of income exempted from tax	40,184	71,758
Tax effect from non-deductible expenses	-1,089	-1,241
Other	1,583	-1,583
<b>Tax charge</b>	<b>-1,989</b>	<b>0</b>

The group has no (SEK 1,583 M) amounts in non recognized deferred tax assets related to losses carryforward.

**NOTE P8 Related parties**

Transactions between group companies are conducted either as royalty, or at cost plus a certain margin. As of December 31, 2022, the parent company had 392,909 (170,023) KSEK in receivables from group companies and 289,699 (189,566) KSEK in liabilities to group companies. Parent company sales to subsidiaries amounted to 0 (0) KSEK. Parent company purchases from subsidiaries amounted to 719,173 (718,380) KSEK.

Receivables and liabilities to group companies are according to commercial terms.

**NOTE P9 Shares in subsidiaries**

<b>Shares in subsidiaries</b>	2022	2021
Accumulated value, opening balance	<b>70</b>	<b>70</b>
Establishing of subsidiaries	35	
Accumulated value, closing balance	<b>105</b>	<b>70</b>

Below are the Group’s principal subsidiaries as of December 31, 2022. 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.

<b>Company name</b>	Domicile	Group ownership	Book value	Primary business
G5 UA Holdings Ltd	Malta	100%	11	Holding company
G5 Holdings Ltd*	Malta	100%		Game procurement and licensing
G5 Entertainment Inc	USA	100%	7	Marketing
G5 Holding UKR LLC	Ukraine	100%	50	Game development
G5 Holding RUS LLC	Russia	100%	2	Game development
G5 Marketing RUS LLC**	Russia	100%	2	Marketing
G5 EN POL sp. z o.o.	Poland	100%	11	Game development
G5 ENTERTAINMENT DOO	Montenegro	100%		Game development
G5EN ARM LLC	Armenia	100%		Game development
G5EN GEO LLC	Georgia	100%		Game development
G5EN BGR EOOD	Bulgaria	100%		Game development
G5EN CYP LTD	Cyprus	100%	22	Game development
G5EN KAZ	Kazakhstan	100%		Game development

\*G5 Holdings Ltd is a subsidiary to G5 UA Holdings Ltd

\*\* The Company is being closed

**NOTE P10 Accounts receivables and other receivables**

<b>Maturity of account receivables</b>	2022	2021
0-3 months	0	3
More than 3 months	-	-

<b>Maturity of other receivables</b>	2022	2021
0-3 months	1,476	6,598
More than 3 months	-	-

**NOTE P11 Equity****Proposed distribution of earnings**

Earnings in the Parent Company at the disposal of the Annual General Meeting (KSEK):

	2022	2021
Share premium reserve	52,401	51,434
Profit carried forward	80,294	-145,692
Net result for the year	205,135	334,631
<b>Total</b>	<b>337,830</b>	<b>240,373</b>

The Board of Directors proposes that dividends be paid in an amount of SEK 8.00 per share (7.00).

The Board of Directors proposes that the earnings be disposed of as follows:

	2022	2021
To be distributed to the shareholders	64,840	59,080
To be carried forward to new account	272,990	181,293
<b>Total</b>	<b>337,830</b>	<b>240,373</b>

**NOTE P12 Accrued income and expenses**

	2022	2021
Accrued income	128,623	120,865
Other	2,551	2,036
<b>Accrued income</b>	<b>131,174</b>	<b>122,901</b>
Royalty	0	0
Marketing expenses	0	0
Other	3,743	3,065
<b>Accrued expenses</b>	<b>3,743</b>	<b>3,065</b>
<b>Total</b>	<b>127,431</b>	<b>119,835</b>

**NOTE P13 Leasing**

The parent company does not have any financial leases. Short term operating leases consist of rent premises agreements.

<b>Office rent</b>	2022	2021
Rent paid	554	516

The future aggregate minimum lease payment under non-cancelable short term lease are all due within three months (2021) at a total amount of 129 KSEK.

**NOTE P14 Pledged assets**

G5 has pledged assets amounting to 3 MSEK (3).

**NOTE P15 Financial risks and risk management**

G5's financial risk management is handled and monitored at Group level. For more information regarding the financial risks, see notes to the Consolidated statements, Note C21 Financial risks.

**Financial instruments split into categories**

<b>Financial assets</b>	2022	2021
Accrued income	131,174	122,901
Account receivable	0	3
Receivables group (short-term)	392,909	170,023
Other receivables	714	3,847
Cash and cash equivalents	129,196	127,096
<b>Loan and receivables</b>	<b>653,993</b>	<b>423,869</b>

<b>Financial liabilities</b>	2022	2021
Account payable	44,606	21,487
Liabilities group	289,699	184,566
Other liabilities	2,664	6,575
Accrued expenses	3,743	3,065
<b>Financial liabilities measured at amortized costs</b>	<b>340,713</b>	<b>215,694</b>

<b>Maturity of financial liabilities</b>	2022	2021
0-3 months	340,713	215,694
More than 3 months	-	-

**NOTE P16 Adjustments for items not included in cash flow**

	2022	2021
Depreciation	17	-
Fx revaluation on intragroup items	-	3,765
Revaluation short term investments	5,241	6,019
Other	967	-
<b>Total</b>	<b>6,225</b>	<b>9,784</b>

**NOTE P17 Events after the balance sheet date**

Note C23 describes the most important events that have impacted the group after the balance sheet date. No events have occurred that are considered to impact the parent company's financial position.

## 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, 2023-04-29

**Petter Nylander**  
Chairman of the Board

**Sara Börsvik**  
Board member

**Johanna Fagrell Köhler**  
Board member

**Jeffrey Rose**  
Board member

**Marcus Segal**  
Board member

**Vlad Suglobov**  
CEO, Board member

Our audit report was issued on 2023-04-29  
PricewaterhouseCoopers AB

**Aleksander Lyckow**  
Authorized public accountant

# Auditor’s Report

**TO THE GENERAL MEETING OF THE SHAREHOLDERS OF G5 ENTERTAINMENT AB (PUBL), CORPORATE IDENTITY NUMBER 556680-8878**

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of G5 Entertainment AB (publ) for the year 2022 except for the statutory sustainability report on pages 20-24. The annual accounts and consolidated accounts of the company are included on pages 17-57 in this document.

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 parent company and the group as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. 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 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the statutory sustainability

report on pages 20-24. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company’s audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

### Our audit approach Overview

G5 Entertainment is a developer and publisher of free to play games for smartphones and tablets. Sales are global with USA and Asia as the main markets. The company reaches their customers through digital stores where apps are available. The ownership and creative processes relating to development reside on Malta, the technical development is primarily made in Ukraine and Russia, and the marketing in USA. The parent company is in Sweden and also have the contractual relationships with the digital stores.

### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Main focus areas and risks identified are further detailed in the “Key Audit Matters” included below. Our audit of G5 Entertainment mainly consists of the following main parts; audit planning, procedures relating to internal control over financial reporting and related routines procedures, limited review procedures on the report for the third quarter closing, year and procedure and the final audit procedures required to issue this auditor’s report for the parent company and the group. In connection to these procedures needed to issue our statement on adherence to the guidelines for remuneration to senior management.

The scope and extent of our audit procedures for G5 Entertainment mean that we have covered all material units within the Group which together represent a significant part of revenues, earnings and assets. The outcome of our work is during the year continuously reported to the company, the Audit Committee and for the full year also to the Board of Directors.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain

reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<b>Group Overall Materiality</b>	2022: MSEK 15,0 (2021: MSEK 14,0)
<b>Benchmark</b>	Revenues
<b>Rational for the selected benchmark</b>	We defined our materiality to about 1% of revenue which is an acceptable range according to ISA rule of thumb.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above MSEK 1,5 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

**Key Audit Matter**

**Valuation of capitalized development costs**

As at 31 December 2022, the book value of capitalized development costs was MSEK 273. This relates to free-to-play games, which the Group has continued to develop during 2022.

Management performs a review of the carrying amount of the capitalized development expenses for impairment. The impairment review is performed on a quarterly basis.

For the purpose of performing the impairment assessment, management identifies each game as a single Cash Generating Unit (“CGU”). The impairment analysis starts with a calculation of impairment indications estimating the total revenue from the game during the remainder of the amortization period (based on actual sales during the three most recent months). If this initial calculation signals a possible impairment for a particular game, a more detailed test is performed with different scenarios of expected game performance and the probabilities of outcome of each scenario. Recoverable amount represents sum of the weighted average net present value of discounted future cash flows in each scenario multiplied by probability of occurrence of this scenario.

The assessment contains a number of significant assumptions, both quantitative and qualitative, including revenue projection, cost structure, lifetime of the game, discount rate, probability of occurrence of different scenarios. Changes in these assumptions may lead to potential impairment charges on the carrying value of the capitalized development expenses. The use of assumptions in the assessment also requires estimates and judgment, which may be affected by unexpected future market, economic or legal restrictions in different countries.

We focused on this area as these assets are significant to the Group’s operations and the assessment performed by management involved significant estimates and judgments.

**How our audit adressed the key audit matter**

- We obtained the calculation of impairment indicators and impairment test for the games, which showed indicators of impairment.
- We tested the mathematical accuracy of the underlying calculations in the model
- We compared historical actual results to those budgeted to assess the quality of management’s forecast.
- We assessed the key quantitative and qualitative assumptions made by management in the impairment model. Quantitative factors comprised forecasted revenue, user acquisition and other expenses, and the discount rate used.
- When assessing these key assumptions, we discussed with management to understand and evaluate their basis for selecting the assumptions. Were applicable, the assumptions were compared to various external sources including independent research reports. We have analyzed the historical performance of games and outcome of assumptions applied in prior period.
- We assessed the reasonableness of the discount rate used by checking its variables to independent research reports, economic growth forecasts and publicly available industry data.
- We obtained and tested management’s sensitivity analysis around the quantitative key assumptions, to ascertain that the selected adverse changes to the key assumptions, both individually and in aggregate, would not cause the carrying amount of the game to exceed the recoverable amount.
- Based on the audit procedures performed, we found the Group’s estimates and judgment used in the impairment test of the capitalized development cost to be within a reasonable range

### Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-16 and 63-72. Other information also comprises the “G5 Entertainment Remuneration report 2022” published on the G5 Entertainment webpage at the same time as the release of this report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Director’s and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company’s and the group’s ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director’s responsibilities and tasks in general, among other things oversee the company’s financial reporting process.

### Auditor’s responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen’s website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor’s report.

### Report on other legal and regulatory requirements

#### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the ad-

ministration of the Board of Director’s and the Managing Director of G5 Entertainment AB (publ) for the year 2022 and the proposed appropriations of the company’s profit or loss.

We recommend to the general 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 Director’s and the Managing Director be discharged from liability for the financial year.

### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

## Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member

of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

### The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 20–24, and that it is

prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report 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. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

### The auditor's examination of the ESEF report *Opinion*

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for G5 Entertainment AB (publ) for the financial year 2022 .

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

## Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of G5 Entertainment AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

## Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors (and the Managing Director) determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements. Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements. The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the

preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts. Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report has been marked with iXBRL in accordance with what follows from the Esef regulation.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of G5 Entertainment AB (publ) by the general meeting of the shareholders on the June 15, 2022 and has been the company’s auditor since the general meeting of the shareholders in 2017.

Stockholm 29 April, 2023  
PricewaterhouseCoopers AB

Aleksander Lyckow  
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 2021 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 2023 and is an account of how corporate governance has been conducted at G5 Entertainment during the financial year 2022. 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](http://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.

## Shareholders

Per December 31, 2022 the company had approximately 12,700 shareholders.

## Major share holdings

No shareholder owns more than 10 percent of the total number of outstanding shares.

## 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](http://www.g5e.com/corporate)) were adopted at the annual general meeting of June 15, 2022. 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,



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THIS IS G5

THE YEAR 2022

STRATEGY

MARKET

OPERATIONS

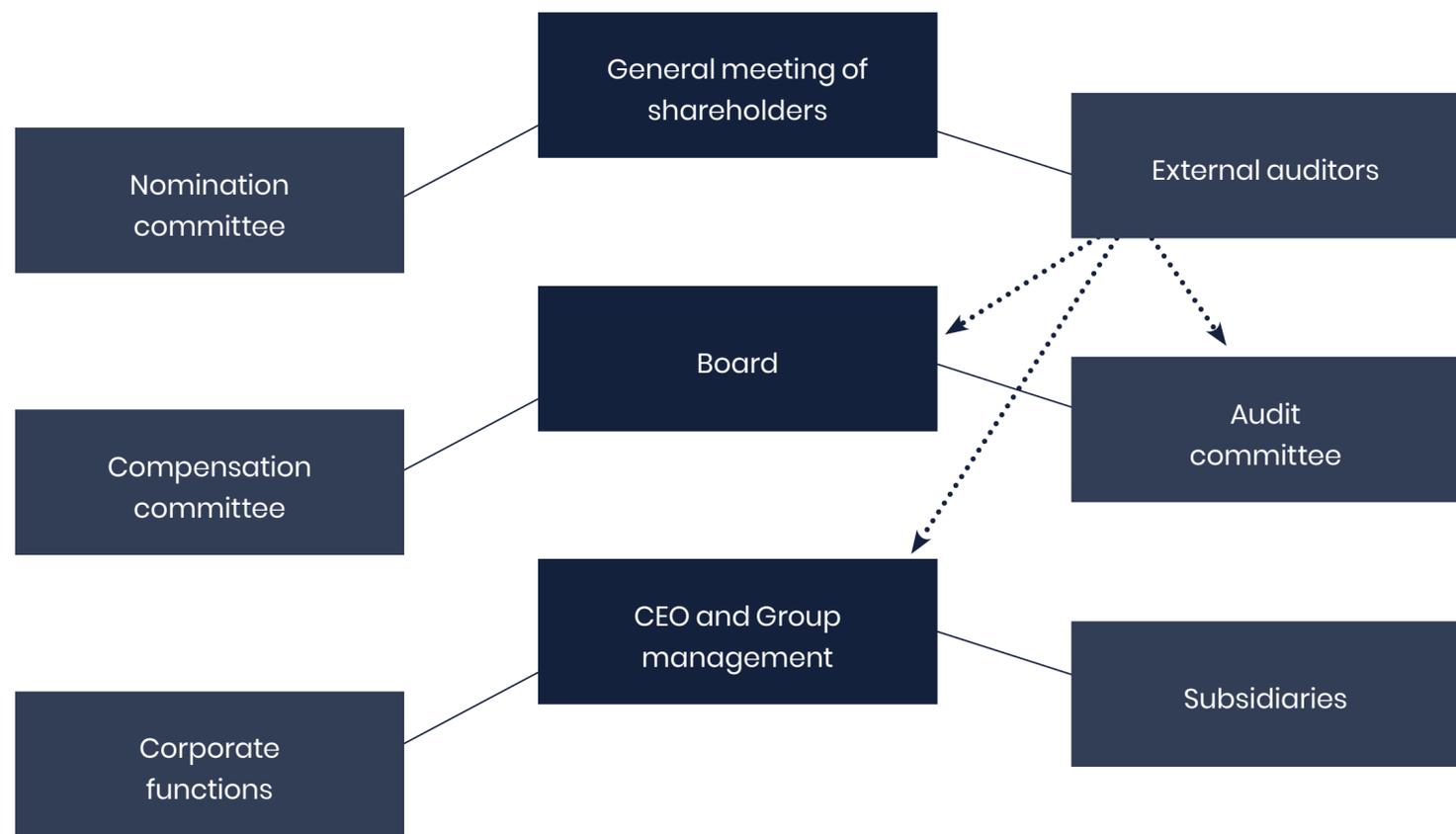
FINANCIALS

GOVERNANCE

G5 SHARE



**G5's corporate governance model**



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

discharge of liability, election of board members and the appointment of auditors.

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 2022**

G5 Entertainment held its 2022 annual general meeting on June 15 through postal voting. The annual general meeting resolved to adopt the income statement and balance sheet for 2021, profit distribution, and discharged the CEO and the board from liability for the financial year. The annual general meeting elected board members and resolved on the guidelines for the nomination committee and remuneration to senior executives. The general meeting also resolved on a share related long term incentive program for key employees.

**Extraordinary general meeting**

On February 16, 2023 there was an extraordinary general meeting. The meeting resolved on the Board's proposal of expunging 250,000 shares.

**Annual general meeting 2023**

The 2023 annual general meeting will be held at Eversheds Sutherland Advokatbyrå AB, Sveavägen 20, 111 57, Stockholm, Sweden on June 14.

**Authorizations**

The Annual General Meeting 2022 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 10 percent of the share capital and voting right. The purpose of the authorization is to enable acquisitions and fundraising. 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).

The Annual General Meeting 2022 also authorized the board of directors to, until the next annual general

meeting, to resolve to acquire and transfer the Company's own ordinary shares. Acquisitions may take place of at most the number of ordinary shares so that the Company's total shareholding of its own ordinary shares corresponds to a maximum of ten (10) percent of all registered shares issued by the Company. Acquisitions may take place by trading on the regulated market place NASDAQ Stockholm. Payment for the shares acquired shall be made in cash.

### Nomination committee

The annual general meeting decides on principles for the formation of the nomination committee, and decides what tasks the committee will complete for the next annual general meeting. In its work, the Nomination Committee has applied Rule 4.1 of the Swedish Code of Corporate Governance as a policy of diversity for the Board. Diversity is an important factor in the nomination committee's nomination work. The Nomination Committee continuously strives for an even gender distribution and versatility in terms of competence, experience and background in the Board, which is also reflected in the current composition.

The nomination committee for the 2023 annual general meeting consists of representatives of G5 Entertainment's five largest shareholders as per the last banking day in August:

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

### Board of directors

#### Board composition

At the annual general meeting 2022 all current members of the Board were re-elected and Sara Börsvik was elected as a new member to the Board.

The Board then consisted of Petter Nylander, chairman, Sara Börsvik, Johanna Fagrell Köhler, Jeffrey Rose, Marcus Segal and Vladislav Suglobov.

### 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.

#### Board composition, independence, remuneration and presence 2022

Name	Elected	Independent	Position	Committees	Board attendance	Audit committee attendance	Compensation committee attendance	Fees kSEK	No. of shares/instruments in share based programs <sup>1</sup>
Petter Nylander	2013	Yes	Chairman of the Board	Audit-, compensation committee	10 (10)	4 (4)	1 (1)	671	24,500/0
Johanna Fagrell Köhler	2017	Yes	Member of the Board	Audit committee	10 (10)	4 (4)		336	800/0
Sara Borsvik <sup>3</sup>	2022	Yes	Chairman of the audit committee	Audit committee	7 (7)	2 (2)		228	0/0
Jeffrey Rose	2011	No	Member of the Board		10 (10)	-		285	2,000/0
Marcus Segal	2020	Yes	Chairman in the compensation committee	Compensation committee	10 (10)	-	1 (1)	336	500/0
Vlad Suglobov <sup>2</sup>	2006	No	Member of the Board, CEO		10 (10)	-	-	-	640,000/68,600 <sup>2</sup>

<sup>1</sup>The information above is valid on March 31, 2022.

<sup>2</sup>Holdings: 0 shares and 68,600 performance shares. Vlad Suglobov is also a deputy board member in Wide Development Ltd. that owns 640,000 shares.

<sup>3</sup>Sara Börsvik joined the board in June 2022.

**Work during the year**

In 2022 the board met on nine occasions in addition to the constituent meeting following the annual general meeting. Two meetings were held 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.

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.
- June – 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 had two committees: the audit committee and the compensation committee. The work of the committees is regulated in the annual plan for the board.

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 mandate to make some decisions 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 of Sara Börsvik, chairman (since June 2022), Petter Nylander (chairman up until June 2022) and Johanna Fagrell Köhler. In 2022, the audit committee held four minuted meetings. Meetings are attended by the company's CFO, who also serves as the audit committee's secretary. The company's auditor attended two of the audit committee meetings.

The committee has reviewed all interim reports and all reports from the company's auditor and internal processes and controls.

**Compensation committee**

The compensation committee includes Marcus Segal, chairman and Petter Nylander also a member of the audit committee.

In 2022, the compensation committee held one minuted meeting.

Attendance by board members and committee members during the year is shown in the table on page 65.

**Auditors**

The auditing firm appointed by the 2022 annual general meeting for a period of one year is PWC. Authorized public accountant Aleksander Lyckow 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 C5.

**Work of CEO and senior Management**

The CEO has regular e-mail, online meetings 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 on-line meetings, 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. In addition to e-mail, the company has

electronic tools to document certain decisions and use other forms of electronic communication for distributing information in wider groups more effectively. Given prevalence of electronic 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 have been continuously improved. Some new positions have been introduced, and all functional teams were strengthened to support the portfolio of games.

**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 authorizations 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.

**MAR**

The company is subject to the EU Market Abuse Regulation No. 596/2014 (MAR) which places great demands on how the Company handles inside information. In MAR there are regulations on how insider information is to be published to the market, under which conditions the disclosure may be postponed and in what way the Company is obliged to keep a list of persons working for the company and who has access to inside information (a so-called logbook).

The company uses the digital tool InsiderLog to ensure that its handling of inside information meets the requirements of MAR and the company's insider policy; from the decision to postpone the disclosure of inside information all the way to the message to be submitted to the Swedish financial supervisory authority when the insider incident is over and the information has been published. Only authorized persons in the Company have access to InsiderLog.

Stockholm, April 29, 2023  
The Board of G5 Entertainment AB

# Board of Directors

## PETTER NYLANDER (born 1964)

Petter has a 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 (today Kindred Group and Kambi). Other experience from the gambling 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, Ogame 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 Chairman of the Board at GiG (Gaming Innovation Group) and Global CEO of Besedo Services AB.

**Holdings:** 24,500 shares, 0 warrants.

## JOHANNA FAGRELL KÖHLER (born 1966)

Johanna has a Master's Degree in Business Administration from the University of Lund. She started out as Business Unit Director at Icon Medialab, one of the leading digital agencies in Scandinavia around the millennial. In 2002 she founded and became CEO over her own design agency, Summer and further the CEO of the marketing group ONE Media, listed at the Swedish equities market place Aktietorget. As shareholder and former CEO of the

Mobiento Group, the leading mobile marketing group in Scandinavia she has played a key role in the company's success and winning the Cannes Lions, MMA, Red Herring top 100 to name a few. Up until January 2021, Johanna was the CEO of Creuna, the leading digital agency in Sweden with offices in Stockholm and Gothenburg. Currently, Johanna Fagrell Köhler also has a board assignment in privately owned ROL AB and also as the CEO of Nordic Morning and Comprend.

**Holdings:** 800 shares, 0 warrants.

## MARCUS SEGAL (born 1972)

Marcus is a strategist and operations executive with over 20 years of experience scaling technology companies. Segal spent over 7 years with Zynga serving as SVP of Operations and COO of Game Studios. Prior to joining Zynga, Marcus was the founder and CFO for Vindicia Inc., a company focused on providing advanced billing and risk solutions (sold to AMDOCS). Before Vindicia, Marcus was the SVP of Operations at eMusic (Nasdaq EMUS) through their acquisition by Universal Music Group in 2003. Today, Marcus serves as the CEO of ForeVR games, a VR gaming start-up. Marcus graduated from the University of California Santa Barbara and also completed an MBA at Pepperdine University's, George L. Graziadio School of Business and Management.

**Holdings:** 500 shares, 0 warrants.

## JEFFREY W. ROSE (born 1962)

Jeffrey is an attorney specializing in intellectual property licensing, development, publishing, and strategy. For

more than twenty-five years, Jeffrey 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 served from 2011 to 2013 on the board of Web Wise Kids, a non-profit organization that worked 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.

**Holdings:** 2,000 shares, 0 warrants

## VLAD SUGLOBOV (CEO, CO-FOUNDER) (born 1977)

Vlad is a games industry veteran of 28 years. He has an M.Sc. degree in Mathematics and Programming from Moscow State University and Stanford LEAD Certificate from Stanford Graduate School of Business. In 1995 during his freshman year, he started his career as employee #14 at Nikita Ltd. (now Nikita Online). In 2000, Vlad graduated from the university and spent the next year working as a software engineer on the team of the US-funded startup "Voxster". In 2001, Vlad and colleagues co-founded G5 to develop PC and mobile games. While being CEO from the company's inception, Vlad continued to write game engine code until 2003 after which he focused entirely on the business. In 2008 the iPhone was released, and it created a new opportunity for the company. Finishing up large publisher contracts, G5 wanted to bring its own games to the promising platform and in February 2009, the company's first iPhone game "Supermarket Mania" was launched,

quickly becoming the company's biggest financial success to date. Anticipating the revolution that the iPhone was bringing to the industry, Vlad started G5's publishing operation and set out to license popular PC hidden object games to bring them to the new generation of mobile devices. In 2011 Vlad moved to San Francisco to establish G5's marketing operations in the USA, the company's largest market. Since 2013, when free-to-play (F2P) games started quickly gaining prominence on mobile, Vlad has steered G5 to focus on this business model with an emphasis on quality and a smaller number of new releases. Today, Vlad continues to be deeply involved in the company's strategy, marketing and product development.

**Holdings:** 0 shares and 68,600 performance shares. Vlad is also a deputy board member in Wide Development Ltd. that owns 640,000 shares.

## SARA BÖRSVIK (born 1980)

Sara has a Master's degree in Economics from the University of Gothenburg. She has previously worked as CEO at Bonnierförlagen, CFO at Rebtel and has also held various finance positions within Tele2.

Since April 2021 Sara has held the position of CFO at Epidemic Sound, a global MusicTech company headquartered in Stockholm. She is also a board member of Bonnierförlagen, Rebtel and BIMObjects.

**Holdings:** 0 shares, 0 warrants.

# 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, 2022 THE EXECUTIVE TEAM CONSISTED OF THE CEO, COO AND CFO. THE CPO AND CMO JOINED THE MANAGEMENT TEAM DURING FEBRUARY 2023.**

## **VLAD SUGLOBOV** (CEO, co-founder) (born 1977)

Vlad is a games industry veteran of 28 years. He has an M.Sc. degree in Mathematics and Programming from Moscow State University and Stanford LEAD Certificate from Stanford Graduate School of Business. In 1995 during his freshman year, he started his career as employee #14 at Nikita Ltd. (now Nikita Online). In 2000, Vlad graduated from the university and spent the next year working as a software engineer on the team of the US-funded startup “Voxster”. In 2001, Vlad and colleagues co-founded G5 to develop PC and mobile games. While being CEO from the company’s inception, Vlad continued to write game engine code until 2003 after which he focused entirely on the business. In 2008 the iPhone was released, and it created a new opportunity for the company. Finishing up large publisher contracts, G5 wanted to bring its own games to the promising platform and in February 2009, the company’s first iPhone game “*Supermarket Mania*” was launched, quickly becoming the company’s biggest financial success to date. Anticipating the revolution that the iPhone was bringing to the industry, Vlad started G5’s publishing operation and set out to license popular PC hidden object games to bring them to the new generation of mobile devices. In 2011 Vlad moved to San Francisco to establish G5’s marketing operations in the USA, the company’s largest market. Since 2013, when free-to-

play (F2P) games started quickly gaining prominence on mobile, Vlad has steered G5 to focus on this business model with an emphasis on quality and a smaller number of new releases. Today, Vlad continues to be deeply involved in the company’s strategy, marketing and product development.

**Holdings:** 0 shares and 68,600 performance shares. Vlad is also a deputy board member in Wide Development Ltd. that owns 640,000 shares.

## **ALEXANDER TABUNOV** (COO, co-founder) (born 1974)

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

**Holdings:** 475,000 shares through the company Purple Wolf Ltd., 700 shares on own account and 48,600 performance shares.

## **STEFAN WIKSTRAND** (CFO, deputy CEO) (born 1980)

After studies at Jönköping International Business School he worked five years within audit at MGI Revideco AB and KPMG. Since 2010 Stefan Wikstrand has worked at TradeDoubler AB as Group Financial & Business Controller. During his time at TradeDoubler, Stefan has worked with all aspects of running the finance function at an international listed company. Stefan has held the position as CFO and deputy CEO since June 1, 2015. Stefan is also member of the board of Reactional Music AB.

**Holdings:** 13,200 shares, 20,600 performance shares.

## **OLGA ABASHOVA** (CPO) (born 1987)

Olga has 14 years of experience in the game development industry, specializing in marketing, PR, and human resources. Prior to G5, Olga worked as the Marketing Director at Realore, a Kaliningrad-based developer of casual games, before making a career change to human resources. Since joining G5, she has been instrumental in setting up and growing the group’s development studio in Kaliningrad, where she was the Head of the office. Since 2017, Olga occupied the position of Vice President of People Operations for the whole G5 group, leading the company’s efforts in human resources across all offices, with a focus on expanding the group’s development capacity and building capable project

teams. Olga has a specialist degree in linguistics from the Immanuel Kant State University of Russia and MBA diploma from the University of Suffolk.

**Holdings:** 0 shares, 13,600 performance shares

## **ALEKSANDR BEZOBRAZOV** (CMO) (born 1985)

Aleksandr Bezobrazov joined G5 in 2019 and has played a vital role in reshaping G5’s global marketing efforts. Prior to joining G5 as the Vice President of Marketing, Aleksandr worked as Director of Marketing at game developer Social Quantum, where he was overseeing all aspects of mobile game marketing, from user acquisition and ad monetization to ASO, PR and branding. Aleksandr first joined the games industry several years ago with the game developer Playrix where he was responsible for user acquisition. Aleksandr graduated from Saint Petersburg State University with a Master’s degree in Economics in 2011 and received M.Sc. degree in Physical Electronics from Saint Petersburg Electrotechnical University in 2008.

**Holdings:** 0 shares, 8,200 performance shares

# 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.**

## Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the the financial year 2022-01-01—2022-12-31 on pages 63-69 and that it has been prepared in accordance with the Annual Accounts Act.

## The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our 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. We believe that the examination has provided us with sufficient basis for our opinions.

## Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 2023-04-29  
PricewaterhouseCoopers AB

Aleksander Lyckow  
Authorized Public Accountant

# The share

As of December 31, 2022, G5 Entertainment's share capital was 928,390 SEK divided between 8,783,650 ordinary shares and 172,200 c-shares, at quoted value of 0.102 SEK per share. The average number of outstanding shares during the year is 8,369,835 shares. Each share confers equal rights to participation in G5's assets and earnings and confers the holder with one vote per ordinary share and 1/10 of a vote per c-share.

The G5 share was 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 2022, the share price was 210.4 SEK and total market capitalization was 1.7 Bn SEK.

## Performance share program

At an extraordinary general meeting held in November 2018 it was decided to switch the share-based programs to a performance share program. The first performance share program amount to at most 120,000 performance shares. At the AGM:s 2019 to 2022 similar performance share programs were accepted with 140,000 and 160,000 shares respectively.

Board members with exception of the CEO were not entitled to subscribe.

For more information regarding the share program see the corporate web page [www.g5e.com/corporate](http://www.g5e.com/corporate)

## Share capital history, as of December 31, 2022

Year	Event	New shares issued (+)/ Repurchased (-) (SEK)	Capital raised (+)/ returned (-) (SEK)	Share price (SEK)	Total shares outstanding	Dilution (+)/ Consolidation (-)
2006	Initial Public Offering	1,000,000	3,000,000	3	6,000,000	
2008	<b>July:</b> New share issue: Acquisition of a PC casual game development studio	375,000		6	6,375,000	6.25%
	<b>October:</b> Preferential rights issue & placement to raise funds for product development	1,044,574	4,073,839	3.90	7,419,574	16.39%
2012	<b>August:</b> Direct issue of shares to raise funds for product licensing	580,426	12,479,159	21.50	8,000,000	7.82%
2013	<b>February:</b> Direct share issue: financing for F2P game development	800,000	37,600,000	47	8,800,000	10.00%
2017	Dividend 2016		-6,600,000			
2018	Dividend 2017		-22,224,000			
2018	2014 Employee stock option plan (127 500 warrants)	89,700		324	8,889,700	1.02%
	2015 Employee stock option plan (125 000 warrants)	94,150		306	8,983,850	1.06%
2019	Dividend 2018		-22,486,000			
2019/ 2020	2016 Employee stock option plan (129 950 warrants)	40,000		148	9,023,850	0.45%
2020	Dividend 2019		-21,869,000			
2020	Repurchases of shares	-376,850	-66,491,461	157.2	8,647,000	-4.18%
2021	Repurchases of shares	-82,000	-34,313,487	418.5	8,565,000	-0.95%
2021	Settlement 2018/2021 share related program	88,050		516.5	8,653,050	1.03%
2021	Shares sold	2,400	1,225,200	510.5	8,655,450	0.03%
2021	Dividend 2020 (6.25 SEK/share)		-54,096,563			
2021	Repurchase of shares	-215,450	-92,957,794	431.4	8,440,000	-2.49%
2022	Dividend 2022 (7.00 SEK/share)		-59,080,000			
2022	Repurchases of shares	-266,000	-48,072,528	180.7	8,174,000	-3.15%
	<b>Capital returned</b>		369,812,635			

\* Not reflective of 172 200 C shares issued under long-term share based schemes and held by the company

## Largest shareholders as of December 31, 2022

Shareholder	No. of shares	Holding / votes
Wide Development Limited*	640,000	7.77%
Avanza Pension	605,047	7.35%
Purple Wolf Ltd	475,000	5.77%
Swedbank Robur Fonder	455,000	5.53%
Tommy Svensk	403,740	4.90%
Proxima Ltd	329,700	4.00%
Lloyd Fonds AG	310,000	3.76%
Argenta Asset Management SA	246,029	2.99%
Handelsbanken Life Insurance AB	214,078	2.60%
Nordnet Pension Insurance	164,872	2.00%
<b>Total</b>	<b>3,843,466</b>	<b>46.67%</b>

\*Vlad Suglobov is a deputy board member of the company.

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

# Upcoming report dates and IR information

Interim report, January–March 2023	May 4, 2023
Annual general meeting 2023	June 14, 2023
Interim report, January–June 2023	August 10, 2023
Interim report, January–September 2023	November 8, 2023

**For questions regarding this report, please contact:**  
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**G5 Entertainment AB (publ)**  
**Birger Jarlsgatan 18**  
**114 34 Stockholm**  
**Sweden**

## Glossary

### EQUITY/ASSET RATIO

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.

### MONTHLY ACTIVE USERS (MAU)

The number of individuals who played a G5 game in a calendar month. An individual who plays two different games in the same month is counted as two MAUs. Numbers presented in the report are the average of the three months in any given quarter.

### MONTHLY UNIQUE PAYERS (MUP)

The number of individuals who made a payment in a G5 game at least once during a calendar month. An individual who pays in two G5 games is counted as one MUP. Numbers presented in the report are the average of the three months in any given quarter.

### MONTHLY AVERAGE GROSS REVENUE PER PAYING USER (MAGRPPU)

The average gross revenue received from a Monthly Unique Payer during a calendar month. MAGRPPU is calculated by dividing the gross revenue during the calendar month by the number of Monthly Unique Payers in the same calendar month. The numbers presented in the report are the average of the three months in any given quarter.

## Use of key ratios not defined in IFRS

The G5 Group's accounts are prepared in accordance with IFRS. See page 34 for more information on accounting principles. Only a few key ratios are defined in IFRS. As of the second quarter 2017, G5 is applying the Alternative Performance Measures issued by ESMA (European Securities and Markets Authority). Briefly, an alternative key ratio is a financial measurement of historical or future earnings development, financial position or cash flow, not defined or specified in IFRS. To assist Group Management and other stakeholders in their analysis of the Group's performance, G5 is reporting certain key ratios not defined by IFRS. Group Management believes that this information will facilitate an analysis of the Group's performance. This data supplements the IFRS information and does not replace the key ratios defined in IFRS. G5's definitions of measurements not defined in IFRS may differ from definitions used by other companies. All of G5' definitions are included below.

### EBIT EXCLUDING COSTS FOR USER ACQUISITION

EBIT excluding costs for user acquisition consists of reported EBIT adjusted for costs for user acquisition.