



**G5 ENTERTAINMENT AB**  
INTERIM REPORT  
JANUARY - MARCH 2018

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### JANUARY - MARCH

- Consolidated revenue for the period was SEK 372.6 M (234.5), an increase of 59 per cent compared to 2017.
- EBIT for the period was SEK 49.4 M (21.1), an increase of 134 per cent compared to 2017.
- Net result for the period was SEK 44.0 M (18.7).
- Earnings per share for the period, before dilution, was SEK 4.99 (2.12).
- Cash flow before financing activities during the period was SEK 9.0 M (-2.3),
- For the free-to-play games the average Monthly Active Users (MAU) was 8.9 million, an increase of 37 per cent compared to the same period in 2017. Average Monthly Unique Payers (MUP) was 337.8 thousand, an increase of 43 per cent and average Daily Active Users (DAU) was 2.2 million, an increase of 52 per cent compared to the same period in 2017. Average Monthly Average Gross Revenue Per Paying User (MAGRPPU) was USD 44.3, an increase of 24 per cent from the same period last year.

### FINANCIAL KEY RATIOS

KSEK	Jan-Mar 2018	Jan-Mar 2017	Change %	Apr-Mar 17/18	2017	Change %
Revenue	372,620	234,498	59%	1,273,613	1,135,491	12%
Commission to distributors <sup>1</sup>	-112,867	-70,341	60%	-385,420	-342,895	12%
Royalty to external developers <sup>2</sup>	-73,955	-51,022	45%	-257,747	-234,814	10%
<b>Gross profit</b>	<b>185,798</b>	<b>113,134</b>	<b>64%</b>	<b>630,446</b>	<b>557,782</b>	<b>13%</b>
Gross margin	50%	48%		50%	49%	
Operating costs excluding costs for user acquisition	-41,855	-32,284	30%	-150,764	-141,194	7%
EBIT excluding costs for user acquisition	143,943	80,850	78%	479,681	416,588	15%
<b>EBIT margin before costs for user acquisition</b>	<b>39%</b>	<b>34%</b>		<b>38%</b>	<b>37%</b>	
Costs for user acquisition <sup>3</sup>	-94,533	-59,741	58%	-349,662	-314,870	11%
Costs for user acquisition as percentage of revenue	-25%	-25%		-27%	-28%	
<b>EBIT</b>	<b>49,410</b>	<b>21,109</b>	<b>134%</b>	<b>130,019</b>	<b>101,718</b>	<b>28%</b>
EBIT margin (%)	13.3%	9.0%		10.2%	9.0%	
<b>Earnings per share before dilution</b>	<b>4.99</b>	<b>2.12</b>	<b>135%</b>	<b>13.02</b>	<b>10.15</b>	<b>28%</b>
Cash flow before financing activities	9,031	-2,315		38,518	27,172	
Cash and cash equivalents	97,736	67,522		97,737	91,194	

<sup>1</sup>Variable costs paid to distributors (Apple App Store, Google Play, Amazon Appstore etc.), which is almost exclusively 30 per cent of the revenue.

<sup>2</sup>Royalties to external developers are costs to third party developers when there is a contractual obligation to pay royalty.

<sup>3</sup>User acquisition is a marketing cost for acquiring new users. The costs are fully variable and are spent on advertising campaigns that are targeted at acquiring loyal players. The campaigns can be stopped at a very short notice.

**COMMENT FROM THE CEO:**

# GOOD START OF THE YEAR



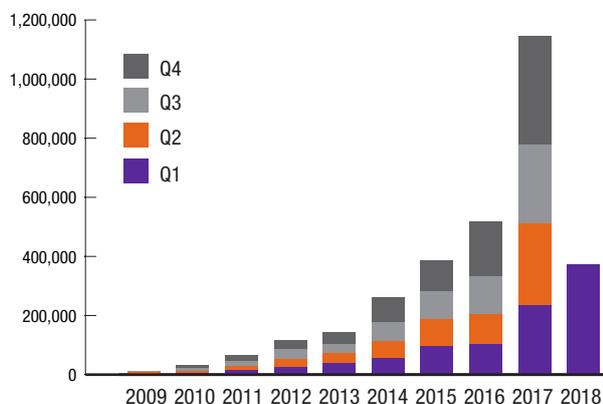
The results of the first quarter of the year confirm what I have been saying in the Q4 comment: in Q1, the EBIT margin exceeded previous high levels and we have delivered the highest EBIT margin we've had in the free-to-play business model – 13.3%. Despite lowering user acquisition expenses to 25% of the

revenue in the first quarter, exactly the same level we had one year ago in the same period, the growth of our quarterly revenues continued with 4% sequentially. Year over year comparison of Q1'18 to Q1'17 demonstrates our ability to grow the business sustainably with the same level of user acquisition spending and grow our earnings faster than revenue. Our margins – from gross margin to EBIT margin before UA expenses to EBIT margin – naturally expand as our fixed expenses continue to shrink as percentage of revenue and the revenue from our wholly owned games continues to go up. SEK/USD exchange rate fluctuations between compared reporting periods can affect our growth dynamic as we report in SEK but most of our revenue is in USD and JPY and most of our

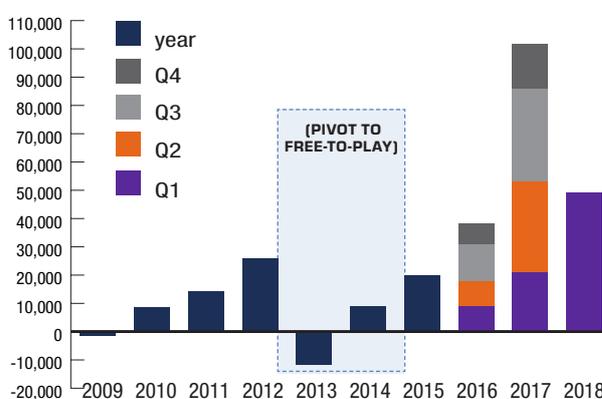
expenses is in USD. Internal management figures, that are accounted in USD for the reasons above, indicate +75% year-over-year growth in Q1'18 and +7% sequential growth Q4'17 to Q1'18, this is what our growth figures in this quarter would be if the SEK/USD exchange remained constant or if we reported our figures in USD.

During the period our teams have delivered great updates to the games, in particular Mahjong Journey, Pirates & Pearls, Twin Moons Society, and of course Hidden City, all of which continued gaining revenue from their previous levels. These updates included new content such as levels and hidden object scenes and storyline chapters, along with new engaging game mechanics that the players liked. Our marketing team, as evident from the results, did a great job deploying their resources wisely. We have added more staff in our locations in Ukraine and Russia as we continue to attract the best talent we can get in the region to create dedicated project teams for each of the games we are actively updating or still developing. This includes The Secret Society, which we took over during the period and started forming the project team. This team has already released two updates for the game and works on making further important improvements. We did not release any new games during the quarter but we are certainly planning to release several new games before the end of the year.

**REVENUE KSEK**



**EBIT KSEK**



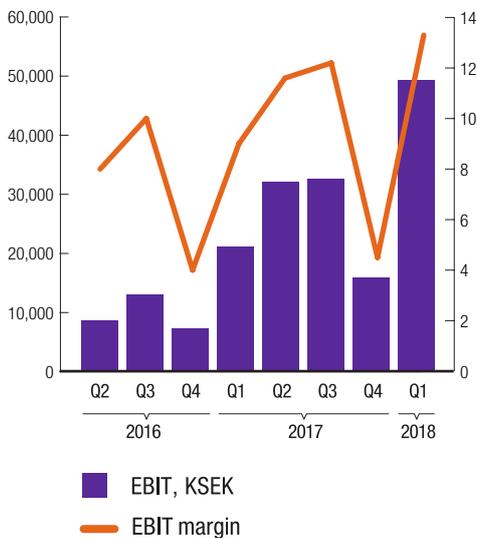
At G5, we try to align the interests of our key contributors with the interests of shareholders, and that is why we aim to provide them with incentives that drive shareholder value. To do that, we have introduced the employee warrant program in 2012, and made six issues of warrants to our key team members every year since then. For the first time since the introduction of the employee warrant program in 2012, the warrants issued in 2014 were in the money during the exercise period and a number of employees that were issued these warrants in 2014 were able to exercise them during the first quarter and the month of April, and this has resulted in a small dilution to existing shareholders. Two previous warrant issues, from 2012 and 2013, have expired without reaching their target parameters. It's worth explaining what happened. Our warrant programs have much higher target share price than other companies because we aim to reward exceptional performance, which only makes sense in a fast-growing market. That is why the strike price was always set as 250% or 300% in our warrant programs. The dilution therefore only happens when returns to the shareholders are extraordinary, like those that happened during 2017. And because of how dramatic and unprecedented the re-valuation of the company's share has been, the warrant programs of 2015 and 2016 are now also in the money. The warrant issue of 2017, on the other hand, has a next ambitious target for the share price set as a strike price – for that to be in the money the share price

will need to be above 648 SEK during exercise period two years into the future from now. Two out of six warrant issues in G5 have expired without causing any dilution because of aggressive goals set in these programs. Three warrant issues that were and are in the money were so only because of nearly 10X increase in the share price of the company. We therefore consider the program more than fair and very much aligned with the interests of the shareholders: only truly extraordinary returns to the shareholders are rewarded, and key team members and decision makers are incentivized to stay in the company and make these extraordinary returns happen. It's a win-win arrangement that all shareholders should be interested in maintaining. We would like to continue to provide our key staff with long-term incentive programs that align their interests with the interests of the shareholders. And with the new level of sales and profitability in the first quarter of 2018 we are looking forward to what we can achieve this year.

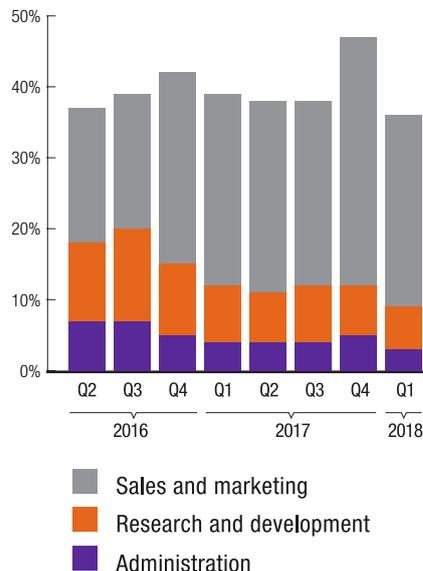
San Francisco, May 2nd, 2018

**Vlad Suglobov**  
CEO, co-founder

**EBIT (KSEK) | EBIT-MARGIN (%)**



**COSTS IN % OF REVENUE**



**JANUARY - MARCH**

**REVENUE AND GROSS PROFIT**

Revenue amounted to SEK 372.6 M (234.5). Revenue increased by 59 per cent compared to the same period in 2017.

Cost of revenue increased by 54 per cent to SEK 186.8 M (121.4). Cost of revenue includes commission to the distributors (Apple App Store, Google Play, Amazon App-store, etc.). All relevant parties charge up to 30 per cent of gross revenue. Cost of revenue also includes royalties payable to external developers which increased by 45 per cent compared to the same period in 2017.

Gross margin for the period was 50 per cent (48). Gross profit for the quarter increased by 64 per cent and was SEK 185.8 M (113.1).

**OPERATIONAL COSTS**

Costs for research and development were SEK 24.1 M (18.0) during the period. The increase in costs for research and development is primarily driven by a staff increases, development on non-capitalizable projects, increased server capacity and compensation to the development staff.

Sales and marketing increased to SEK 99.2 M (63.5). Sales and marketing is primarily affected by the costs for user acquisition. During the quarter the cost for user acquisition was SEK 94.5 M (59.7). Cost for user acquisition as a percentage of sales remained at 25 per cent, the same level as in the first quarter 2017. Sales and marketing, excluding user acquisition, increased to SEK 4.7 M (3.7).

General and administrative costs amounted to SEK 13.0 M (9.9) Other operating income amounted to SEK 0.2 M (0.0) and other operating expenses amounted to SEK -0.3 M (-0.7). Together they amounted to SEK -0.1 M (-0.7), primarily driven by currency effects on operational assets and liabilities.

**EBIT**

Depreciation and amortization have increased due to the increased size of the game portfolio and amounted to SEK 16.8 M (12.6). Capitalization of intangible assets amounted to SEK 25.0 M (13.2). Write-downs during the quarter amounted to SEK 0.0 M (0.2). Net capitalization on intangible assets amounted to SEK 9.0 M (0.9).

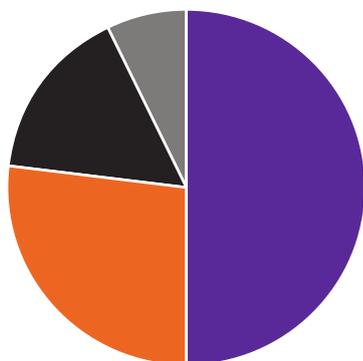
Earnings before interest and taxes (EBIT) were SEK 49.4 M (21.1), corresponding to an EBIT margin of 13.3 per cent (9.0).

**NET PROFIT**

Net profit was marginally affected by financial items. Tax affected the result with SEK -5.4 M (-2.4).

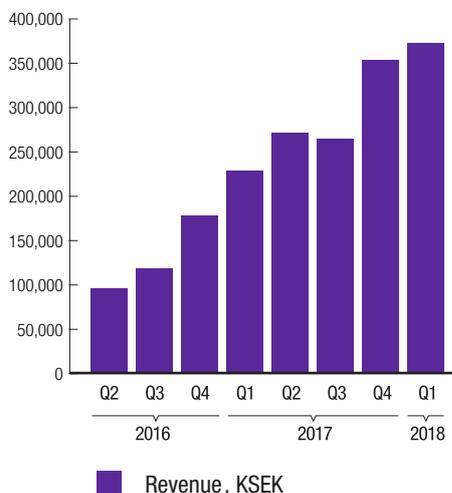
Net profit amounted to SEK 44.0 M (18.7) which equals an earnings per share, before dilution, of SEK 4.99 (2.12).

**REVENUE BREAKDOWN BY GEOGRAPHY  
FIRST QUARTER 2018**



- North America 50%
- Asia 27%
- Europe 16%
- Rest of World 7%

**QUARTERLY REVENUE**



■ Revenue, KSEK

## OPERATIONAL METRICS

In the quarter the average Monthly Active Users (MAU) increased with 37 per cent compared to 2017 while Daily Active Users (DAU) increased 52 per cent compared to 2017

Average Monthly Unique Payers (MUP) increased with 43 per cent compared to 2017 and their average monthly spend, Monthly Average Gross Revenue Per Paying User (MAGRPPU) increased 24 per cent from the same period in 2017.

F2P	Q1 '18	Q1 '17	CHANGE
Average MAU (mn)	8.9	6.5	37%
Average MUP (thousands)	337.8	236.4	43%
Average MUU (mn)	7.6	5.7	33%
Average MAGRPPU (USD)	44.3	35.9	24%
Average DAU (mn)	2.2	1.5	52%

## MONTHLY UNIQUE USERS

The group has now included Monthly Unique Users (MUU) as an operational metric. This number increased 33 per cent compared to 2017 and is another supporting metric of G5's strong audience growth.

F2P MUU (MN)	Q1	Q2	Q3	Q4
2018	7.6			
2017	5.7	6.5	6.3	7.7
2016	2.8	2.9	3.3	4.5

For detailed definitions of the operational metrics see the glossary on page 14 of the report.

## RELEASES DURING THE QUARTER

There were no significant releases during the quarter

## CASH FLOW

During the first quarter, the group had an operating cash flow before changes in working capital of SEK 65.8 M (32.5). Cash flow was negatively impacted by payments for VAT in Japan amounting to SEK 10.2 M (0.0). The payment was accrued for previous periods, going forward this item will be paid on a monthly basis. Changes in working capital impacted the cash flow with SEK -25.2 M (-20.9). Capitalized development expenses impacted the cash flow negatively with SEK -25.0 M (-13.2). During the quarter the company also paid SEK 4.2 M towards the purchase of The Secret Society.

Total cash flow amounted to SEK 6.2 M (-2.3),

Available cash on March 31, 2018 amounted to SEK 97.7 M (67.5).

## FINANCIAL POSITION

The company's publishing strategy is based on having a certain number of different games in the portfolio, in order to maximize potential and reduce risk. Some of these games become very successful and profitable, while a few other games may fail in the market. Capitalized development expenses for unsuccessful games will then have to be written down. Over time, the company expects such write-downs to be more than compensated for by the revenue and profits produced by successful games in the portfolio.

Capitalized development expenses amounted to SEK 180.8 M (108.0). The company separates released and not released games where not released games include games that have been active in the app stores for less than 6 months as this initial period is needed for optimization of the game. During the initial 6 month period after launch, the company does not amortize the games.

MSEK	MAR 31 2018	MAR 31 2017
Released games	152.5	89.0
Not released games	28.3	19.0
Net value of games portfolio	180.8	108.0

Impairment need in the portfolio is tested on a quarterly basis. A thorough review of the input parameters is done on a yearly basis. During the quarter, write-downs of SEK 0.0 M (0.2) were made.

Consolidated equity amounted to SEK 272.8 M (178.2), which equals SEK 31.0 per share (20.2) and the equity/asset ratio is 55 per cent (60).

Cash on hand amounted to SEK 97.7 M (67.5)

The group has no interest bearing debt.

## PARENT COMPANY

The parent company revenue increased in line with the group. The parent company is the counterpart for all application stores where G5 sells its products. The costs consist mainly of payments to one of the subsidiaries in Malta, that holds the rights for the games in the portfolio. Over time, the transactions should generate a surplus for the parent company, but during shorter periods some imbalances may occur.

As for the group, the financial position of the parent company is solid.

## OTHER DISCLOSURES

### ACQUISITION OF THE SECRET SOCIETY

During the quarter the full estimated purchase price of The Secret Society was recorded as an intangible asset, amounting to SEK 53.7 M (0.0). Going forward, the assets related to the game, now wholly owned by G5 rather than licensed from a third party, will be amortized over 24 months. The amortization started in the middle of the first quarter 2018 and from that date, G5 Entertainment no longer has any royalty costs related to The Secret Society in its income statement.

### WARRANTS

During the first quarter a total of 53,754 new shares were issued as a result of the subscription of warrants issued under an employee stock option plan adopted at the Extraordinary General Meeting on 19 December 2014. The total number of shares in G5 Entertainment AB (publ) as of March 31, 2018 amounts to 8,853,754 shares.

As one share entitles one (1) vote, the total number of votes in the company after the issue amounts to 8,853,754 votes.

### OUTLOOK

G5 Entertainment does not publish forecasts.

### RISK ASSESSMENT

G5 Entertainment is, like all companies, exposed to various kinds of risks in its operations. Among the most notable are risks related to the dependency on certain strategic partners, delays in the release of new games, currency exchange risks, changes in technology, dependency on key employees, and tax as well as political risks due to the multinational nature of the group's operations. Risk management is an integral part of G5 Entertainment's management. The risks are described in greater detail in the 2017 annual report.

The risks described for the group can also have an indirect effect on the parent company.

### RELATED-PARTY TRANSACTIONS

During the period no significant related-party transactions have taken place except the ongoing transactions highlighted in the annual report 2017.

### UPCOMING REPORT DATES

Annual General Meeting 2018	May 7, 2018
Interim report Jan-Jun 2018	July 27, 2018
Interim Report Jan-Sep 2018	November 6, 2018
Year-end report 2018	February 13, 2019

### TELECONFERENCE

On May 3, 2018 at 08.00 CET, CEO Vlad Suglobov and CFO Stefan Wikstrand will present the interim report in a conference call.

For dial-in details please visit:  
<http://www.g5e.com/corporate/calendar>

## FORWARD-LOOKING STATEMENTS

This report may contain statements concerning, among other things, G5 Entertainment's financial position and performance as well as statements on market conditions that may be forward-looking. G5 Entertainment believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions. However, forward-looking statements involve inherent risks and uncertainties and actual results or outcomes may differ materially from those expressed. Forward-looking statements relate only to the date they were made and, other than as required by applicable law, G5 Entertainment undertakes no obligation to update any of them in light of new information or future events.

### PRELIMINARY SALES

Going forward G5 will no longer publish preliminary sales figures as previously has been done directly after quarterly closing.

### INQUIRIES

Vlad Suglobov, CEO	investor@g5e.com
Stefan Wikstrand, CFO	+46 76 0011115

### ASSURANCE

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

Stockholm maj 2nd, 2018

Petter Nylander  
Chairman of the Board

Chris Carvalho  
Board member

Johanna Fagrell Köhler  
Board member

Stefan Lundborg  
Board member

Jeffrey Rose  
Board member

Vlad Suglobov  
CEO & Board member

Note: G5 Entertainment AB (publ) is required to make the information in this interim report public in compliance with the Swedish Securities Market Act. The information was submitted for publication on maj 3, 2018 at 07.30.

This interim report has not been subject to review by the company's auditors.

This report is published in Swedish and English. In the event of any difference between the English version and the Swedish original, the Swedish version shall prevail.

### INCOME STATEMENT - GROUP

KSEK	Jan-Mar 2018	Jan-Mar 2017	Apr-Mar 17/18	2017
Net turnover	372,620	234,498	1,273,613	1,135,491
Cost of revenue	-186,822	-121,364	-643,167	-577,709
<b>Gross profit</b>	<b>185,798</b>	<b>113,134</b>	<b>630,446</b>	<b>557,782</b>
Research and Development expenses	-24,076	-17,991	-89,704	-83,619
Sales and Marketing expenses	-99,216	-63,461	-368,119	-332,364
General and Administrative expenses	-12,997	-9,910	-52,885	-49,798
Other operating income	184	45	15,012	14,319
Other operating expenses	-283	-708	-4,731	-4,602
<b>Operating result</b>	<b>49,410</b>	<b>21,109</b>	<b>130,019</b>	<b>101,718</b>
Financial income	0	0	143	143
Financial expenses	0	0	-7	-7
<b>Operating result after financial items</b>	<b>49,410</b>	<b>21,109</b>	<b>130,154</b>	<b>101,853</b>
Taxes	-5,375	-2,414	-15,514	-12,553
<b>Net result for the period</b>	<b>44,035</b>	<b>18,695</b>	<b>114,641</b>	<b>89,300</b>
<b>Attributed to:</b>				
Parent company's shareholders	44,035	18,695	114,641	89,300
<b>Earnings per share</b>				
Weighted average number of shares before dilution (thousands)	8,818	8,800	8,804	8,800
Weighted average number of shares after dilution (thousands)	9,109	8,800	9,096	9,183
Earnings per share (SEK). before dilution	4.99	2.12	13.02	10.15
Earnings per share (SEK). after dilution	4.83	2.04	12.60	9.73

### STATEMENT OF COMPREHENSIVE INCOME - GROUP

KSEK	Jan-Mar 2018	Jan-Mar 2017	Apr-Mar 17/18	2017
<b>Net result for the period</b>	<b>44,035</b>	<b>18,695</b>	<b>114,641</b>	<b>89,300</b>
<b>Items that later can be reversed in profit</b>				
Hedging of net investments, net after tax	-	-592	-2,516	-3,108
Foreign currency translation differences	1,131	-1,122	-9,673	-11,926
<b>Total other comprehensive income for the period</b>	<b>1,131</b>	<b>-1,714</b>	<b>-12,189</b>	<b>-15,034</b>
<b>Total comprehensive income for the period</b>	<b>45,166</b>	<b>17,573</b>	<b>102,452</b>	<b>74,266</b>
<b>Attributed to:</b>				
Parent company's shareholders	45,166	17,573	102,452	74,266

**BALANCE SHEET - GROUP**

<b>KSEK</b>	<b>Mar 31 2018</b>	<b>Mar 31, 2017</b>	<b>Dec 31, 2017</b>
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Capitalized development expenses (Note 2)	180,840	108,061	115,432
Goodwill	-	2,291	-
	<b>180,840</b>	<b>110,353</b>	<b>115,432</b>
<b>Tangible fixed assets</b>			
Equipment	8,944	6,606	8,176
	<b>8,944</b>	<b>6,606</b>	<b>8,176</b>
Deferred tax receivable	34,282	16,886	25,993
<b>Total non-current assets</b>	<b>224,066</b>	<b>133,845</b>	<b>149,601</b>
<b>Current assets (Note 3, 5)</b>			
Accounts receivable	42,289	27,014	39,970
Tax receivable	8,295	636	9,439
Other receivables	10,283	6,880	10,654
Prepaid expenses and accrued income	114,515	61,299	122,911
Cash and cash equivalents	97,736	67,522	91,194
<b>Total current assets</b>	<b>273,117</b>	<b>163,351</b>	<b>274,169</b>
<b>TOTAL ASSETS</b>	<b>497,184</b>	<b>297,196</b>	<b>423,770</b>
<b>Equity</b>	<b>272,818</b>	<b>178,150</b>	<b>230,478</b>
Deffered tax liabilities	4,992	2,725	7,641
<b>Total non-current liabilities</b>	<b>4,992</b>	<b>2,725</b>	<b>7,641</b>
<b>Current liabilities (Note 5)</b>			
Accounts payable	29,625	23,580	9,289
Other liabilities	35,148	3,662	9,221
Tax liabilities	45,477	23,199	32,818
Accrued expenses	109,123	65,881	134,322
<b>Total current liabilities</b>	<b>219,373</b>	<b>116,321</b>	<b>185,650</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>497,184</b>	<b>297,196</b>	<b>423,770</b>

STATEMENT OF CHANGES IN SHAREHOLDER EQUITY - GROUP

KSEK	Share capital	Other capital contribution	Other reserves	Profit/loss brought forward	Shareholders' equity
Shareholders' equity as of 2017-01-01	880	54 203	16 566	89 407	161 169
Net result for the period				18 695	18 695
Total other comprehensive income			-1 714		-1 714
<b>Total comprehensive income for the period</b>			<b>-1 714</b>	<b>18 695</b>	<b>16 981</b>
Shareholders' equity as of 2017-03-31	880	54 203	14 852	108 102	178 150
Shareholders' equity as of 2018-01-01	880	55 959	1 532	172 107	230 478
Premium for warrant program		-2 826			-2 826
Net result for the period				44 035	44 035
Total other comprehensive income			1 131		1 131
<b>Total comprehensive income for the period</b>		<b>-2 826</b>	<b>1 131</b>	<b>44 035</b>	<b>42 340</b>
Shareholders' equity as of 2018-03-31	880	53 133	2 663	216 142	272 818

**CASH FLOW STATEMENT - GROUP**

KSEK	Jan-Mar 2018	Jan-Mar 2017	Apr-Mar 17/18	2017
<b>Cash flow from operating activities</b>				
Profit after financial items	49 410	21 109	130 154	101 853
Adjusting items not included in cash flow	17 593	12 785	49 080	44 272
	67 003	33 894	179 234	146 125
Taxes paid	-1 230	-1 421	-11 256	-11 447
<b>Cash flow before changes in working capital</b>	<b>65 773</b>	<b>32 473</b>	<b>167 978</b>	<b>134 678</b>
<b>Cash flow from changes in working capital</b>				
Change in operating receivables	-15 175	-32 037	-72 248	-89 110
Change in operating liabilities	-10 015	11 180	58 759	79 954
<b>Cash flow from operating activities</b>	<b>40 583</b>	<b>11 616</b>	<b>154 489</b>	<b>125 522</b>
<b>Investing activities</b>				
Investment in fixed assets	-2 374	-718	-6 577	-4 921
Investment in intangible assets	-4 180	-	-27 280	-23 100
Capitalized development expenses	-24 998	-13 213	-82 114	-70 329
<b>Cash flow from investing activities</b>	<b>-31 552</b>	<b>-13 931</b>	<b>-115 971</b>	<b>-98 350</b>
<b>Financing activities</b>				
Dividend	-	-	-6 600	-6 600
Premium/repurchase of issued warrants	-2 826	-	-1 183	1 643
<b>Cash flow from financing activities</b>	<b>-2 826</b>	<b>-</b>	<b>-7 783</b>	<b>-4 957</b>
<b>CASH FLOW</b>	<b>6 205</b>	<b>-2 315</b>	<b>30 735</b>	<b>22 215</b>
<b>Cash at the beginning of the period</b>	<b>91 194</b>	<b>70 584</b>	<b>67 522</b>	<b>70 584</b>
Cash flow	6 205	-2 315	30 735	22 215
Exchange rate differences	338	-747	-520	-1 605
<b>CASH AT THE END OF THE PERIOD</b>	<b>97 737</b>	<b>67 522</b>	<b>97 737</b>	<b>91 194</b>

**NOTE 1 – ACCOUNTING PRINCIPLES**

G5 Entertainment’s consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS). This report was prepared for the group in accordance with the IAS 34 Interim Financial Reporting and the Annual Accounts Act. Accounting and calculation principles used in the report for the group are identical to those used in the Annual Report 2017. None of the new and changed standards from IASB, applicable from 1st of January 2018, has had any material effect on the Financial Statements. For detailed information on the accounting principles, see Annual Report 2017.

The interim report is on pages 1–14, and pages 1–6 are thus an integrated part of this financial report.

**CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

G5 Entertainment has initially adopted IFRS 15 as from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group’s financial statements.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. This standard replaces IAS 18 covering contracts for goods and services, IAS 11 covering construction contracts and IFRIC 13 covering customer loyalty programs. G5 Entertainment adopted IFRS 15 with a date of initial application of 1 January 2018 and applied

this standard using the full retrospective approach. This means that any cumulative impact of the adoption is to be recognized in the retained earnings as of 1 January 2017 and that the comparable information is to be restated if impacted. In this context it should be noted that there is no impact of the adoption on the balance sheet and profit and loss account.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The Group has made a thorough review of the contracts that are signed with each application store, the potential impact on the revenue recognition through the new standard and assessed further performance obligations deriving from the in-app purchases made in the Groups free-to-play games. The Group has come to the conclusion that the virtual goods purchased in the games are consumables and that no further performance obligation is present after the good as been delivered to the customer. This as the company is selling a “right to use” a game (as opposed to a service) and the games are downloadable. The virtual goods that the customer buys in the game is therefore possible to use independently of the G5. The Group is making the assessment that the implementation won’t impact the Groups revenue recognition.

**NOTE 2 – CAPITALIZED DEVELOPMENT EXPENSES**

<b>KSEK</b>	<b>Jan-Mar 2018</b>	<b>Jan-Mar 2017</b>	<b>Apr-Mar 17/18</b>	<b>2017</b>
<b>At the beginning of the period</b>	<b>115,432</b>	<b>109,104</b>	<b>108,061</b>	<b>109,104</b>
Investments <sup>1</sup>	78,662	13,213	135,778	70,329
Write-downs	0	-158	-4,024	-4,181
Amortization	-16,004	-12,115	-52,886	-48,998
<b>Net change during the period</b>	<b>62,659</b>	<b>941</b>	<b>78,868</b>	<b>17,150</b>
Currency exchange differences	2,749	-1,983	-6,090	-10,822
<b>At the end of the period</b>	<b>180,840</b>	<b>108,061</b>	<b>180,840</b>	<b>115,432</b>

<sup>1</sup>Investments for Jan-Mar 2018 as well as Apr-Mar 17/18 include the capitalization of The Secret Society amounting to SEK 53.7 M.

**NOTE 3 – OTHER RECEIVABLES**

Other receivables include SEK 1.1 M [0.8] for prepaid royalties to third party developers. G5 publishes both proprietary games and games licensed from third-party developers. In connection with the conclusion of agreements with third party developers, G5 sometimes pays an advance on royalties to fund game development. These advances are usually offset against the third party developer’s contractual share of the revenue that each game generates.

**NOTE 4 – PLEDGED ASSETS AND CONTINGENT LIABILITIES**

G5 Entertainment does not have any pledges assets or contingent liabilities.

**NOTE 5 – FAIR VALUE**

G5 group has no financial instruments that are accounted for at fair value. The carrying amount for financial instruments correspond to fair value.

### INCOME STATEMENT - PARENT COMPANY

KSEK	Jan-Mar 2018	Jan-Mar 2017	Apr-Mar 17/18	2017
Net turnover	372,620	234,452	965,732	1,135,445
Cost of revenue	-252,085	-175,988	-670,314	-781,082
<b>Gross profit</b>	<b>120,535</b>	<b>58,464</b>	<b>295,419</b>	<b>354,363</b>
Research and development expenses	-25	-58	-87	-143
Sales and Marketing expenses	-21,125	-6,746	-43,927	-75,066
General and administrative expenses	-82,906	-59,925	-230,821	-276,743
Other operating income	1,352	879	2,222	9,948
Other operating expenses	-1,281	-276	8,156	0
<b>Operating result</b>	<b>16,549</b>	<b>-7,662</b>	<b>30,961</b>	<b>12,358</b>
Financial income	0	7,263	-6,206	18,661
Financial expenses	0	0	-62	-7
<b>Operating result after financial items</b>	<b>16,549</b>	<b>-398</b>	<b>24,693</b>	<b>31,012</b>
Taxes	-3,641	88	-5,432	-1,589
<b>Net result for the period</b>	<b>12,909</b>	<b>-311</b>	<b>19,262</b>	<b>29,422</b>

### STATEMENT OF COMPREHENSIVE INCOME - PARENT COMPANY

KSEK	Jan-Mar 2018	Jan-Mar 2017	Apr-Mar 17/18	2017
<b>Net result for the period</b>	<b>12,909</b>	<b>-311</b>	<b>19,262</b>	<b>29,422</b>
<b>Items that later can be reversed in profit</b>				
Foreign currency translation differences	-	-	-	-
<b>Total other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>12,909</b>	<b>-311</b>	<b>19,262</b>	<b>29,422</b>

**BALANCE SHEET - PARENT COMPANY**

<b>KSEK</b>	<b>Mar 31, 2018</b>	<b>Mar 31, 2017</b>	<b>Dec 31, 2017</b>
<b>Fixed assets</b>			
<b>Financial fixed assets</b>			
Shares in group companies	70	70	70
Deferred tax assets	0	2,040	0
Receivables from group companies	0	78,123	0
	<b>70</b>	<b>80,234</b>	<b>70</b>
<b>Current assets</b>			
Account receivables	42,289	27,014	39,970
Receivables from group companies	8,565	200	8,428
Tax receivables	1,477		1,477
Other receivables	6,963	5,590	8,572
Prepaid expenses and accrued income	112,162	60,726	98,540
Cash and cash equivalents	78,173	58,370	64,650
<b>Total current assets</b>	<b>249,629</b>	<b>151,900</b>	<b>221,637</b>
<b>TOTAL ASSETS</b>	<b>249,699</b>	<b>232,134</b>	<b>221,707</b>
<b>Restricted equity</b>			
Share capital	880	880	880
<b>Non-restricted equity</b>			
Share premium reserve	55,916	54,273	55,916
Profit/Loss carried forward	89,450	56,839	57,151
Net result for the period	7,206	-311	29,422
<b>Total equity</b>	<b>153,452</b>	<b>111,681</b>	<b>143,369</b>
<b>Current liabilities</b>			
Accounts payable	740	20	1,336
Tax Liability	1,414	0	0
Liability to group companies	82,711	115,264	50,491
Other liability	3,434	412	10,471
Accrued expenses	7,949	4,757	16,039
<b>Total current liabilities</b>	<b>96,247</b>	<b>120,453</b>	<b>78,338</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>249,699</b>	<b>232,134</b>	<b>221,707</b>

## GLOSSARY

### FINANCIAL STATEMENT

**Cost of revenue** consists of direct expenses incurred in order to generate revenue from the company's games. This primarily includes commission to distributors and royalties to external developers.

**Research and Development** expenses primarily consist of salaries, bonuses and benefits for the company's developers. In addition, research and development expenses include outside services, as well as allocated facilities and other overhead costs. Costs associated with maintaining the company's computer software and associated infrastructure are expensed as incurred. Development costs that are directly attributable to the design and testing of the company's identifiable and unique games are recognized as intangible assets, and amortized within research and development expense over a 24-month period.

**Sales and Marketing** expenses primarily consist of user acquisition expenses and related software. Sales and marketing also includes salaries, bonuses, and benefits for the company's sales and marketing staff, as well as consulting fees. In addition, sales and marketing expenses include general marketing, branding, advertising and public relations costs.

**General and Administrative** expenses primarily consist of salaries, bonuses, and benefits for the company's executive, finance, legal, information technology, human resources and other administrative employees, as well as support staff. It also includes outside consulting, legal and accounting services, insurance as well as facilities and other overhead costs not allocated to other areas across the business. In addition, general and administrative expenses include all of the company's depreciation expenses.

Use of key ratios not defined in IFRS

The G5 Group's accounts are prepared in accordance with IFRS. See page 12 for more information on accounting principles. Only a few key ratios are defined in IFRS. As of the second quarter 2017, G5 is applying the Alternative Performance Measures issued by ESMA (European Securities and Markets Authority). Briefly, an alternative key ratio is a financial measurement of historical or future earnings development, financial position or cash flow, not defined or specified in IFRS. To assist Group Management and other stakeholders in their analysis of the Group's performance, G5 is reporting certain key ratios not defined by IFRS. Group Management believes that this information will facilitate an analysis of the Group's performance. This data supplements the IFRS information and does not replace the key ratios defined in IFRS. G5's definitions of measurements not defined in IFRS may differ from definitions used by other companies. All of G5' definitions are included below.

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

### OPERATIONAL TERMS

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

**Daily Active Users (MAU)** is the number of individuals who played a G5 game in a day. An individual who plays two different games in the day is counted as two DAUs. Numbers presented in the report are the average of the three months in any given quarter.

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

**Monthly Unique Users (MUU)** is the number of individuals who played a G5 game at least once during a calendar month. An individual who plays two different games during the month is counted as one MUU. Numbers presented in the report are the average of the three months in any given quarter.

**Monthly Average Gross Revenue Per Paying User (MAGRPPU)** is the average gross revenue received from a Monthly Unique Payer during a calendar month. MAGRPPU is calculated by dividing the gross revenue during the calendar month by the number of Monthly Unique Payers in the same calendar month. The numbers presented in the report are the average of the three months in any given quarter.

### ABOUT G5 ENTERTAINMENT

G5 Entertainment AB (publ) (G5) is a developer and publisher of high quality free-to-play mobile games for iOS, Android, Kindle Fire, and Windows-powered devices. G5 develops and publishes games that are family-friendly, easy to learn, and targeted at the widest audience of experienced and novice players. G5's portfolio includes a number of popular games like Mahjong Journey®, Survivors: the Quest®, Hidden City®, Twin Moons Society®, Supermarket Mania® and The Secret Society®. G5 Entertainment AB (publ) is listed on Nasdaq Stockholm since 2014.

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