



**G5 Entertainment AB**

**Interim  
Report  
Q3 2022**

**JANUARY – SEPTEMBER 2022**



# INTERIM REPORT JANUARY – SEPTEMBER 2022

## July – September 2022

- Revenue for the period was SEK 359.9 M (327.6), an increase of 10 percent compared to the same period in 2021. In USD terms revenue declined 10 percent year-over-year.
- Gross margin increased to 68 percent (64 percent), as larger share of revenue is coming from own games and lower store fees, primarily from Microsoft.
- EBIT for the period was SEK -22.8 M (56.5). EBIT was significantly impacted by write-offs in the period.
- Write-offs amounted to SEK 72.5 M (0.0) primarily related to a change in the company's development funnel which is described in more detail in the report. Adjusted for non-cash write-offs, EBIT was SEK 49.7 M (56.5) corresponding to an EBIT margin of 14% (17).
- Net result for the period was SEK -26.1 M (50.0).
- Earnings per share for the period, before dilution, was SEK -3.11 (5.82).
- Cash flow amounted to SEK -50.9 M (-39.2), affected by share repurchases of SEK -28.2 M (-88.1) and delayed payments related to the UA boost in the second quarter.
- Cash amounted to SEK 182.3 M (130.9), which is the highest ever cash position at the end of the third quarter.
- Average Daily Active Users (DAU) was 1.8 million, unchanged compared to the same period in 2021. Average Monthly Active Users (MAU) was 6.4 million, a decrease of 4 percent compared to the same period in 2021. Average Monthly Unique Payers (MUP) was 181.8 thousand, a decrease of 8 percent while Average Monthly Average Gross Revenue Per Paying User (MAGRPPU) was USD 61.2, a decrease of 5 percent.

## FINANCIAL KEY RATIOS

KSEK	Jul-Sep 2022	Jul-Sep 2021	Change %	Jan-Sep 2022	Jan-Sep 2021	Change %	Oct-Sep 21/22	2021	Change %
Revenue	359,906	327,557	10%	1,036,473	991,127	5%	1,361,049	1,315,703	3%
Commission to distributors <sup>1</sup>	-82,640	-80,867	2%	-237,094	-274,123	-14%	-312,155	-349,183	-11%
Royalty to external developers <sup>2</sup>	-34,098	-38,609	-12%	-106,973	-118,576	-10%	-144,470	-156,073	-7%
<b>Gross profit</b>	<b>243,169</b>	<b>208,081</b>	<b>17%</b>	<b>692,406</b>	<b>598,428</b>	<b>16%</b>	<b>904,425</b>	<b>810,447</b>	<b>12%</b>
Gross margin	68%	64%		67%	60%		66%	62%	
Operating costs excluding costs for user acquisition and write-offs	-113,449	-84,842	34%	-321,005	-239,337	34%	-411,423	-329,755	25%
EBIT excluding costs for user acquisition and write-offs	129,720	123,239	5%	371,401	359,091	3%	493,002	480,691	3%
<b>EBIT margin before costs for user acquisition and write-offs</b>	<b>36%</b>	<b>38%</b>		<b>36%</b>	<b>36%</b>		<b>36%</b>	<b>37%</b>	
Write-offs	-72,530	0		-72,530	0		-72,530	0	
Costs for user acquisition <sup>3</sup>	-79,991	-66,784	20%	-267,039	-199,567	34%	-332,043	-264,571	26%
Costs for user acquisition as percentage of revenue	-22%	-20%		-26%	-20%		-24%	-20%	
<b>EBIT</b>	<b>-22,801</b>	<b>56,455</b>	<b>-140%</b>	<b>31,832</b>	<b>159,524</b>	<b>-80%</b>	<b>88,429</b>	<b>216,121</b>	<b>-59%</b>
EBIT margin (%)	-6.3%	17.2%		3.1%	16.1%		6.5%	16.4%	
<b>Earnings per share before dilution</b>	<b>-3.11</b>	<b>5.82</b>	<b>-153%</b>	<b>2.52</b>	<b>16.76</b>	<b>-85%</b>	<b>8.95</b>	<b>23.32</b>	<b>-62%</b>
Cash flow before financing activities	-22,536	52,533		107,050	126,870		132,286	152,106	
Cash and cash equivalents	182,253	130,880		182,253	130,880		182,253	149,964	

<sup>1</sup> Variable costs paid to distributors. Main stores have the following fees: Apple App Store, Google Play, Amazon Appstore etc. have a fee of 30 percent, Microsoft Store has 12 percent, G5 Store has single digit percent.

<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: Focus on new games process



Our hard work during the first half of the year continued during the third quarter as we juggled a slowing mobile gaming market, continued to support employees impacted by the war in Ukraine, and established a new development funnel for our games.

The dynamic of G5's revenue development in the third quarter is best understood when looked at in different currencies. In SEK, our revenue grew 10% year-over-year but this is because SEK lost so much against USD this year and over 60% of our sales are in the US. Our sales expressed in USD have declined 10% year-over-year, however to a large extent this is because over 30% of our sales are in EUR, JPY, GBP and other currencies that lost substantially against USD this year. According to our internal analysis, at constant exchange rates of 2021, our 2022 revenue to date is unchanged compared to 2021, and this is about in line with the market, which we see as broadly flat for the year.

Our New Generation games continued to advance, growing 8% year-on-year and advancing sequentially by 3% in USD terms. Sherlock was a highlight again, delivering 104% growth year-over-year and 13% advance quarterly, in USD terms. Our expanding range of Own games now stands for 73% of sales compared to 66% one year ago. Sales through

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**Sherlock was a highlight yet again, delivering 104% growth y-o-y and 13% advance quarterly, in USD terms**

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G5 Store combined with Advertising revenue have reached well over 5% of total revenue in the quarter, which is encouraging to see.

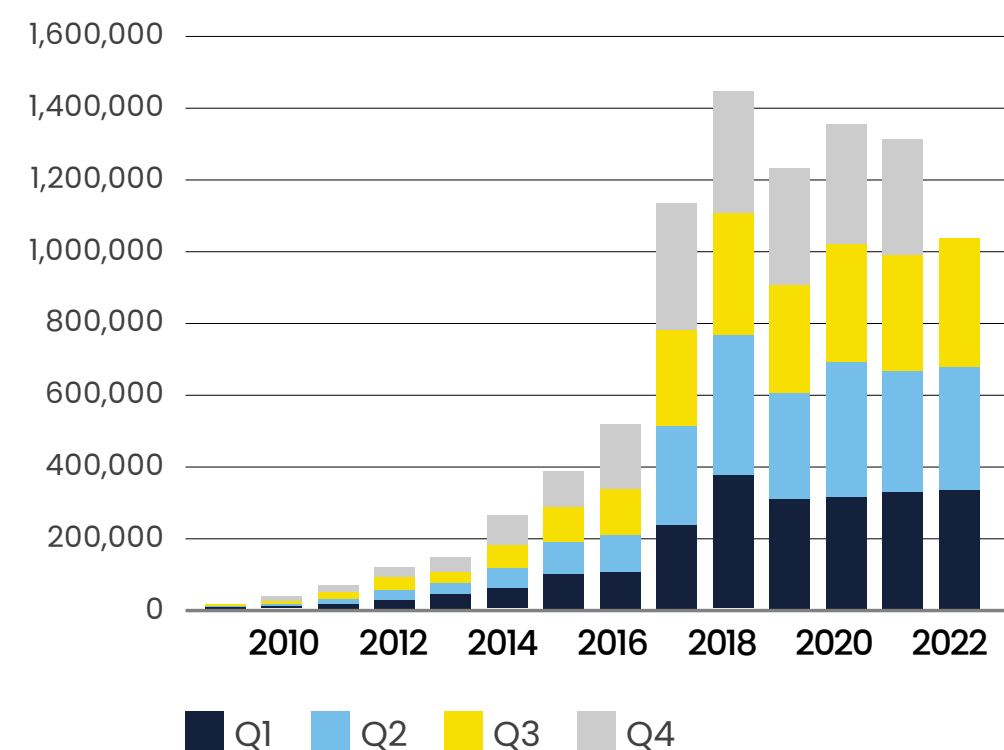
The Sherlock user acquisition (UA) spending boost we made in the second quarter continued partly in July before returning to a normal level. Total UA spend during Q3 was 22%, which is above the level we had prior to the boost, and we reiterate that we will go back to previous levels and stay in the previously communicated range of 17-22% for the coming quarters.

Despite many disruptions this year, we have been working on changing the process of how we select and develop new game ideas. If we look back at when our biggest hits have happened, there's no clear pattern. The Secret Society launched in 2012, Mahjong Journey - in 2013, Hidden City started growing in 2016, Jewels of Rome was released in 2019, Sherlock followed in 2020, and since then we are searching for our next hit. There's inherent unpredictability of making a hit game that defines a company's success. Over the same time period 2012-2022, we have made more than 25 games that were profitable, but did not make a big difference on the overall growth. These games have disproportionately poor return on resources and time invested compared to the hits, and we want to find a way to avoid making such games. After analyzing our performance, we decided to make a change in how we work.

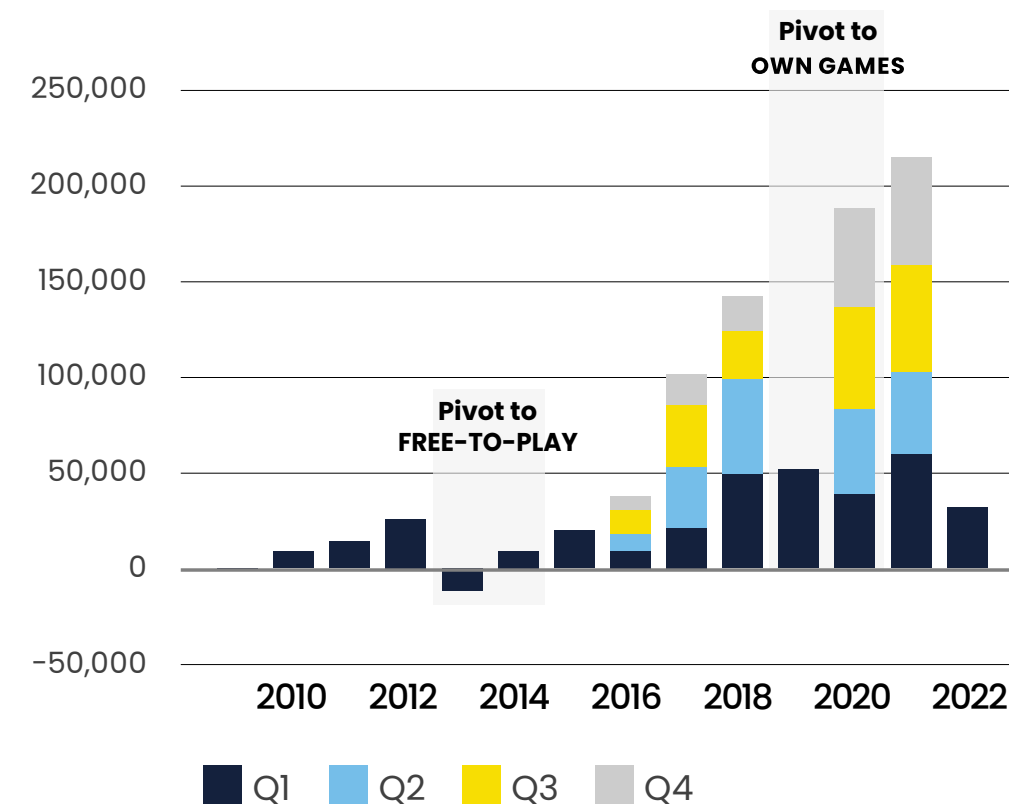
We have adopted a new development funnel. From now on, before we set out to make a new game, we will have more extensive tests of the game ideas in the market. Many ideas would get rejected at this stage. If the market tells us there's potential for the idea, only then we will form a



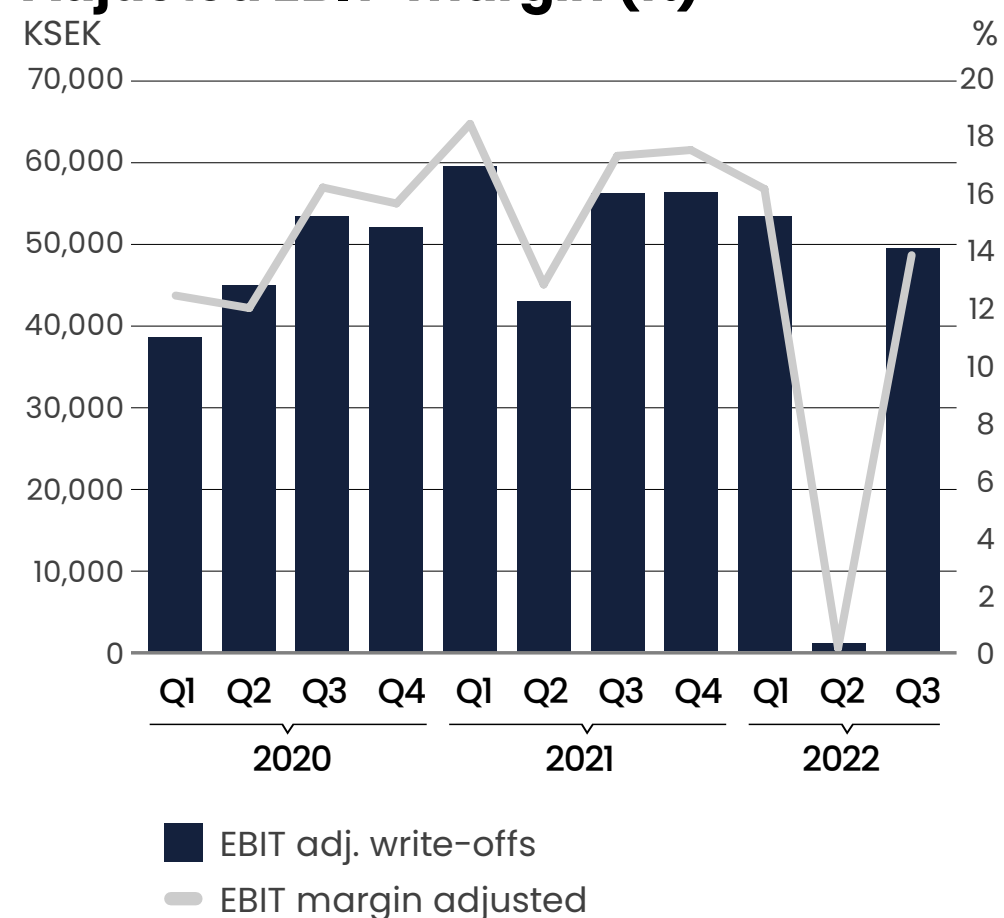
Revenue KSEK



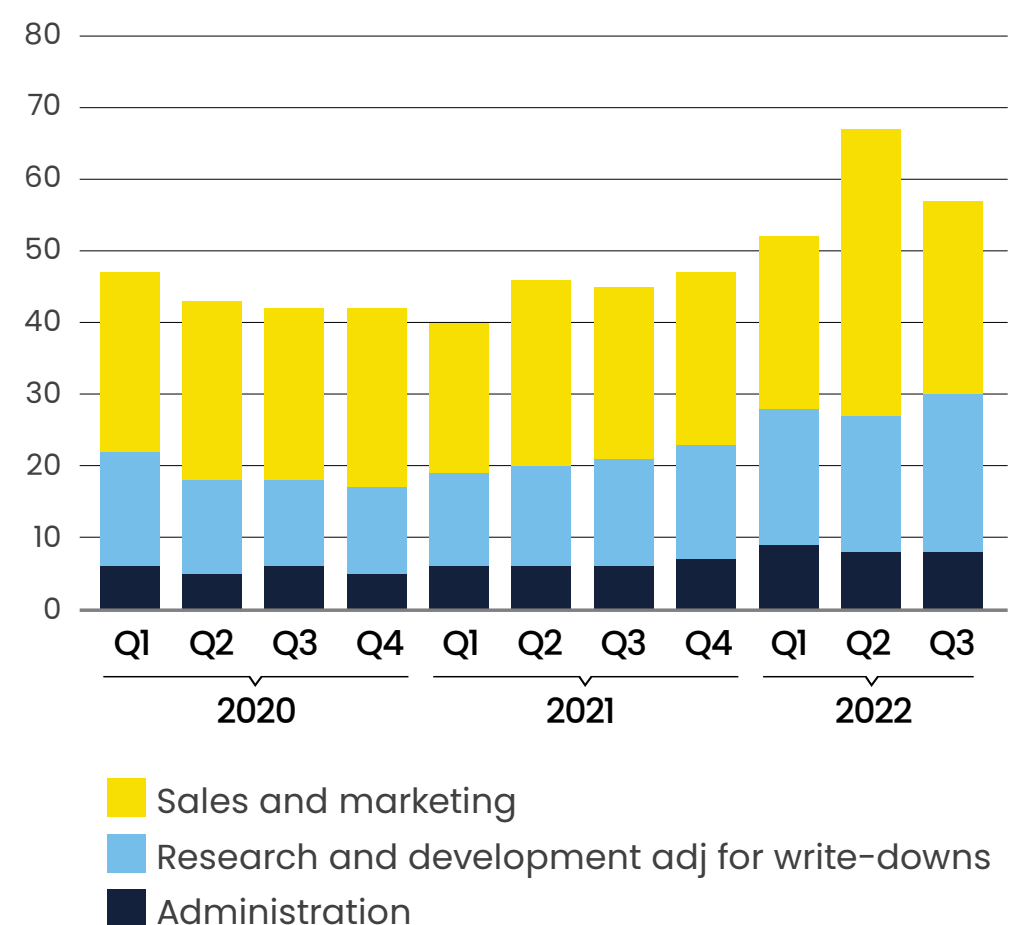
EBIT KSEK



Adjusted EBIT (KSEK) | Adjusted EBIT-margin (%)



Costs in % of revenue



lean game development team and proceed to develop a version for Soft Launch (limited audience for limited geography) in several months. Depending on the results of Soft Launch, which usually involves iterating on the game, we will either cancel the game, or we will release the game globally, announce it, and work to scale it.

We expect that 5-6 ideas will make it to the Soft Launch phase every year. We also expect, based on history, that 1-2 of these games will reach new higher benchmarks and go global, receive a full-size development team, and scale to meaningful revenue levels.

Canceling underperforming games at the end of the Soft Launch period instead of launching them globally is a new concept for us. Under the previous way of working we always capitalized direct expenses on new games because we always launched games globally and had clearly identifiable future cash flows. Given that in the new development funnel we expect to cancel 4-5 Soft Launched games every year, the future cash flows from each individual game is uncertain and therefore we cannot capitalize on new games before they are released globally. Accordingly, starting on 1st September this year, we no longer capitalize expenses on new games until they are launched globally.

The short-term effect of this change is that we will capitalize less, and this is going to affect our profitability negatively, on paper. The positive flip side of this is that over time this effect will be reduced as amortization will also become lower, and in two years this negative effect will be eliminated. I'd like to emphasize that there will

**We expect to Soft Launch 5-6 game ideas and launch 1-2 globally, every year**

be no effect on free cash flow as this is purely an accounting change. Another positive side of the new development funnel is that it requires fewer and smaller teams working on new games, and we expect to optimize our development force to reflect that, which will create real savings.

We have written off the full capitalized amounts for all games that have not been launched globally, in the total amount of SEK 73 M.

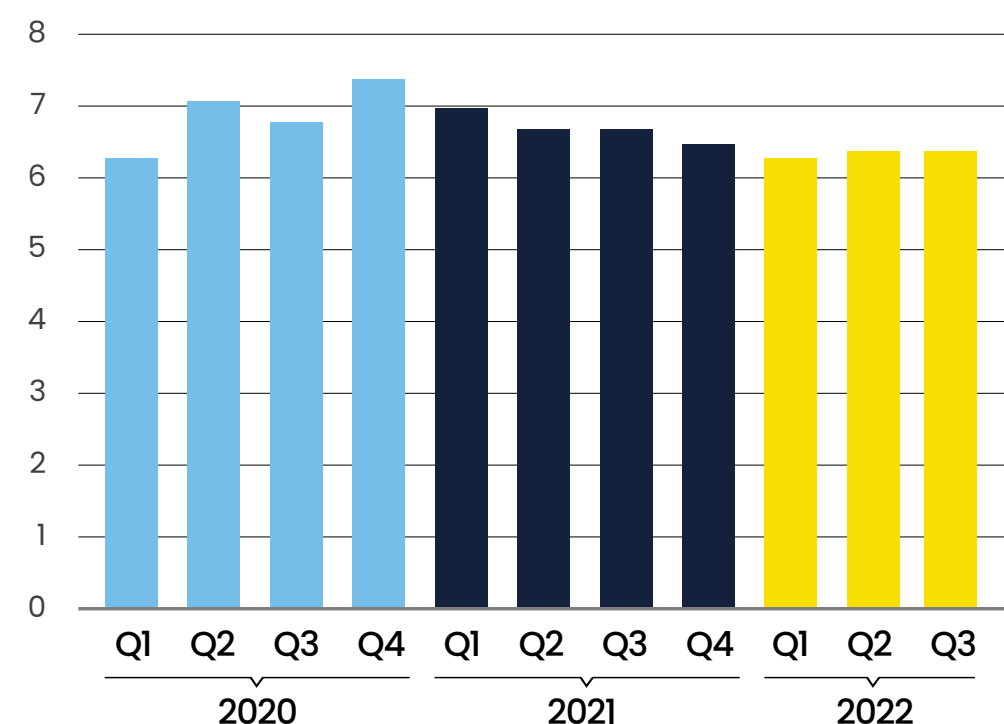
Again, these write-offs are due to the higher development funnel benchmarks, are on paper only, and have zero impact on our cash flow. These write-offs will not affect the dividend decision for the year 2022.

We are going to continue working on these games in accordance with the new development funnel and benchmarks but we have taken the full write-offs. The remaining capitalized balance of SEK 296 M is connected to the games that are already released globally and generate revenue. We do not expect to make more significant write-offs.

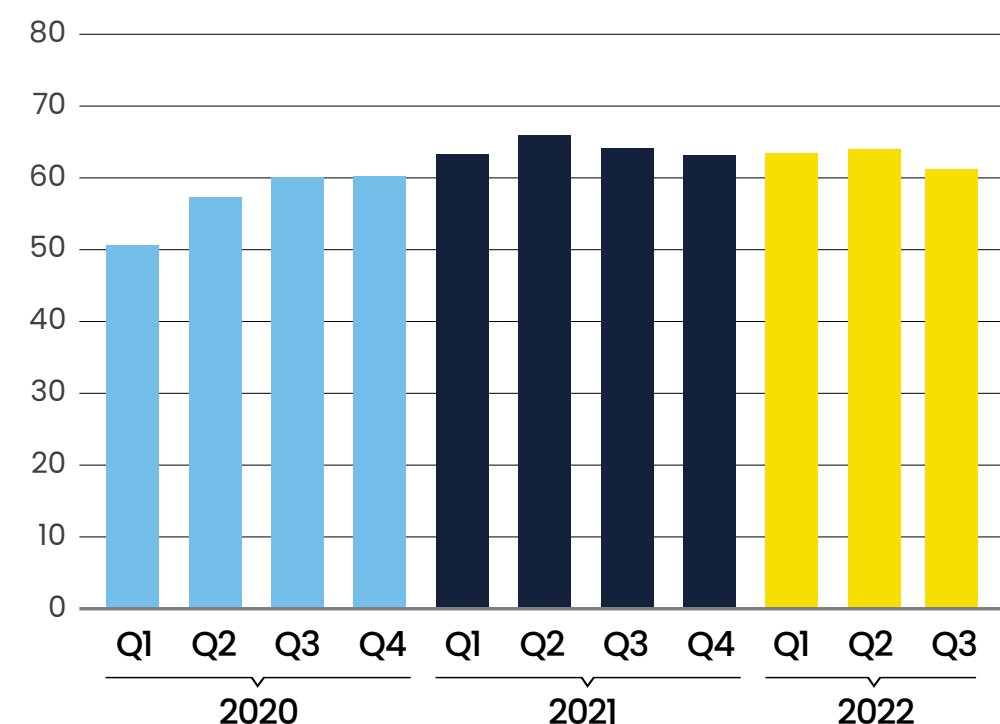
Without the effects of the UA boost and the write-offs, our Q3 EBIT margin would have been a stable 16%. Our Q3 gross margin was 67.6% (63.5%). We have finished Q3 with a strong cash position of SEK 182 M, higher than in any of the two previous years.

Using our cash flow, we have repurchased 160,000 shares during the quarter for the total amount of SEK 28.2 M, substantially reducing the average repurchase price over the last few years and bringing the total number of shares in the market down to 8,280,000. We intend to continue repurchases in accordance with the decision of the Board.

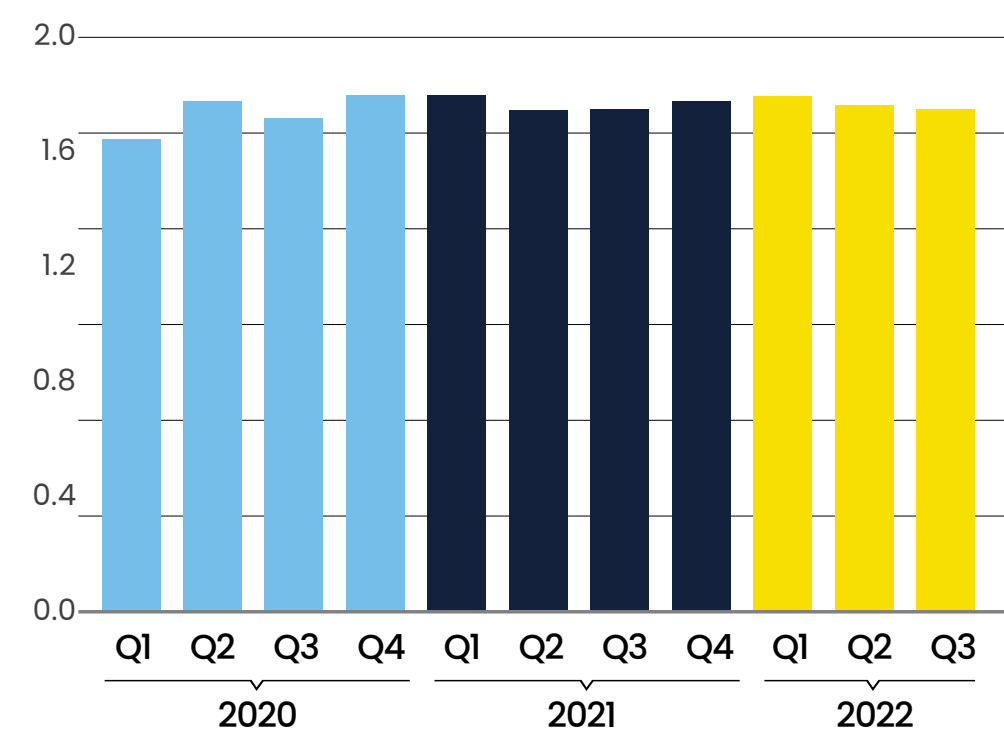
MAU, mn



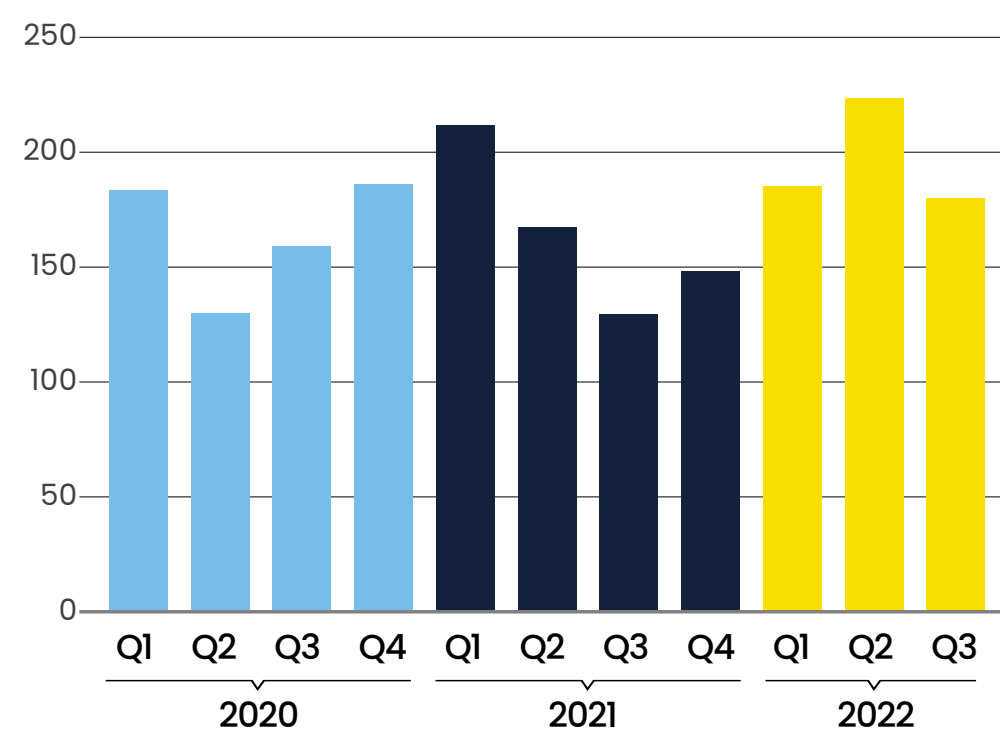
MAGRPPU, USD



DAU (MSEK)



Cash Position (MSEK)



G5’s relocation efforts are ongoing. While our office in Ukraine remains the largest, we have made a commitment to substantially reduce our Russian operations to the point where we would be comfortable shutting it down, eventually. We entered the war with the large size and importance of the operations there, and therefore it takes time, but we are seeing increasing demand for relocation to our other offices in Europe due to prolonged invasion. We have to date received over 300 relocation applications within the company of which over 230 came from employees in Russia. It puts us on the path to substantial decrease of our presence there in the following months. The effect of the relocation is positive on the company’s financials due to volatile currency.

In addition to our strengthened office in Malta, our most popular destinations for relocation are Montenegro, Armenia, and Georgia, which have comparable cost of living to our existing development bases. Other available but so far smaller locations are Bulgaria, Cyprus, and recently added Kazakhstan.

As we move into the fourth quarter, we return to historical levels of UA spend. We are also paying less in royalties as 3rd party games become an increasingly smaller part of our revenue mix. There are also ongoing savings due to the gradual relocation and due to new IT incentives for the locations at which we operate. We also expect upcoming savings due to using smaller development teams on early projects. On the other side we are changing how we account for new game development.

Due to the change in the development funnel, how we account for new games, and other factors, as a one-time exception, we are providing range guidance for the fourth quarter’s earnings and expect to have an EBIT margin of about 13-15% in Q4.

We are entering a seasonally strong Q4 and Q1 period of the year and we intend to keep UA spend in line with previous levels and within the communicated range of 17-22% for the foreseeable future. The company remains profitable, cash flow positive and has zero debt.

The trends driving our profitability remain in place, including the growth of Own games, G5 Store and advertising revenue. Sherlock and New Generation games continue growing, making up an increasingly bigger part of G5’s revenue. With this strong base we are pushing forward to improve our process of vetting new games which should make our staff leaner and more focused on finding more hits.

Thanks for following G5.

November 9th, 2022

**Vlad Suglobov**, CEO, co-founder



## July – September

### Revenue and gross profit

Revenue amounted to SEK 359.9 M (327.6). Revenue increased by 10 percent compared to the same period in 2021, in USD the revenue declined by 10%.

Cost of revenue declined to SEK 116.7 M (119.5). Cost of revenue includes commission to the distributors. Most parties still charge up to 30 percent of gross revenue, except for Microsoft Store with commission fees of 12 percent since August 2021 and G5 Store with commission fees in single digit percent for third-party payment processing. Cost of revenue also includes royalties payable to external developers which decreased by 12 percent compared to the same period in 2021.

Gross margin for the period was 68 percent (64). Gross profit for the quarter increased by 17 percent compared to the third quarter in 2021 and was SEK 243.2 M (208.1).

### Operational Costs

Costs for research and development were SEK 151.4 M (49.7) during the period. The increase is first and foremost due to one-time write-offs triggered by the change made in the development funnel. This impacts all the new games developed by the group which have not been globally launched. Write-offs impacted the quarter with SEK 72.5 M (0.0), of which SEK 67.4 M (0.0) was write-offs related to the development funnel and SEK 5.1 M (0.0) was related to a game earlier put into harvest mode. The quarter was also impacted by accruals for development bonuses in the total amount of SEK 5.5 M. A lower capitalization ratio impacted the quarter with SEK 14.5 M of which SEK 6.5 M was related

to new games that will not be capitalized going forward. Amortizations also increased with SEK 7.7 M compared to previous year.

Sales and marketing increased to SEK 97.3 M (79.5). Sales and marketing is primarily affected by the costs for user acquisition. During the quarter the cost for user acquisition was SEK 80.0 M (66.8), elevated due to the Sherlock boost in July. UA spend was normalized in August and September. Cost for user acquisition as a percentage of sales was 22 percent, compared to 20 percent in the same period in 2021. Sales and marketing, excluding user acquisition, increased to SEK 17.3 M (12.7).

General and administrative costs amounted to SEK 27.5 M (21.0). Other operating income amounted to SEK 10.2 M (0.0) and other operating expenses amounted to SEK 0 M (-1.5). Together they amounted to SEK 10.2 M (-1.5), primarily driven by currency effects on operational assets and liabilities.

### EBIT

Depreciation and amortization have increased with the larger portfolio of games, and amounted to SEK 39.7 M (33.3). Capitalization of intangible assets amounted to SEK 45.2 M (41.3). During the quarter write-offs of SEK 72.5 M (0) were made. Net effect of capitalization and amortization on intangible assets amounted to SEK 7.7 M (11.5).

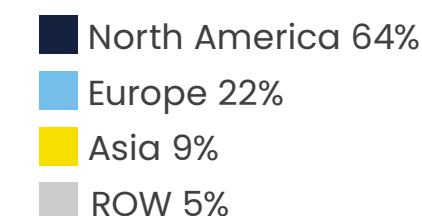
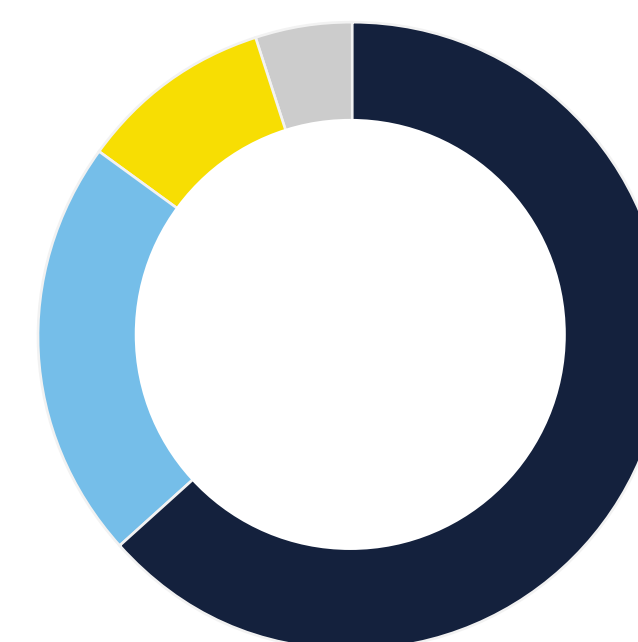
Earnings before interest and taxes (EBIT) amounted to SEK -22.8 M (56.5), corresponding to an EBIT margin of -6.3 percent (17.2). Adjusted for write-offs made in the quarter, EBIT was 49.7 (56.5), corresponding to an EBIT margin of 16% (17).

### Net profit

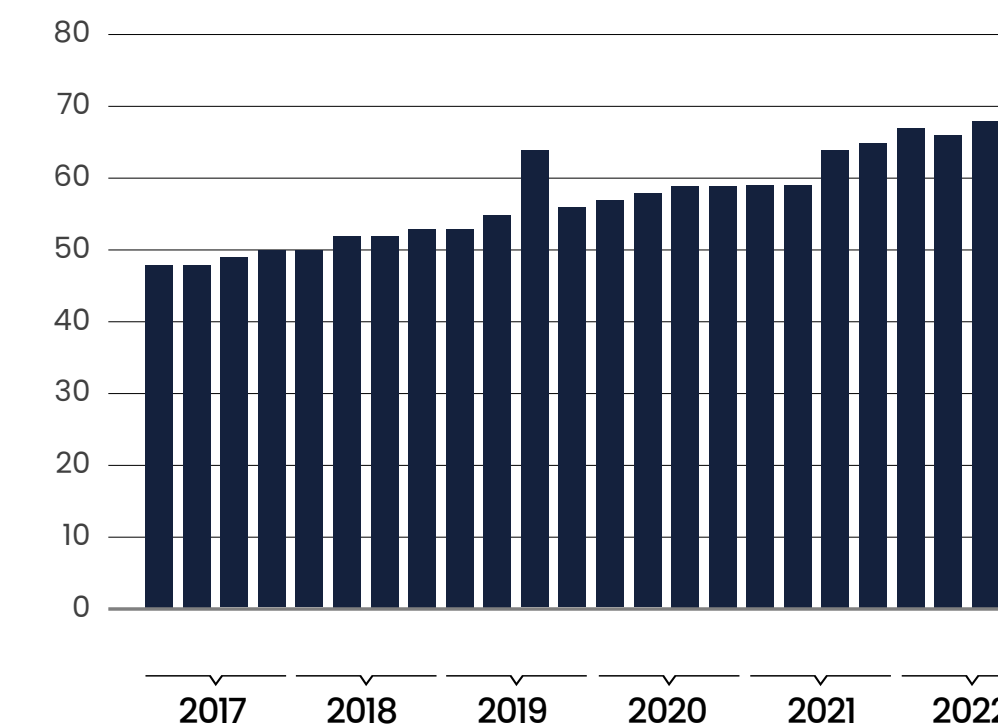
Financial items were impacted negatively by the write-down of short-term investments SEK -2.2 M (1.9). Tax affected the result with SEK -1.2 M (-4.4).

Net profit amounted to SEK -26.1 M (50.0) which equals an earnings per share, before and after dilution, of SEK -3.11 (5.82).

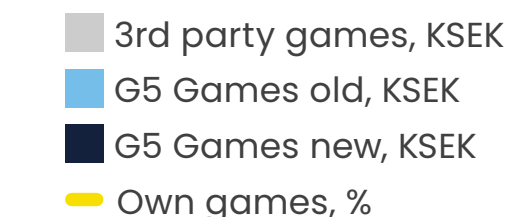
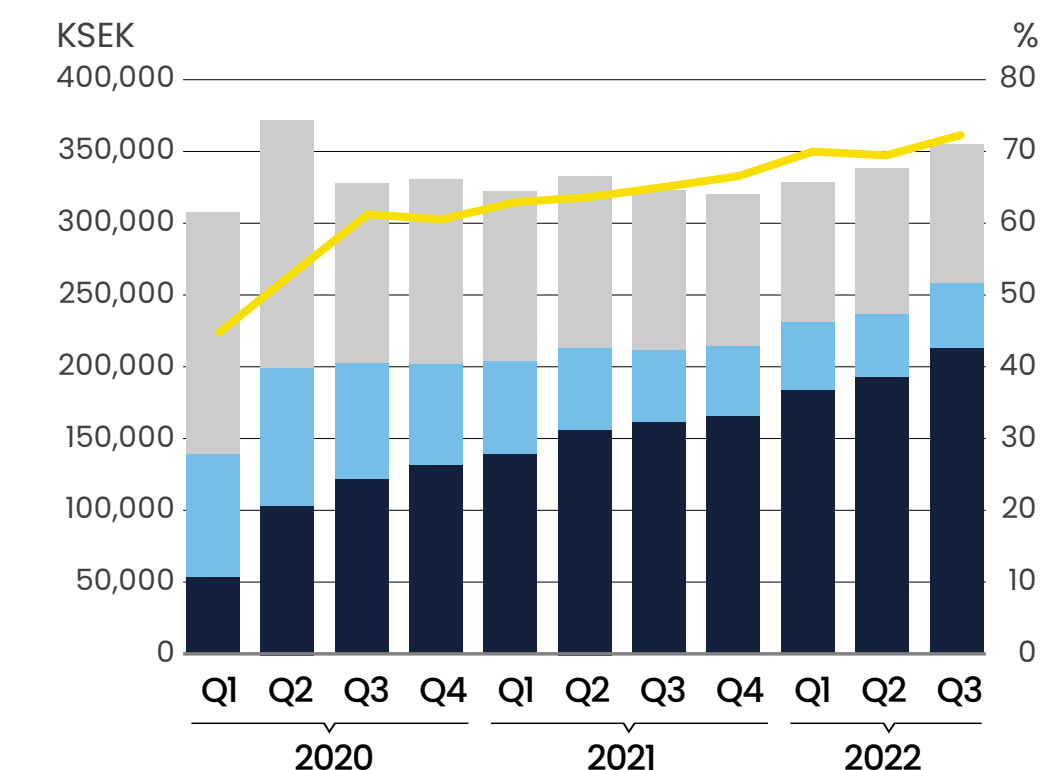
### Revenue breakdown by geography Third Quarter 2022



### Gross Margin (%)



### Own/licensed revenue (KSEK) share own games (%)



## Operational metrics

F2P	Q3 '22	Q3 '21	Change
Average MAU (mn)	6.4	6.7	-4%
Average MUP (thousands)	181.8	197.7	-8%
Average MUU (mn)	4.8	4.9	-1%
Average MAGRPPU (USD)	61.2	64.2	-5%
Average DAU (mn)	1.8	1.8	0%

For detailed definitions of the operational metrics see the glossary on page 17 of the report.

### Releases during the quarter

The company released Bayside Merge in soft launch during the quarter.

## January–September

### Revenue and gross profit

Revenue increased with 5 per cent compared to the same period last year, impacted strongly by the SEK/USD exchange rate. Growth in USD for the interim period was -10%. Revenue amounted to SEK 1,036.5 M (991.1).

The group's cost of revenue was SEK -344.1 M (-392.7). Gross profit amounted to SEK 692.4 M (598.4), an increase of 16 percent compared to the same period in 2021. Gross margin was 67 percent (60).

### Operating Costs

Operating costs increased 51 per cent compared to the same period in 2021. User acquisition increased to SEK 267.0 M (199.6). Excluding costs for user acquisition the operating costs amounted to SEK 393.5 M (239.3). The operational costs were impacted by depreciation and amortization of SEK 111.9 M (99.2) and write-offs of SEK 72.5 M (0.0).

Other operating income and costs impacted the period positively with

SEK 20.7 M (-3.3), primarily attributed to exchange rate differences on operational assets and liabilities related to balance sheet items in the parent company.

### EBIT

EBIT was SEK 31.8 M (159.5) and the EBIT-margin was 3.1 percent (16.1) for the period.

### Net profit

Financial net was primarily affected by revaluation of short term investments. Tax affected the result with SEK -6.8 M (-12.9) corresponding to an effective tax rate of 24 percent (8).

Net profit amounted to SEK 21.2 M (144.0) which is corresponding to earnings per share before dilution of SEK 2.52 (16.76).

## Cash flow

During the third quarter, the group had an operating cash flow before changes in working capital of SEK 94.2 M (83.2). In the quarter taxes impacted the cash flow positively with SEK 0.1 M (-9.6).

Changes in working capital impacted the cash flow with SEK -71.3 M (16.3) as payments delayed in the second quarter were paid out in the third quarter. Capitalized development expenses impacted the cash flow negatively with SEK -45.2 M (-41.3).

Cash flow before financing activities amounted to SEK -22.5 M (-52.5). Financing activities were impacted by buybacks of own shares amounting to SEK 28.2 M (-88.8) and IFRS16 bookings related to lease of premises SEK -0.2 M (-2.9).

For the interim period Jan - Sept cash flow before changes in working capital amounted to SEK 198.6 M (246.0). The cashflow for the period amounted to SEK 25.7 (-59.2).

Available cash on September 30, 2022 amounted to SEK 182.3 M (130.9).

## Financial position

As per the end of the third quarter 2022 the group has changed its publishing strategy by making changes to how it is vetting new games. The foundation is still to have a portfolio of different games in the portfolio in order to maximize potential and reduce risk. Multiple games are developed at any given point in time, some of these games become very successful and extremely profitable, some of these games do not become big breakthroughs but pay for themselves and are stable earners over a long period of time, while the majority of games that go into production will be cancelled at an early stage as the market potential is not significant enough.

As the majority of games that are produced will be cancelled during soft launch, the company will not capitalize development expenses on games until they reach global launch. Capitalizing after global launch will reduce the risk for write-offs in the portfolio.

As before, capitalized development expenses for unsuccessful games will be written down. Development for games only released in soft launch will be expensed as they are incurred. Over time, the company expects such write-offs and expenses to be more than compensated for by the revenue and profits produced by successful games in the portfolio.

Capitalized development expenses amounted to SEK 296.3 M (249.9). In accordance with the publishing strategy changes made, starting in the third quarter, the group will no longer separate capitalized costs between released and not released games in the quarterly reports.

Impairment need in the portfolio is tested every quarter. A thorough review of the input parameters is done on a yearly basis. During the quarter, write-offs of SEK 72.5 M (0.0) were made, primarily due to changes in the publishing strategy.

Consolidated equity amounted to SEK 503.0 M (425.8), which equals SEK 60.1 per share (49.6) and the equity/asset ratio is 73 percent (75).

Cash on hand amounted to SEK 182.3 M (130.9).

Other long-term debt and other short term debt are solely related to IFRS16 accounting of lease contracts.



### 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 and is also where the senior management overseeing the games, HR etc. is based. 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

#### Outlook

G5 Entertainment does not publish forecasts.

### Nomination Committee

In accordance with the resolution of the Annual General Meeting 2022, a Nomination Committee has been appointed consisting of representatives of the five largest shareholders at the end of August. The nomination committee consists of the following members:

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

Shareholders wishing to submit proposals to G5 Entertainment's nomination committee may do so by mail to G5 Entertainment AB (publ), Birger Jarlsgatan 18, 114 34, Stockholm, Sweden or by e-mail to [nomination@g5e.com](mailto:nomination@g5e.com).

Please note that proposals must be received by the nomination committee by February 1, 2023.

### 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.

### Related-party transactions

During the period no significant related-party transactions have taken place except the ongoing transactions highlighted in the annual report 2021.

### Upcoming report dates

Year-end report 2022	February 9, 2023
Interim report Jan-March 2023	May 4, 2023
Annual General Meeting 2023	June 14, 2023
Interim report Jan-Jun 2023	August 10, 2023
Interim report Jan-Sep 2023	November 8, 2023

### Teleconference

On November 9th, 2022 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: <https://corporate.g5e.com/investors/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.

### Inquiries

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Stefan Wikstrand, CFO

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# 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 November 9th, 2022

Petter Nylander  
Chairman of the Board

Johanna Fagrell Köhler  
Board member

Jeffrey Rose  
Board member

Sara Börsvik  
Board member

Marcus Segal  
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 November 9th, 2022 at 07.00. This interim report has 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.

# Review report

(Translation from Swedish original)

G5 Entertainment AB corp. reg. no. 556680-8878  
Auditor's review report for interim financial information in summary (interim report) prepared in accordance with IAS 34 and Chapter 9 of the Swedish Annual Accounts Act.

## Introduction

We have reviewed the condensed interim financial information (interim report) of G5 Entertainment AB as of 30 September 2022 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in

an audit. The conclusion expressed based on a review does not have the same level of certainty as a review based on an audit.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, November 9, 2022  
PricewaterhouseCoopers AB

Aleksander Lyckow  
Authorized Public Accountant



**INCOME STATEMENT - GROUP**

KSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Oct-Sep 21/22	2021
Net turnover	359,906	327,557	1,036,473	991,127	1,361,049	1,315,703
Cost of revenue	-116,738	-119,476	-344,067	-392,699	-456,624	-505,256
<b>Gross profit</b>	<b>243,169</b>	<b>208,081</b>	<b>692,406</b>	<b>598,428</b>	<b>904,425</b>	<b>810,447</b>
Research and Development expenses	-151,356	-49,676	-279,068	-138,272	-329,976	-189,180
Sales and Marketing expenses	-97,265	-79,459	-315,162	-236,143	-394,362	-315,343
General and administrative expenses	-27,509	-21,039	-87,010	-61,221	-110,589	-84,800
Other operating income	10,161	-	20,667	-	18,931	-
Other operating expenses	-	-1,452	-	-3,268	-	-5,004
<b>Operating result</b>	<b>-22,801</b>	<b>56,455</b>	<b>31,832</b>	<b>159,524</b>	<b>88,429</b>	<b>216,121</b>
Financial income	168	27	819	80	914	175
Financial expenses	-2,245	-2,080	-4,653	-2,729	-9,133	-7,209
<b>Operating result after financial items</b>	<b>-24,879</b>	<b>54,403</b>	<b>27,999</b>	<b>156,875</b>	<b>80,211</b>	<b>209,086</b>
Taxes	-1,209	-4,423	-6,811	-12,913	-4,777	-10,878
<b>Net result for the year</b>	<b>-26,088</b>	<b>49,980</b>	<b>21,187</b>	<b>143,962</b>	<b>75,434</b>	<b>198,208</b>
<b>Attributed to:</b>						
Parent company's shareholders	-26,088	49,980	21,187	143,962	75,434	198,208

KSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Oct-Sep 21/22	2021
<b>Earnings per share</b>						
Weighted average number of shares (thousands)	8,367	8,581	8,419	8,591	8,425	8,498
Weighted average number of shares after dilution, (thousands)	8,367	8,581	8,419	8,591	8,425	8,498
Earnings per share (SEK) before dilution	-3.11	5.82	2.52	16.76	8.95	23.32
Earnings per share (SEK) after dilution	-3.11	5.82	2.52	16.76	8.95	23.32

**STATEMENT OF COMPREHENSIVE INCOME - GROUP**

KSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Oct-Sep 21/22	2021
<b>Net result for the period</b>	<b>-26,088</b>	<b>49,980</b>	<b>21,187</b>	<b>143,962</b>	<b>75,434</b>	<b>198,208</b>
<b>Items that later can be reversed in profit</b>						
Foreign currency translation differences	22,923	9,935	69,350	22,615	84,078	37,343
<b>Total other comprehensive income for the period</b>	<b>22,923</b>	<b>9,935</b>	<b>69,350</b>	<b>22,615</b>	<b>84,078</b>	<b>37,343</b>
<b>Total comprehensive income for the period</b>	<b>-3,165</b>	<b>59,915</b>	<b>90,537</b>	<b>166,577</b>	<b>159,512</b>	<b>235,551</b>
<b>Attributed to:</b>						
Parent company's shareholders	-3,165	59,915	90,537	166,577	159,512	235,551



**BALANCE SHEET – GROUP**

KSEK	Sep 30 2022	Sep 30 2021	Dec 31 2021
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Capitalized development expenses (Note 2)	296,337	249,939	274,757
	296,337	249,939	274,757
<b>Tangible fixed assets</b>			
Equipment	17,297	27,826	26,013
	<b>17,297</b>	<b>27,826</b>	<b>26,013</b>
Financial assets	18,088	-	18,088
Deferred tax receivable	-	1,305	-
<b>Total non-current assets</b>	<b>331,722</b>	<b>279,070</b>	<b>318,858</b>
<b>Current assets</b>			
Accounts receivable	-	-	3
Tax receivable	3,052	8,746	3,880
Other receivables (Note 3)	13,244	9,537	11,575
Prepaid expenses and accrued income	145,858	128,229	129,316
Financial assets	8,827	14,016	12,195
Cash and cash equivalents	182,253	130,880	149,964
<b>Total current assets</b>	<b>353,234</b>	<b>291,409</b>	<b>306,933</b>
<b>Total equity and liabilities</b>	<b>684,956</b>	<b>570,479</b>	<b>625,791</b>

KSEK	Sep 30 2022	Sep 30 2021	Dec 31 2021
<b>Equity</b>			
<b>Total shareholders' equity</b>	<b>503,028</b>	<b>425,765</b>	<b>492,410</b>
<b>Long-term liabilities</b>			
Deferred tax liabilities	772	673	466
Long-term liabilities	1,614	6,735	4,841
<b>Total long-term liabilities</b>	<b>2,386</b>	<b>7,408</b>	<b>5,307</b>
<b>Current liabilities (Note 5)</b>			
Short-term liabilities	1,344	7,455	7,450
Accounts payable	56,639	25,965	24,253
Other liabilities	26,681	16,137	6,965
Tax liabilities	19,935	24,130	24,040
Accrued expenses	74,944	63,618	65,367
<b>Total current liabilities</b>	<b>179,542</b>	<b>137,306</b>	<b>128,075</b>
<b>Total equity and liabilities</b>	<b>684,956</b>	<b>570,479</b>	<b>625,791</b>



**CHANGES IN SHAREHOLDERS' EQUITY – GROUP**

<b>KSEK</b>	<b>Share capital</b>	<b>Other capital contribution</b>	<b>Other reserves</b>	<b>Profit/loss brought forward</b>	<b>Shareholders' equity</b>
<b>Shareholders' equity 2021-01-01</b>	<b>928</b>	<b>-15,616</b>	<b>-9,307</b>	<b>455,802</b>	<b>431,807</b>
Net result for the year				143,962	143,962
Total other comprehensive income			22,615		22,615
<b>Total comprehensive income for the year</b>			<b>22,615</b>	<b>143 962</b>	<b>166,577</b>
Dividend				-54,097	-54,097
Repurchase of shares		-121,900			-121,900
IFRS2 – Employee share schemes			3,378		3,378
<b>Total transactions with the owners recognized directly in equity</b>	<b>-</b>	<b>-121,900</b>	<b>3,378</b>	<b>-54,097</b>	<b>-172,619</b>
<b>Shareholders' equity as of 2021-09-30</b>	<b>928</b>	<b>-137,516</b>	<b>16,686</b>	<b>545,667</b>	<b>425,765</b>
<b>Shareholders' equity 2022-01-01</b>	<b>928</b>	<b>-141,638</b>	<b>33,207</b>	<b>599,913</b>	<b>492,410</b>
Net result for the year				21,187	21,187
Total other comprehensive income			69,350		69,350
<b>Total comprehensive income for the year</b>			<b>69,350</b>	<b>21,187</b>	<b>90,537</b>
Dividend				-59,080	-59,080
Repurchase of shares		-28,201			-28,201
IFRS2 – Employee share schemes			7,362		7,362
<b>Total transactions with the owners recognized directly in equity</b>		<b>-28,201</b>	<b>7,362</b>	<b>-59,080</b>	<b>-79,919</b>
<b>Shareholders' equity as of 2022-09-30</b>	<b>928</b>	<b>-169,839</b>	<b>109,919</b>	<b>562,020</b>	<b>503,028</b>

**CASH FLOW STATEMENT - GROUP**

KSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Oct-Sep 21/22	2021
<b>Cash flow from operating activities</b>						
Profit after financial items	-24,879	54,403	27,999	156,875	80,211	209,086
Adjusting items not included in cash flow	119,052	38,473	183,698	104,396	223,694	144,393
	<b>94,173</b>	<b>92,876</b>	<b>211,697</b>	<b>261,271</b>	<b>303,905</b>	<b>353,479</b>
Taxes paid	74	-9,640	-13,062	-15,234	-5,069	-7,241
<b>Cash flow before changes in working capital</b>	<b>94,247</b>	<b>83,236</b>	<b>198,635</b>	<b>246,037</b>	<b>298,836</b>	<b>346,238</b>
<b>Cash flow from changes in working capital</b>						
Change in operating receivables	-15,443	10,921	-18,507	-8,497	-18,094	-8,084
Change in operating liabilities	-55,827	5,384	66,179	28,076	60,580	22,477
<b>Cash flow from operating activities</b>	<b>22,977</b>	<b>99,541</b>	<b>246,307</b>	<b>265,616</b>	<b>341,322</b>	<b>360,631</b>
<b>Investing activities</b>						
Investment in fixed assets	-319	-1,843	-3,354	-7,558	-5,497	-9,701
Capitalized development expenses	-45,194	-41,308	-134,840	-115,399	-181,964	-162,523
Short term investments	-	-3,857	-1,063	-15,789	-3,487	-18,213
Long term investments	-	-	-	-	-18,088	-18,088
<b>Cash flow from investing activities</b>	<b>-45,513</b>	<b>-47,008</b>	<b>-139,257</b>	<b>-138,746</b>	<b>-209,036</b>	<b>-208,525</b>

KSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Oct-Sep 21/22	2021
<b>Financing activities</b>						
Lease financing	-167	-2,918	-1,306	-10,061	-3,464	-12,219
Dividend	-	-	-59,080	-54,097	-59,080	-54,097
Repurchase shares	-28,201	-88,811	-28,201	-121,900	-32,323	-126,022
<b>Cash flow from financing activities</b>	<b>-28,368</b>	<b>-91,729</b>	<b>-88,587</b>	<b>-186,058</b>	<b>-94,867</b>	<b>-192,338</b>
<b>Cash flow</b>	<b>-50,904</b>	<b>-39,196</b>	<b>18,463</b>	<b>-59,188</b>	<b>37,419</b>	<b>-40,232</b>
<b>Cash at the beginning of the period</b>	<b>226,317</b>	<b>169,379</b>	<b>149,964</b>	<b>188,411</b>	<b>130,880</b>	<b>188,411</b>
Cash flow	-50,904	-39,196	18,463	-59,188	37,419	-40,232
Exchange rate differences	6,840	697	13,826	1,657	13,954	1,785
<b>Cash at the end of the period</b>	<b>182,253</b>	<b>130,880</b>	<b>182,253</b>	<b>130,880</b>	<b>182,253</b>	<b>149,964</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.

During the third quarter 2022 the company changed the publishing strategy as described on page 7 of this report. The change in publishing strategy means that the company will cancel more games at an early stage. The company will focus its development resources on the games that show stronger metrics which then might be released for a global audience. As fewer games will be released for a global audience the company has made changes in the calculations regarding capitalization on new games and have also made a new assessment regarding current balanced values for unreleased games.

Excluding the change in publishing strategy and the subsequent changes in calculation principles for unreleased games the accounting and calculation principles used in the report for the group are identical to those used in the Annual Report 2021.

The interim report is on pages 1–16, and pages 1–8 are thus an integrated part of this financial report.

## Note 2

### Capitalized development expenses

KSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Oct-Sep 21/22	2021
<b>At the beginning of the period</b>	<b>333,384</b>	<b>230,608</b>	<b>274,757</b>	<b>204,649</b>	<b>249,939</b>	<b>204,649</b>
Investments	45,194	41,308	134,840	115,399	181,963	162,523
Write-offs	-72,530	-	-72,530	-	-72,530	0
Amortization	-37,518	-29,776	-105,676	-86,193	-135,514	-116,031
<b>Net change during the period</b>	<b>-64,853</b>	<b>11,532</b>	<b>-43,366</b>	<b>29,206</b>	<b>-26,080</b>	<b>46,492</b>
Currency exchange differences	27,806	7,799	64,945	16,084	72,478	23,617
<b>At the end of the period</b>	<b>296,337</b>	<b>249,939</b>	<b>296,337</b>	<b>249,939</b>	<b>296,337</b>	<b>274,757</b>

## Note 3

### Other receivables

Other receivables include SEK 8.8 M (4.1) 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 has pledged assets amounting to SEK 3 M. G5 Entertainment does not have any contingent liabilities.

## Note 5

### Fair value

G5 group has long and short term financial instruments that are accounted for at fair value. The carrying amount for financial instruments correspond to fair value.

**INCOME STATEMENT – PARENT COMPANY**

KSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Oct-Sep 21/22	2021
Net turnover	359,900	327,557	1,036,467	991,127	1,361,043	1,315,703
Cost of revenue	-267,148	-254,841	-740,178	-770,299	-981,926	-1,012,047
<b>Gross profit</b>	<b>92,752</b>	<b>72,716</b>	<b>296,289</b>	<b>220,828</b>	<b>379,117</b>	<b>303,656</b>
Research and development expenses	-28	-27	-79	-80	-106	-107
Sales and Marketing expenses	-82,875	-69,546	-274,905	-168,531	-342,552	-236,178
General and administrative expenses	-7,660	-6,721	-24,887	-64,001	-32,201	-71,316
Other operating income	8 143	-	23 103	-	21 619	-
Other operating expenses	-	-1 147	-	-2 307	-	-3 790
<b>Operating result</b>	<b>10,332</b>	<b>-4,725</b>	<b>19,521</b>	<b>-14,091</b>	<b>25,878</b>	<b>-7,734</b>
Financial income	35	117,436	43	177,462	170,974	348,393
Financial expenses	-2,204	-1,809	-4,430	-1,809	-8,649	-6,028
<b>Operating result after financial items</b>	<b>8,163</b>	<b>110,902</b>	<b>15,133</b>	<b>161,562</b>	<b>188,202</b>	<b>334,631</b>
Taxes	-2,135	971	-2,452	2,895	-5,347	-
<b>Net result for the period</b>	<b>6,027</b>	<b>111,874</b>	<b>12,681</b>	<b>164,457</b>	<b>182,855</b>	<b>334,631</b>

**STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY**

KSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Oct-Sep 21/22	2021
<b>Net result for the period</b>	<b>6,027</b>	<b>111,874</b>	<b>12,681</b>	<b>164,457</b>	<b>182,855</b>	<b>334,631</b>
Items that later can be reversed in profit						
Foreign currency translation differences						
<b>Total other comprehensive income for the period</b>	<b>6,027</b>	<b>111,874</b>	<b>12,681</b>	<b>164,457</b>	<b>182,855</b>	<b>334,631</b>



**BALANCE SHEET – PARENT COMPANY**

KSEK	Sep 30 2022	Sep 30 2021	Dec 31 2021
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>	9	26	22
Tangible fixed assets	9	26	22
<b>Financial fixed assets</b>			
Shares in group companies	82	70	70
Financial assets	18,088	-	18,088
<b>Total fixed assets</b>	<b>18,180</b>	<b>96</b>	<b>18,179</b>
<b>Current assets</b>			
Account receivables	-	-	3
Receivables from group companies	209,109	167,771	170,023
Tax receivables	2,550	7,705	2,751
Other receivables	1,794	2,333	3,847
Prepaid expenses and accrued income	134,340	122,479	122,901
Financial assets	8,827	14,016	12,195
Cash and cash equivalents	120,776	97,213	127,096
<b>Total current assets</b>	<b>477,396</b>	<b>411,517</b>	<b>438,816</b>
<b>Total assets</b>	<b>495,576</b>	<b>411,612</b>	<b>456,995</b>

KSEK	Sep 30 2022	Sep 30 2021	Dec 31 2021
<b>Restricted equity</b>			
Share capital	928	928	928
<b>Non-restricted equity</b>			
Share premium reserve	51,415	50,996	51,415
Profit/Loss carried forward	102,345	-141,464	-145,673
Net result for the period	12,681	164,457	334,631
<b>Total equity</b>	<b>167,369</b>	<b>74,917</b>	<b>241,302</b>
<b>Current liabilities</b>			
Accounts payable	52,271	22,701	21,487
Tax Liability	-	-	-
Liability to group companies	269,288	310,121	189,566
Other liability	2,625	825	1,575
Accrued expenses	4,023	3,050	3,065
<b>Total current liabilities</b>	<b>328,207</b>	<b>336,696</b>	<b>215,694</b>
<b>Total equity and liabilities</b>	<b>495,576</b>	<b>411,612</b>	<b>456,995</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 tech-

nology, 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 14 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's 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 (DAU)** 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) develops and publishes high quality free-to-play games for G5 Store, Apple App Store, Google Play, Microsoft Store, Amazon Appstore etc. The games are easy to learn and targeted at the widest audience of experienced and novice players. G5's portfolio includes a number of popular games like Jewels of Rome®, Sherlock Hidden Match-3 cases, Hidden City, Mahjong Journey®, Homicide Squad®, The Secret Society® Wordplay: Search Word Puzzle™ and Jewels of the Wild West™. G5 Entertainment AB (publ) is listed on Nasdaq Stockholm since 2014.



# G5 Entertainment AB (publ)

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