G5 ENTERTAINMENT AB

REG.NR: 556680-8878

ANNUAL REPORT 2015

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.

CONTENT

G5 2015 – THE YEAR IN BRIEF

384,369
Revenue for the period (KSEK)

19,788
Operating profit for the period (KSEK)

76 %
Increase in revenue from free-to-play games

85 %
Revenue generated in North America and Europe

- Consolidated revenue was SEK 384,4 M (259,8), an increase of 48 per cent compared to 2014
- EBIT for the year was SEK 19,8 M (9,0)
- Net result was SEK 15,3 M (6,8)
- Earnings per share, before and after dilution, was SEK 1.74 (0.77)
- Cash flow before financing activities was 0,7 (5,1) KSEK
- Revenue from free-to-play-games increased by 76 per cent and accounted for 88 per cent (75) of the total revenue
- The accumulated number of downloads of the group´s games (not counting updates) surpassed 240 million

G5 IN NUMBERS

FINANCIAL KEY RATIOS, KSEK	2015	2014	Change %
Revenue	384,369	259,836	48%
Commission to distributors[1]	-115,469	-77,951	48%
Royalty to external developers[2]	-85,625	-65,737	30%
Gross profit	**183,274**	**116,148**	**58%**
Gross margin	48%	45%	
Operating costs excluding costs for user acquisition	-88,916	-69,410	28%
EBIT excluding costs for user aquisition	**94,358**	**46,739**	**102%**
EBIT margin before costs for user acquisition	25%	18%	
Costs for user acquisition[3]	-74,570	-37,724	98%
EBIT	**19,788**	**9,015**	**120%**
EBIT margin (%)	5%	3%	
Cash flow before financing activities	690	5,090	
Cash and cash equivalents	33,870	32,865	

	2015				2014			
F2P	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Monthly Active Users (mn)[1]	2,8	2,9	3,2	2,9	2.2	1.9	2.0	2.3
Monthly Unique Payers (thousands)[1]	102.5	106.6	110.6	103.8	72.1	70.7	81.4	87.8
Monthly Average Gross Revenue per Paying User (USD)[1]	31.5	29.1	29.7	34.2	25.6	29.2	28.2	34.6

[1]For more information regarding the operational metrics, see the glossary on page 57.

THIS IS G5 ENTERTAINMENT

G5 Entertainment AB ("G5") is a developer and publisher of free-to-play games that are played on smartphones and tablets.

The company, which is listed on Nasdaq OMX since June 2014, is headquartered in Stockholm but operates internationally with a total of 262 employees, most of whom are located outside of Sweden. The division responsible for game intellectual property, creation and licensing is located in Malta, while development offices and studios are situated in Moscow and Kaliningrad in Russia and Kharkov in Ukraine. G5 also has a marketing office in San Francisco, California, USA. In 2015, G5 generated revenues of SEK 384 million and a net result of SEK 15 million.

There are 13 free-to-play games in G5's portfolio as well as about 90 so-called unlockable games, which are a legacy from a previous business model. Free-to-play games do not cost the player anything to download, but provide the possibilities to make in-game purchases of virtual goods, for example in the form of additional time, lives or tools. Unlockable games provide a limited free trial period, but players have to pay a one-time fee in order to play the full game. Free-to-play games are dominant in the market since a few years ago and the proportion of G5's revenues generated from these games is increasing very sharply. In 2015, free-to-play games accounted for almost 90 per cent of revenues.

The company's games are available for iOS, Android, Kindle Fire and Windows powered smartphones and tablets. Customers can find and download G5 games via electronics stores such as Apple's App Store, Google Play, Amazon Appstore and Windows Store. G5 offers proprietary games and also publishes games licensed from other developers. The most geographically important markets for the company are USA and Europe that combined account for more than 80 percent of revenues.

G5's games target the "casual player" segment, which is a rapidly growing market. Mobile games in turn is the fastest growing segment of the overall games market. The mobile games market is, according to the consulting firm Newzoo, expected to grow by about 16 per cent annually from USD 24,5 bn in 2014 to USD 44,2 bn in 2018.

G5'S HISTORY

- **2001** G5 was founded
- **2003** First downloadable mobile game is launched
- **2005** Game development for EA and Disney
- **2006** Listed on NGM Nordic
- **2009** First game for iPhone
- **2011** First game for Android
- **2013** More than 100 million downloads
- **2014** Listed on NASDAQ OMX

G5 Entertainment was founded in 2001, as one of the world's first developers of games for mobile phones.

The company's first downloadable game for mobile phones was released in USA in 2003. In 2005-2006, G5 started to offer mobile game development services to larger publishers and subsequently signed development agreements with Disney, Electronic Arts, THQ Wireless, Konami and other companies which helped to boost interest in the company and its operations.

In 2006, G5 listed its shares on Nordic MTF in Stockholm and focused its operations on mobile games exclusively, while development of games for PCs was discontinued.

In 2008, Apple iPhone came out and in 2009, G5 expanded its operations to also include publishing of games and in the same year the first G5 game was released for Apple's iPhone. The success of this initial title allowed the company to exit the business of developing games for other publishers and focus on expanding its own portfolio. In 2010, G5 started making games for iPad, and in 2011, G5's games were launched in the Android market (now Google Play store), and the first free-to-play game by the company was released on iOS. The following year, G5 started to offer its games via Amazon Appstore and in 2013, the number of downloads of the company's games surpassed 100 million. Already in 2014, the same year G5 listed its shares on the Small Cap list of Nasdaq Stockholm's main market, the company surpassed 200 million downloads.

WORD FROM THE CEO:

GROWTH OF REVENUE AND EARNINGS CONTINUED IN 2015

"Free-to-play grew by 76% and at the end of the year generated 90% of the company's revenue"

In 2015, G5 achieved a strong growth of revenue (+48%) and a significant improvement in profitability (+120%) compared to 2014.

The increased share of revenue generated by G5's own games has driven the increase in gross margin and profitability during the year. Also, we have optimized marketing (user acquisition) spending in the second half of the year, which contributed to the increase in earnings.

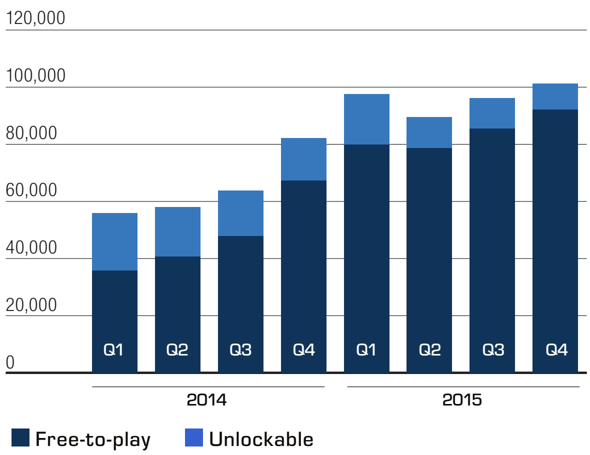
FOCUS ON FREE-TO-PLAY GAMES

We have now achieved the scale we have set out to achieve, when in early 2013 we decided to focus on free-to-play games. Now we have considerably larger revenues, the company is profitable and cash flow positive even after spending substantial amounts on marketing, paying for ongoing development efforts on active games, and financing the development of new games to be released in the future. Our free-to-play games portfolio has performed well during 2015 (+76%), and generated over 90% of the company's revenue in the fourth quarter, while the legacy unlockable games business continued to decline, as expected.

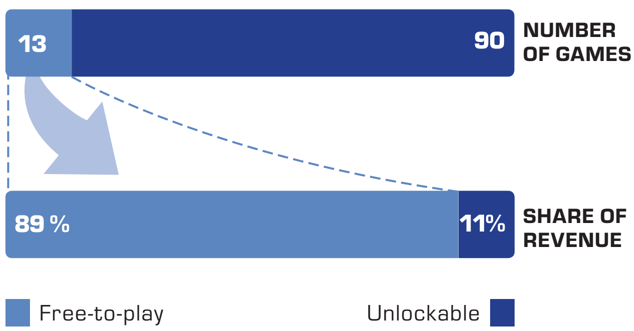
GROWTH HIGHLIGHTS

The growth highlights of the year were two games: Mahjong Journey, G5's own free-to-play mahjong solitaire game, and Hidden City, a free-to-play hidden object game licensed from a third party developer. While Mahjong Journey performed

Revenue breakdown by game type (KSEK)



Number of games / share of revenue by game type



quite well from the start, it is worth noting that Hidden City, originally released in February 2014, has only taken off a full year after it has been originally released. The turnaround in the game's performance is a result of a number of changes that has been made to the game's structure and monetization mechanics. As it may take time to achieve the optimal retention and monetization balance in the game, we consider the first six months after the game's initial release a "soft launch" period. During this period we analyze how players react to the game and make changes when necessary, as we continue to deploy the game to all platforms.

NEW RELEASES AND GAME PORTFOLIO DEVELOPMENT

The company has plans for a number of new game releases in 2016, but in 2015, G5 only released two new free-to-play games. New games came out quite late in the fourth quarter, and consequently did not have any substantial impact on the company's results in 2015. S.E.D: Special Enquiry Detail is a free-to-play hidden object game, and Supermarket Mania Journey is a free-to-play time management game. Both games are G5's own games and are currently in the "soft launch" mode, which means we are working on fine-tuning them to achieve the best performance.

We have a number of new free-to-play games, both own and licensed, in development for release in 2016. At the same time, some of our older games, which we don't expect to grow further, are going to be switched to so-called "Harvest Mode" where we are no longer going to be making any sizable updates or having any substantial expenses. We will instead focus on maximizing our profits, which will also allow us to free up experienced resources to focus on new games and improve their chance of succeeding. Over time, games in "Harvest Mode" can accumulate into a long tail of sales, which can generate significant revenue with no underlying expense.

It is now industry standard that it takes quite some attempts to create a single "hit" game. Our largest and most successful competitors are producing many games, while only a few of them end up being released. The rest are "killed" during the development or early release stages. We are using the same approach, but because of our smaller size, cost advantages, and lower break-even points, we release all games we develop, and we like to give them a bit more time before we give up on them. Sometimes it works out well, as the case of the Hidden City game shows.

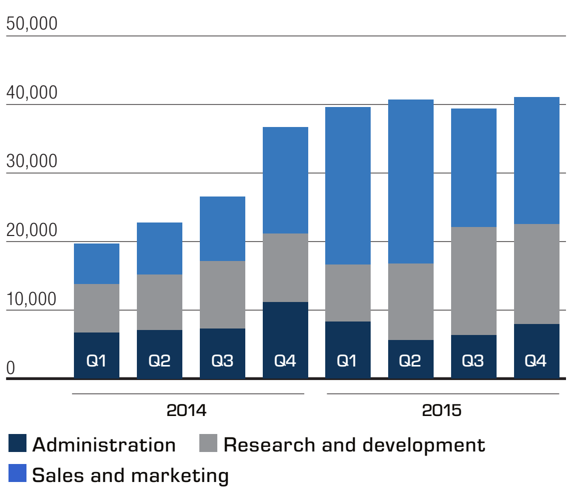
GOING FORWARD

Our vision for G5 is as a sustainable operating and publishing platform that will publish, operate, and maximize profits from a portfolio of free-to-play games, while at the same time actively developing new free-to-play games and trying to score a "hit". We expect that a few of the new games will fail in the market, but most of them will become profitable, and some will become outstanding moneymakers for the company, exceeding the sales of our current best sellers.

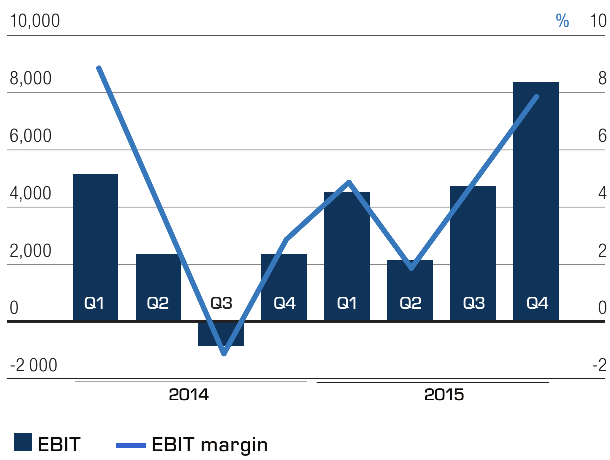
Going forward, the management will keep its focus on profitability and growth, with the goal to continue increasing the top-line and provide gradual improvement of earnings year-on-year and, ideally, quarter-to-quarter.

Vlad Suglobov
CEO, co-founder

Costs (KSEK)



EBIT (KSEK) / EBIT margin (%)



VISION AND STRATEGY

ONE OF THE LEADING DEVELOPERS AND PUBLISHERS OF MOBILE FREE-TO-PLAY GAMES

G5 aims to become one of the world's leading developers and publishers of free-to-play games for smartphones and tablets. The company will reach its goals by:

- Focusing on the needs of its target audience of women age 35 and over, maximizing the effect of the knowledge of its audience, the accumulated user base, and cross-marketing opportunities between its games.
- Offering its audience the continuous stream of new content (through updates to existing games), and new games, to keep players engaged with the company's products.
- Excelling in marketing, from cross-marketing between games and re-engagement of its existing audience to new user acquisition.
- In a safe way exploring the opportunities to expand the company's offering to other genres and target groups. This will be done through experimental projects with low financial risk, which may or may not succeed in the market, but will bring us experience and valuable insights.
- Achieving growth that exceeds market growth through the above means.

GAME TYPES

G5 currently offers two types of games, free-to-play games and unlockable games. Free-to-play games have significantly greater earning capacity because of their ability to retain and apply monetization pressure to players over long time periods. Continuous expansion of the game content through updates also helps extend the lifetime and earnings of free-to-play games. The unlockable games in G5's portfolio are largely a legacy from an earlier business model and today only account for a minor share of the company's revenues.

GENRES AND TARGET GROUPS

G5 Entertainment has a clear focus in relation to game genres and its target groups. The games offered are primarily in the genres "Hidden Object", "Puzzle" and "Time Management", in other words, adventure games where you progress by solving tasks and finding clues, puzzle games and games where the player acts as a manager and for example runs a supermarket.

G5's target group is women aged over 35, however, the largest part of the paying audience in some games are among women aged over 55. The competition for target groups is lower here than in other market segments, while the players are more loyal, play games for a long time and also prefer to play on tablets.

GEOGRAPHICAL MARKETS

Through G5's distribution channels, the company reaches a global market immediately after the release of a new game. G5's main markets are North America and Europe. During 2015, North America accounted for 66 percent of revenues, Europe for 19 percent, while Asia and the rest of the world combined accounted for the remaining share.

There is still substantial growth potential in the markets that the company targets today, while the demographic trends mean that the company's target audience will continue to grow in its main markets.

USER ACQUISITION

During the company's build-up phase, a large share of the revenue was utilized for user acquisition, in other words marketing. This has been a deliberate part of the strategy for reaching out and growing in terms of the number of downloads and active players. User acquisition is an important part of the business model for free-to-play games because the users play the game for a longer time and thus make a greater contribution to the game's revenues. Accordingly, the company's total user base is of great importance for the company's future earning capacity. Today G5 has grown and has reached a position as a well-established player with large volumes. As a result of the favorable performance, G5 decreased its investments, in relation to revenue, in user acquisition in the second half of 2015 in order to focus instead on improving the company's profitability.

COMPETITORS

Being a mobile games company, G5 operates in a highly competitive environment where the attention of its customers is targeted not only by mobile game developers but also by the broader games and entertainment industry. That said, it does not mean G5 competes with every single mobile games company on the market. For example, there is no real competition between G5 who targets women of age 35+, and companies targeting younger male audience of 13-34 age. G5 therefore does not compete, for example, with the makers of popular "war" games, although it operates in the same market space.

Within its specific niche, G5 has one of the largest offerings for the company's main target group on mobile. There are only few other established companies and products that consistently target the company's main target audience (women 35+), and create games similar in structure to the best selling games in G5's game portfolio. The success of the company will ultimately depend on its ability to continue offering its existing and new audience the best and most engaging experiences, which also monetize the audience well enough. In other words, the company needs to produce and/or license successful games and the overall results will depend on the company's ability to do this well. The management believes that, among direct competitors, G5 has one of the largest audiences in its narrow target segment of women 35+. The management therefore thinks that G5 has built a well-known brand with its core target audience and the company is well positioned to resist competition, continue strong growth, increase its market share, and possibly widen its target audience over time.

VALUE CHAIN

G5'S VALUE CHAIN

DEVELOPMENT

G5 develops and renews its portfolio of games in two different ways: through internal game development and through licensing of games from independent game developers. 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, although the company welcomes and fully supports outstanding successes among its game portfolio. The contractual agreements for the licensed games vary depending on numerous factors but the starting point of the negotiation is usually an even split of revenues between the developer and G5.

DISTRIBUTION AND PLATFORMS

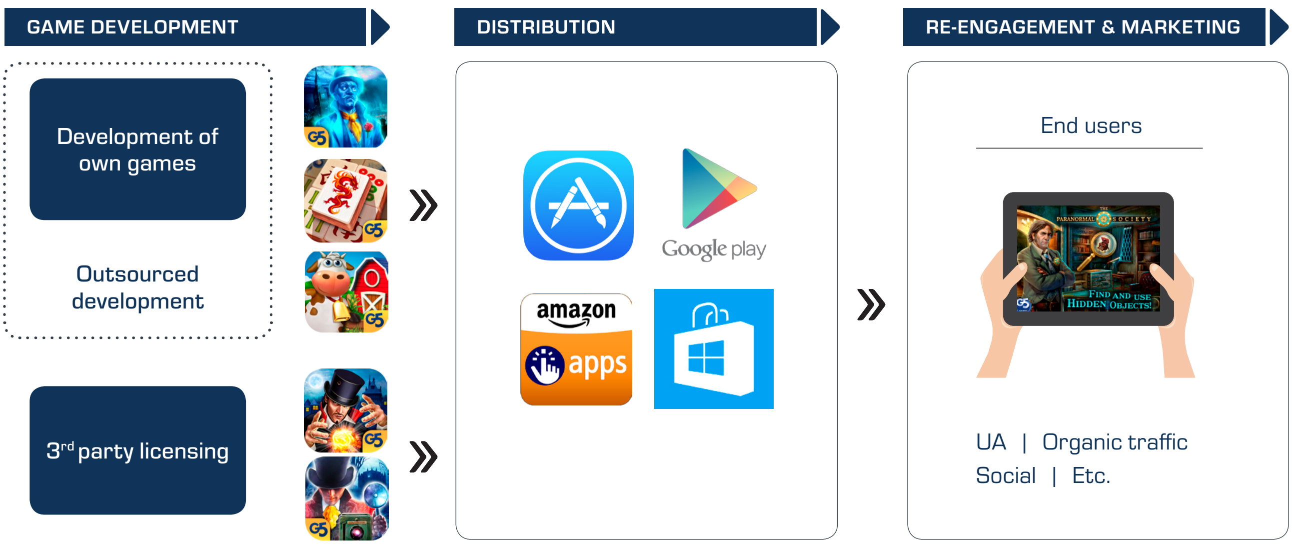
G5 distributes its own games and the licensed games through a number of strong and established application stores such as Apple App Store, Google Play, Amazon Appstore and Microsoft Windows Store. Through these stores the company instantly reaches a global market. In addition to distribution the stores are also taking care of hosting and payment processing from the end users. The stores usually charge 30 per cent of the revenues from each game which should be compared to the cost of running and maintaining global distribution and payments services. In addition the stores are also providing 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's games support both phones and tablets with any screen sizes, but for most of G5's games, the gaming experience is optimized for tablets, i.e. devices with larger screens. The fast growth in both the number of devices and users, and the time users spend playing, makes the mobile games market the only fast growing segment of the games market.

ENGAGEMENT AND ANALYSIS

G5 performs a thorough analysis of the customers' behavior in the company's games with the G5's own analytics platform. The insights obtained are used to improve the existing games in the portfolio through regular updates, with the goal to secure the return on the user acquisition investment, maximize the engagement, optimize monetization and improve the effect of cross-selling and in-game marketing. G5 is using various channels to increase the loyalty of its customer base, from in-app, to e-mail, social media as well as through its own community G5 Friends, that is available from within the company's games

VALUE CHAIN



- G5 develops proprietary games based on its own technology
- Currently G5 has 7 own free-to-play games in the market
- Development is made in cost effective geographies with a mix of in-house and 3rd party contractors
- G5 also licenses games from independent game studios which reduces the financial risk and increases the company's offering to various target audiences and experimental genres

- G5 uses strong distributors, Apple, Google, Microsoft and Amazon
- They charge approx. 30 per cent of revenue for which G5 taps into a global market without its own distribution and payment systems

- The users are regularly offered new updates for existing games and new games to try
- Own analysis secures the most efficient marketing efforts
- The users are tied to G5 through e-mail, social media and G5's own community, G5 Friends

OPERATIONS

G5 IS GROWING FASTER THAN THE MARKET

OPERATIONS

G5 is one of the leading developers and publishers of free-to-play games for tablets and mobile phones. G5, like the company's market, has grown strongly in recent years. The largest driver of this growth has been the rapid shift from the classic mobile phone and PC to smartphones and tablets.

The rapid developments in both software and hardware have also enabled the use of advanced graphics and processing of large quantities of information on mobile devices, which has made games increasingly advanced and high quality. In line with the increasing use of smartphones and tablets, the user base is constantly increasing and becoming more diverse. Today, games are the most popular activity on smartphones and tablets, and mobile games are the only fast-growing segment in the overall games market.

TIME FOR GAMES

The widespread adoption of smartphones and tablets, the quality of the mobile experience and the convenience of playing anywhere is what makes game users leave their traditional games platforms at a rapid rate and become mobile. And when they do so, tablets and smartphones become the game platforms, which are growing fastest in terms of the number of devices. "Casual games" of the type G5 offers also help to increase the user base, as these games are easy to start playing and suit a broader target group, both in terms of gender and age.

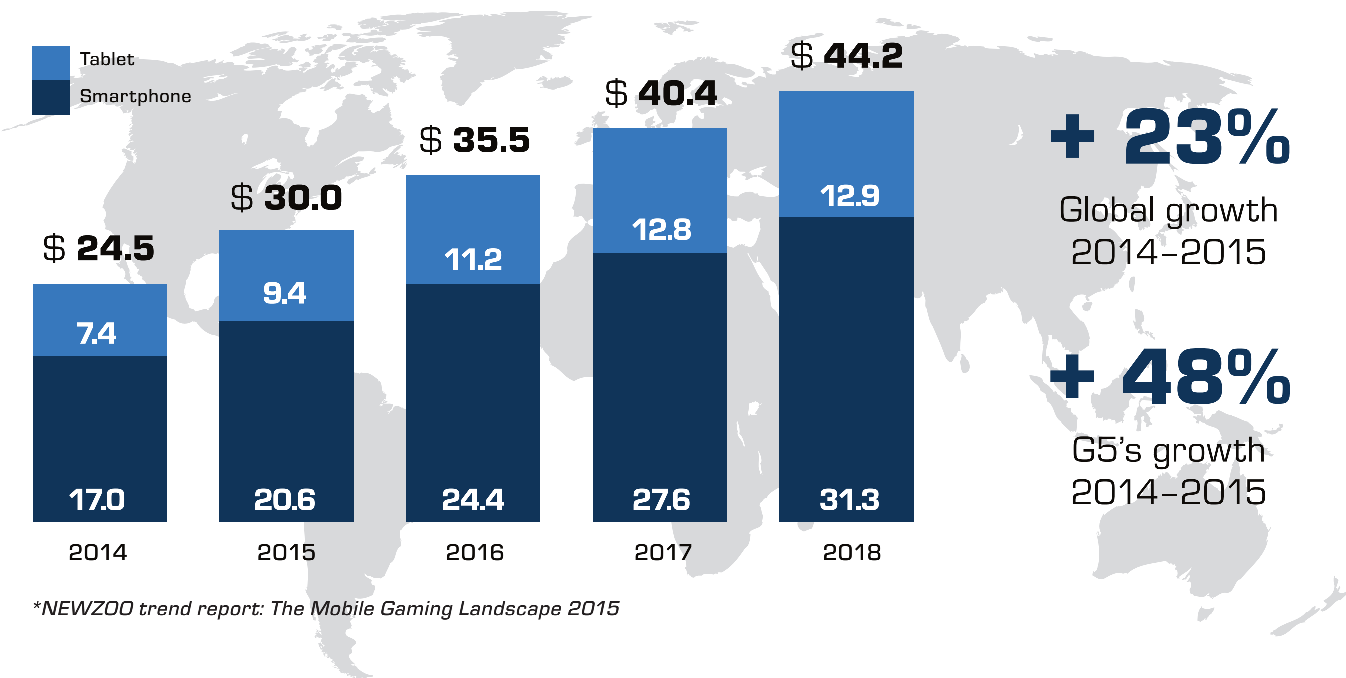
The average time that mobile players devote to playing games is constantly increasing. Roughly one third of the total amount of time that users of iOS and Android devices spend on their mobiles or tablets is devoted to games. Revenues from different types of mobile games are expected, according to the consultancy Newzoo, to increase from USD 24.5 billion in 2014 to USD 44.2 billion in 2018.

ATTRACTIVE TARGET GROUP

G5's games are addressed towards a broad spectrum of players, but the company has chosen to focus specifically on female players over 35 years of age. Back in 2009, G5 identified that this segment of mobile players was underserved by the games industry. The company developed and published games aimed specifically at this audience and the company had early success with this audience, which it has continued to cultivate over the years since. The competition in this segment of the market is relatively lower, and requires deep understanding of the needs of the audience, which is untypical for the traditional game developers. The company's target group has proven to be loyal players that can stay in the company's games for a year or more, and are unlikely to try to circumvent the game's monetization. They also prefer to use tablets for their gaming needs, which favors G5 games that are optimized for larger screens and provide large amounts of high quality and high definition content.

The company's main markets, North America and Europe, align perfectly with the strategy of the company, as the target audiences are large and able to pay and the demographic trends

Worldwide revenue from mobile games, USD bn



**NEWZOO trend report: The Mobile Gaming Landscape 2015*

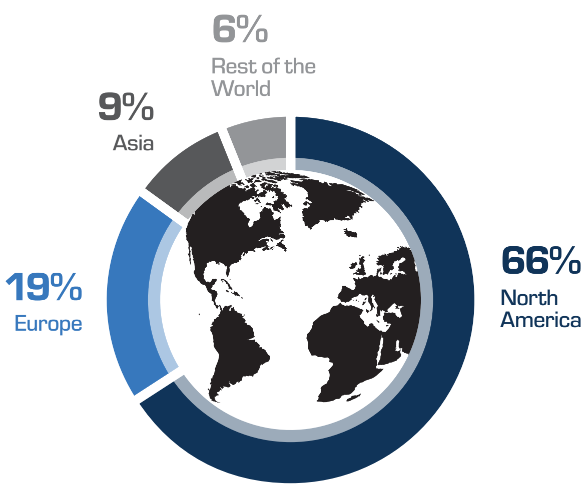
ensure that the company's audience will keep growing for many years.

Although the focus lies on the Western world and the games to some extent are adapted to this, the company's games are generally published in at least eleven different language editions and are available all over the world. A smaller part of the company's revenue comes from Asia where it seems that the company's target audience and the taste for company's games are gradually developing.

G5'S DEVELOPMENT

G5 has displayed strong growth in recent years, more than 64 percent per year on average over the past five years. This means that the company has grown faster than the overall market. In 2015, growth was 48 per cent and G5 has thus grown to a size where the company can take full advantage of its base, both in the form of increased revenues from the more than three million unique users that each month play one of the company's games, and in its ability to release updates to the existing games as well as completely new games in the market and place them on various top charts.

Revenue share by region



Target group

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

SUCCESS FACTORS

An attractive games portfolio

Nowadays the international mobile games market is dominated by free-to-play games. These games are more accessible for the audience as they do not require upfront payment, and provide a long lasting experience due to the fact that developers continue to update the games adding new content and challenges. This allows players to get into the game easily and get deeply engaged, which stimulates monetization and keeps players involved for a long period of time. Free-to-play games are free to download and play, but the player can make in-game purchases of virtual goods in the form of lives or tools that enable faster progress in the game, and the games are structured in such a way as to make purchasing virtual goods very rewarding for the player.

G5 has a games portfolio featuring a number of high-ranked casual free-to-play games, which are attractive for a large group of players. The casual games market consists of games of many genres, but G5 has chosen to focus on hidden object puzzle adventure games, and it also has strategy games and "time management" games – the types of games that work well with the company's audience. Of the thirteen free-to-play games in G5's portfolio today, seven are proprietary and six are licensed from other developers. Combined, these games account for about 90 per cent of revenues. Since the start, G5 has released a total of 16 free-to-play games in the market, and has removed three out of 16 from the market as those three did not meet performance expectations.

In addition to this, G5 also has a large portfolio of so-called unlockable games, which can be said to be a legacy from an earlier business model. In this model, revenue per user is limited to the price of the unlock and there is no point in providing updates to the game as they don't bring in additional revenue. The rapid development and high earning capacity of free-to-play games that led to their prevalence in the marketplace means that G5 will not continue to invest in unlockable games.

Proprietary games and licensing

G5's games portfolio is a mix of proprietary and licensed games. Historically, publishing games licensed from third party developers has provided G5 with the advantage of quickly growing the portfolio under its brand through licensing deals. The profit margins are lower on the licensed games, though, but the risks are lower as well, as the company does not bear the full development cost. Now that the company is a more established player in the market with more resources and established audience, the higher margins of proprietary games are more attractive, and the company is striving to boost the share of proprietary free-to-play games in its product portfolio. The licensing model still remains attractive for another reason. Through licensing deals, G5 can test new types of games and address new target groups at a lower cost, while learning from the games published through the company's analytics platform. Licensing efforts are led from the office in Malta where the company's Director of Licensing is based.

The internal game development is also led by G5's Malta office with 5 employees where the company's senior game producers, COO, and Development Director are also based, and the development studio in Moscow, with 16 senior development employees. The company's largest development office is located in Kharkov, Ukraine, where most of the programming and testing of the company's games occurs. G5 also uses a large number of third partner studios to outsource parts of game development, as is customary in the game development industry.

Since 2009, when G5 started publishing its own and partner games, G5 has built up comprehensive industry expertise and experience of game development by producing and publishing numerous proprietary games and publishing and overseeing the production of a large number of external development projects. The proprietary games in the company's portfolio include "Mahjong Journey®", "Supermarket Mania Journey®", "S.E.D: Special Enquiry Detail®", "Paranormal Society", "Virtual City Playground" and "Farm Life". Examples of licensed games are "Hidden City®" and "The Secret Society®".

Advanced publishing platform for free-to-play games

In addition to having a proprietary development platform (engine) for its proprietary games, G5 has over the years established an extensive publishing platform that provides substantial advantages to games published by G5 and is very attractive to third party developers who want to bring their games to the market. G5 has built the capacity for quality assurance, customer support, sales and marketing and user acquisition across multiple channels, including marketing within games. G5's own cross-selling network between the portfolio games and its own G5 Friends community provide additional means of cost efficient introduction of existing players to new games. The company has also developed a proprietary system for game analytics, which processes big data of how players use the games in real time to mine insights into how the game's retention and monetization can be improved. Another important function of the company's analytics platform is to track the relation between the cost of acquiring the user and the lifetime value of the user, to ensure effective investment of the company's marketing budget.

Efficient distribution and marketing channels

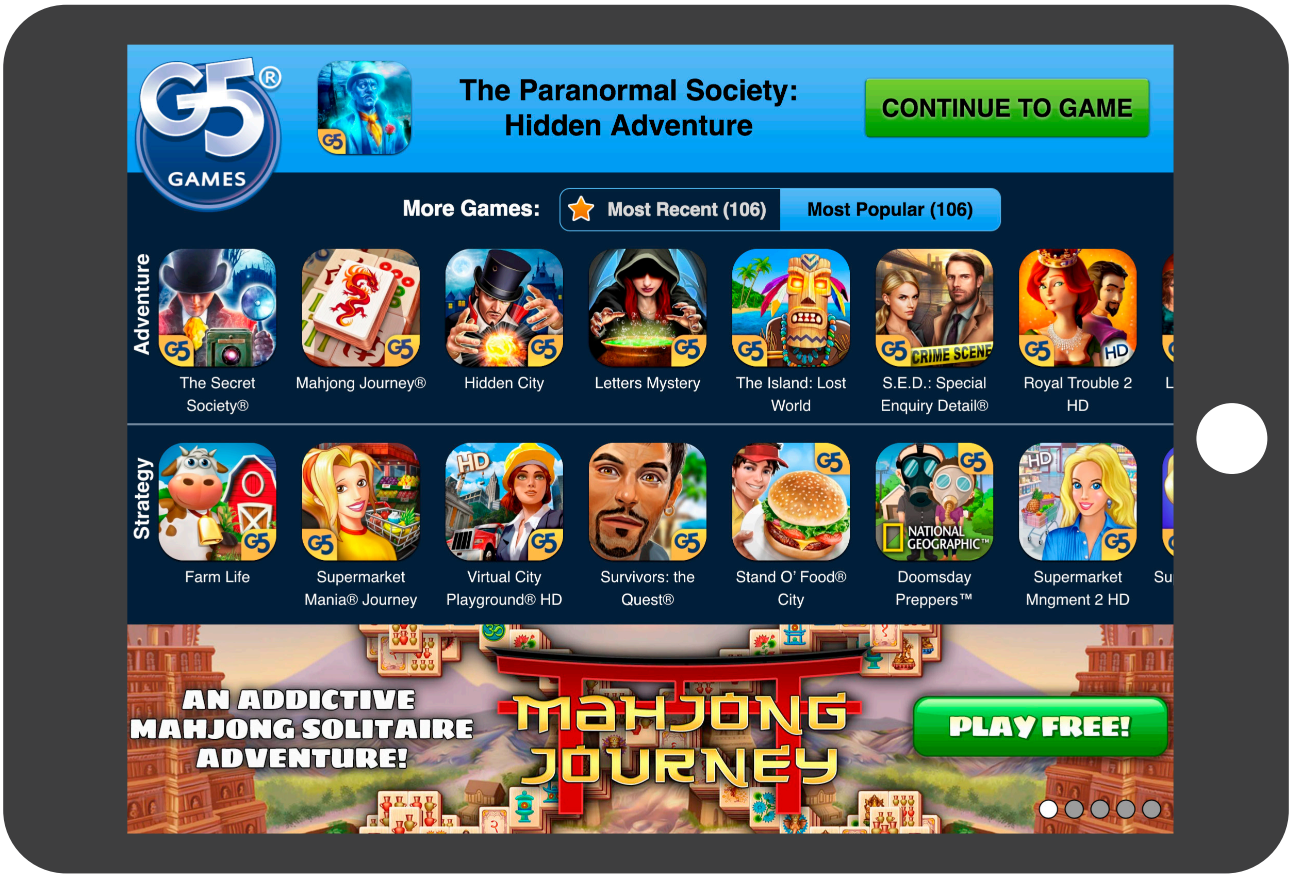
G5's games reach their end users, in other words individual players, through a few very strong and global distributors such as Apple's App Store, Google Play, Amazon Appstore and Microsoft's Windows Store. For a fee these stores are responsible for global hosting of game files, delivery to end users and operation of payment systems. The fee is normally 30 per cent of revenues generated by the games. Even though access to these distribution channels involves a cost for G5, the solution means that the company, instead of building up its own worldwide high performance payment and distribution channels, can focus on its core business, which is game development and marketing to end users. In addition to mentioned services provided by the distribution stores, they also bring substantial organic (free) traffic through the exposure in the store top ranks, which are often used by end users for the discovery of new games. Sometimes the company is able to secure store promotions from these stores, which brings in further benefit. The combination of services provided, the global reach, and marketing support provided by these stores makes the cost very reasonable for G5.

In recent years, G5 has built up comprehensive knowledge of user acquisition process, in other words the performance marketing that is deployed to attract new players to company's games, primarily through advertising in other popular mobile applications that choose to monetize their audience through advertising. During the repositioning process from unlockable games to free-to-play games, the company invested a significant share of its revenues in user acquisition with the intention to achieve high growth and create a substantial user base to scale the company to the level where earnings can be generated sustainably. The broad user base that has been created is also an asset in connection with future game releases, as the company can effectively direct existing players into new games.

G5 IN 2016 AND LOOKING AHEAD

G5 operates in a rapidly growing market, where revenues of mobile games are expected to show a strong growth the coming years, through the growth of the number of devices, the amount of time users spend playing on their devices, and the users' growing comfort with spending money in the games. The company has, within its niche of casual free-to-play games, a broad games portfolio with a growing number of proprietary, higher-margin games. G5 has focused on a financially strong and loyal target group, and has extensive understanding of its audience and experience of developing attractive games for its target group in several genres within free-to-play business model. The company's business model is simple, scalable, and has substantial inherent leverage. The number of players and the company's revenue can be increased without the need for a larger organization in place, and the company has already displayed very high growth over the past five years.

In the coming years, G5 will continue to develop and improve its proprietary free-to-play games and thereby improve the company's profitability while maintaining the growth. The company has a number of new free-to-play games for release during 2016, most of them proprietary. 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.



Cross marketing

The picture is showing an example of the landing page in a G5 game. The landing page exposes the players to other games in the G5 portfolio and makes it possible to offer the players new interesting games that appeal to their taste, providing G5 organic traffic to the new game releases.

DIRECTORS' REPORT

The Board of Directors and Chief Executive Officer of G5 Entertainment AB (publ), corporate identity number 556680-8878, hereby submit the Annual Report and the Consolidated Accounts for the operations of the parent company and group in the financial year January 1, 2015 – December 31, 2015. All amounts are reported in SEK thousands (KSEK), unless otherwise specified. Information in parentheses refers to the previous accounting year, that is to say 2014. 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.

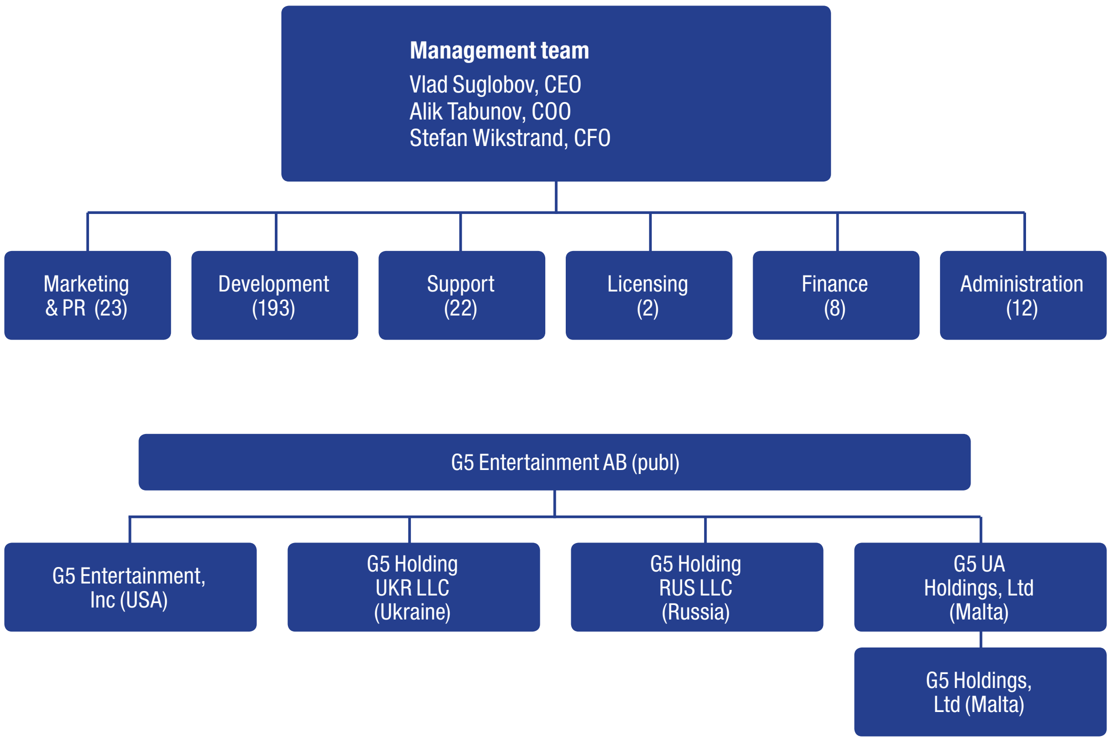
OPERATIONS

G5 is a developer and publisher of free-to-play games for smart phones and tablets. G5 is active in a market that has grown sharply with the wide spread adoption of smart phones and tablets. For a long time the biggest driving factor in this market and G5's growth has been the rapid transition from the classic mobile phones and PCs to smart phones and tablets.

Thanks to the rapid technological progress and the development of the 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 technological development and market penetration the user base has increased significantly but also broadened. With ever improving experience on mobile, many users choose to leave their traditional gaming platforms and become mobile. Casual games that are well adapted for mobile platforms are becoming more popular and helps broaden the user base. This is because casual games are easy to start playing for an inexperienced gamer, and therefore they appeal to a broader audience, both in terms of gender and age. 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.

Today games are the most popular activity linked to smart phones, and mobile games is the only fast-growing segment of the entire games market. About a third of the time users of iOS and Android devices spend on their mobile phone or tablet is devoted to games. The revenue from various types of mobile games is expected, according to analysis company Newzoo, to increase from $ 24.5 billion 2014 to 44.2 billion by 2018.

Organizational chart



G5 2015 onwards

G5 operates in a fast growing market, where revenues from tablet games is expected to triple by 2019. 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, not least in terms of the dominant free-to-play games. The business model is simple and scalable where the number of players can grow significantly without at the same time requiring a larger organization. The company has also shown a very high growth rate in the past five years.

In the coming years, G5 will continue to develop and improve its proprietary free-to-play games and thereby improve the company's profitability while maintaining the growth. The company has a number of new free-to-play games for release during 2016, most of them proprietary. 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 registered office in Stockholm, Sweden, is the parent company of the G5 group.

The group comprises six different functions, of which development and quality assurance is the largest by the number of employees. The CEO is based in San Francisco, where the group has a marketing office, but spends several months per year in Moscow, where the group has a development studio with a large part of the senior developers employed by the group. Game licensing and management of the group's IPRs (Intellectual Property Rights) is done from Malta where also the COO is stationed together with the second part of the senior development team. The CFO is stationed in Stockholm. The Ukrainian office is the largest in terms of the number of employees, and is where most of the game development and quality assurance takes place. During December a studio was also opened in Kaliningrad.

ACTIVITIES DURING 2015

During 2015 the company has continued to show a strong growth. The successful transition from unlockable games to free-to-play games has continued, and free-to-play grew by 76 per cent compared with 2014, and accounted for 88 per cent of revenue.

As in 2014, the company's investment in user acquisition increased during the year to support the company's growth. During the second half of the year, user acquisition in relation to revenue decreased in line with the company's communication to focus more on profitability.

Three new games were launched during the year. Supermarket Mania Journey® and S.E.D: Special Enquiry Detail® which both are G5's proprietary games. Rage of Realms, which is a licensed free-to-play game, was also launched in 2015. These games were released late in the year and G5 continues to work on improving them through regular updates. The updates contain both optimizations to improve profitability as well as additional content.

In addition the following launches were made in the year; Hidden City® was released on Google Play and Amazon Appstore, Majhong Journey ™ was released on Google Play and Amazon Appstore, Survivors: The Quest ™ was released on Google Play, Amazon App Store and Windows Store, The Island Castaway: Lost World ™ was released on Amazon App store and Windows Store and Letters From Nowhere Hidden Mystery ™ was launched for Mac App Store and the Windows Store.

Management has, in addition to game development, focused on continuous improvements to the development process to be able to update, enhance and analyze the portfolio of free-to-play games more efficiently.

The Board believes that G5 is well positioned for continued strong growth with a competitive and growing 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

No significant events have occurred after the end of the year.

REVENUE AND EARNINGS

Revenue and gross profit

Revenue grew by 48 per cent during the year, driven by the strong growth of the group's free-to-play-games. Revenue amounted to SEK 384.4 M (259.8). Revenue from free-to-play-games grew by 76 per cent compared to 2014.

The group's cost of revenue was SEK 201.1 M (143.7). Gross profit amounted to SEK 183.3 M (116.1), an increase of 58 per cent compared to 2014. Gross margin increased to 48 per cent (45), due to a relative increase in sales from games owned by G5.

OPERATING COSTS

Research and development

Costs for research and development increased by 42.5 per cent compared to 2014. Research and development costs are impacted by amortization and write-downs which amounted to SEK 29.6 M (19.0) and SEK 8.2 M (1.6) respectively. Adjusted for amortization and write-downs of the company's game portfolio the costs were SEK 12.0 M (14.4), a decrease of 16.2 per cent. The decrease is in part due to a larger share of free-to-play games and a more efficient development process which both facilitate a higher rate of capitalization of the development. Consequently this increases the capitalized development expenses.

Sales and marketing

Costs for sales and marketing are primarily affected by the costs for user acquisition. In line with the increase in costs for user acquisition the sales and marketing costs have increased by 115 per cent. User acquisition in relation to revenue has increased to 19.3 per cent (14.5). During the second half of the year the costs for user acquisition in relation to revenue has gone down inline with the communication to focus more on profitability.

Administration

Costs for administration has gone down to SEK 7.9 M (11.1), a reduction of 29 per cent. A large part of the reduction is related to a reclassification from administration to sales and marketing. During 2014, the company also had costs related to the listing on Nasdaq OMX.

Other operating income and operating expenses

Currency exchange rate differences on operational assets and liabilities have impacted the year negatively compared to 2014.

Operating profit

Operating profit was SEK 19.8 M (9.0) and the operating margin was 5 per cent (3). The increase was achieved despite increased amortization and write-downs compared to 2014. A large part of the operating profit was made during the second half of the year, in-line with the ambition to increase the focus on profitability.

Net profit

Net profit was marginally affected by financial items. Tax affected the result with SEK -4.4 M (-1.8) corresponding to a tax rate of 22 per cent (21). The tax rate varies between the jurisdictions where G5 has its operations and local legislation can have an impact on the tax rate for the group. During the year a retained loss in one of the subsidiaries impacted the taxes negatively.
Net profit amounted to SEK 15.3 M (6.8) which is corresponding to earnings per share of SEK 1.74 (0.77).

FINANCIAL POSITION

During the year the company has capitalized development expenses amounting to SEK 50.2 M (32.4), primarily on the portfolio of free-to-play games. The company amortizes its games over 24 months. 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 free-to-play games. Amortizations amounted to SEK 28.0 M (17.9). Write-downs, which is a part of the ongoing business with a games portfolio, amounted to SEK 8.2 M (1.6). Capitalized development expenses are also impacted of currency exchange differences of SEK 8.6 (10.5) 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 94.3 M (71.7).

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 and debts to external developers.

Equity amounted to SEK 123.3 M (104.4) corresponding to a equity/asset-ratio of 70 per cent (71).

BUSINESS AND FINANCIAL RATIOS	2015	2014
Equity/asset-ratio	70%	71%
Return on equity	13%	7%
Return on total assets	12%	7%
Current ratio	1.4	1.6

CASH FLOW

During the year the group had an operating cash flow before changes in working capital of SEK 56.2 M (38.6). Cash flow before investing activities amounted to SEK 54.8 M (39.8). Investments have impacted the cash flow with SEK -54.1 M (-34.7). Investments are primarily constituted of capitalized development expenses that amounted to SEK -50.2 M (-32.4). Staff increases along with a high level of activity during the year has increased the capitalized development expenses. During the year a large number of updates and game versions for new platforms have been released for the existing portfolio, the company has also released three new games that impact the investments during the year.

Cash flow amounted to SEK 0.9 M (5.1).

Available cash on December 31, 2015 amounted to SEK 33.9 M (32.9).

EMPLOYEES

As of December 31, 2015, G5 had 262 employees across six locations, Stockholm (2), San Francisco (4), Malta (), Moscow (11), Kharkov (218) and Kaliningrad (21). The majority of the staff is employed locally, many of them being skilled engineers. G5 constantly strives to attract employees that are essential for the company to maintain a strong market position. The company's HR department in Kharkov cooperates with local universities to scout for candidates. G5 is working pro-actively with the recruitment process, approaching students with challenging tests and case studies, in order to attract them. G5 has a training program, where new engineers and designers initially start as associates and increasingly get involved in the company's projects under supervision and coaching of more senior colleagues. The same applies for corporate functions within its operations department. The company is providing a competitive compensation package for its employees, which is in line with, or above the local standards.

RESEARCH AND DEVELOPMENT

G5 has developed and owns the unique Talisman™ cross-platform mobile technology and Development Tools that facilitates a cost-efficient, high-quality development process for multiple platforms. The Talisman™ technology is being continuously improved to be adapted in accordance with rapid technological progress. In addition, the company has two technical platforms, one for free-to-play and one for unlockable games, the analytics platform and the publishing platform. The company also has some smaller development projects for which the expenses are not capitalized.

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, 2015, G5 Entertainment's share capital was 880,000 SEK divided between 8,800,000 shares, at quoted value of 0.10 SEK per share. The average number of outstanding shares during the year is 8,800,000 shares. Each share confers equal rights to participation in G5's assets and earnings and confers the holder with one vote. No shareholder owns more than 10 percent of the total number of outstanding shares.

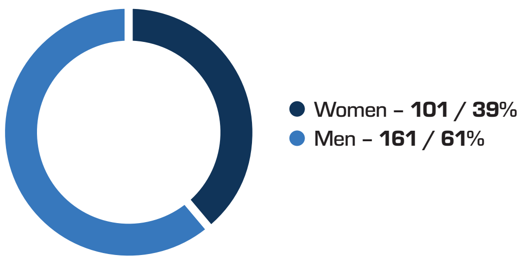
The annual general meeting 2015 authorized the Board of Directors to issue 880,000 shares, with or without deviation from the shareholders' preferential right. No issue of share was made during 2015.

For more information regarding the share, see page 56.

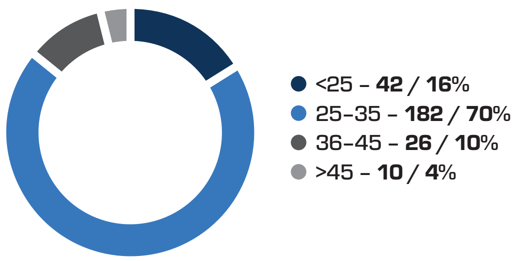
ENVIRONMENT

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

Employee gender distribution



Employee age distribution



RISKS AND RISK MANAGEMENT

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

Market and operational risks

Market conditions

The company operates in a new and rapidly changing industry, which makes it difficult to evaluate the business and prospects. Mobile gaming market, from which G5 derives substantially all of its revenue, is an immature market and a new and rapidly evolving industry. The growth of the mobile 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 to relatively rapid changes in the tastes and preferences of its current and potential players. New and different types of entertainment may increase in popularity at the expense of mobile gaming. A decline in the popularity of mobile gaming in general, or the company's games in particular would harm its business and prospects.

Political risk

G5 faces political, regulatory and economic risks as a result of its international operations and game development business, any of which could have adverse effect on the operations of G5. Political, economic and social instability, including potential hostilities in Ukraine could potentially negatively impact the company given that G5 has a development studio in Kharkov, Ukraine where it employs almost 220 people as of December, 2015. It is the group's policy to keep critical code and materials backed up outside Ukraine, keep intellectual property rights in EU entities, and transfer funds to subsidiaries on as-needed basis.

Competition

G5's success depends on the company's ability to develop and/or license new and innovative games. Competition within the broader entertainment industry is intense and G5's existing and potential users may be attracted to competing forms of entertainment such as offline and traditional online games, television, movies and sports, as well as other entertainment options on the Internet.

If G5 is unable to sustain sufficient interest in its mobile games in comparison to other forms of entertainment, including new forms of entertainment, the business model may no longer be viable.

There are relatively low barriers to entry in the mobile games industry compared to other games markets and competition is intense when it comes to the development of games. G5 expects more companies to enter the sector and a wider range of games to be introduced. The company's competitors that develop games for mobile devices vary in size and include large international game publishers such as Electronic Arts, Zynga, Gameloft, as well as global game networks like DeNA and Gree, and smaller publishers like Gamevil and Glu Mobile, as well as more focused mobile casual game providers including Rovio and others. Free-to-play competitors include King.com, Supercell and Pocket Gems. In addition, traditional online game developers and distributors who are currently primarily focused on specific international or video games market segments, such as Activision in USA or Tencent Holdings Limited in Asia, may decide to develop 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, with Apple and Google being the most important. G5 generates substantially all of its revenue and a majority of its user leads through these distribution channels and expects to continue to do so for the foreseeable future. Deterioration in G5's relationship with these companies can harm G5's business.

G5 is subject to Apple's, Google's, Amazon's, and Microsoft's standard terms and conditions for application developers, which govern the promotion, distribution and operation of games on relevant platforms stores: Apple App Store, Google Play, Amazon Appstore and Windows Store.

G5's business would be harmed if any of the above mentioned distributors discontinue or limit access to its respective platform by G5 and other game providers, modify its terms of service or other policies, including the provisions on revenue share, on how the personal information of its users is made available to application providers on the respective platform, establish more favorable relationships with one or more of G5's competitors, or develop their own competitive mobile game offerings. The distributors have broad discretion to change the terms of service and other policies with respect to G5 and other game providers, and those changes may be unfavorable to the company.

G5 and other game providers have benefited from the distributors' strong brand recognition and large user bases. If one or more of the distributors lose their market position or otherwise fall out of favor with their user base, G5 will need to identify alternative channels for marketing, 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, or from additional time needed to receive certifications and approvals from game rating agencies, platform owners, and distribution channels (electronic download stores).

Technological developments

Like all game publishers, the group is dependent on technological advances. G5 continuously has to adapt to new technologies for game development, new distribution models based 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. Ongoing capitalized development expenses, where amortization has not started, are tested for impairment at least annually. 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 Ukraine and Russia, and some risks, that in developed countries can be insured, cannot be insured in Ukraine and Russia where the group has operations. Costs for such unforeseen risks can therefore arise.

Financial risks

Currency exposure

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

The company does not hedge these risks at present, as the net exposure to any of these currencies is considered to be too small to justify active hedging.

Interest risks

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

Credit risks

Credit risk related to accounts receivable 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 use external developers. Agreed consideration is a combination of upfront and royalty-based payments. Prior to the development of new games there are sometimes agreements to pay advances to the developers. These are recognized as other receivables on the balance sheet.

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

Funding risks

For companies doing business in fast-growing markets, it is difficult to make precise medium or long-term financial forecasts. Given the rapid changes brought on by competitors' actions or other market developments, the company may in the future need additional working capital, and turn to financial markets to attract such capital. If G5 is not able to raise funds, in time, at all, or on acceptable conditions, or if the company fails to meet its obligations under the company's credit arrangements, it may have an adverse effect on G5's business, financial position and profits.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The Board of Directors will propose that the 2016 Annual General Meeting approves the following guidelines for remuneration to senior executives. Senior executives include the CEO and other members of the executive management team. Compensation levels should be competitive and negotiated annually. The CEO and other senior executives are remunerated partly by a fixed monthly salary and partly through variable compensation based on the groups profitability. Variable compensation shall be calculated quarterly by 10 percent on the portion of operating income that exceeds an operating margin of 5 percent. This 5 percent operating margin reduction however does not apply when/while there is negative carried balance due to losses in previous periods. The variable compensation will be distributed such that 40 percent shall accrue to the Company's CEO and the remaining 60 percent can be allocated to the executive management team. A potential operating loss in a quarter reduces the calculation basis for variable compensation in subsequent quarters. The CEO's and the management's overall variable compensation for the year may not exceed 60 percent of each person's annual salary and is not included in the base for pension 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. Similarly, other benefits for senior executives shall be competitive and in substance the same as for other employees. The employment agreements with senior executives shall contain a notice period of at least 3 months for the employees and a maximum of 12 months from the Company. Upon termination by the Company a severance pay may at most be equal to the fixed monthly salary for 12 months. The Chairman of the Board negotiates the yearly remuneration of the CEO and concludes agreements after approval from the board. The CEO negotiates compensation to senior executives and concludes agreements after approval by the Board. The Board may, if special reasons for doing so exist, make minor changes on an individual basis from the above guidelines.

For senior executive remuneration 2015, 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. Although the Board of Directors has no reason to believe that dividend payments under this policy will not be made in the future, there can be no assurance that any annual dividend will actually be paid, nor can there be any assurance as to the amount to be paid in any given year.

As the market currently undergoes a phase of fast growth, the Board believes the management should focus on maintaining a 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 50 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 2 (2) employees. The average number of employees during the year was 2 (2).

- Sales amounted to SEK 383.5 M (259,7)
- Operating result amounted to SEK 4.4 M (8.9)
- Result after net financial items amounted to SEK 4.4 M (11.1)
- The parent company's liquidity as of December 31, 2015 was SEK 25.6 M (27.8)

The parent company's revenue and profit development is explained by the same factors as for the group. Sales increased due to the strong growth of free-to-play-games, while costs increased due to commissions to subsidiaries, user acquisition expenses, and partly from increased cost of staff.

OUTLOOK

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

PROPOSED ALLOCATION OF PROFITS

The Board of Directors will suggest to the Annual General Meeting that no dividend is paid for the financial year 2015. The following non-restricted equity in the parent company is at the disposal of the Annual General Meeting (KSEK):

Share premium reserve	54,160
Fair value reserve	11,519
Profit carried forward	38,819
Net result for the year	3,742
Total	**108,240**

Dividend	0
To be carried forward as:	
Share premium reserve	54,160
Fair value reserve	11,519
Profit to be carried forward	42,561
Total	**108,240**

GROUP FINANCIAL RESULTS

INCOME STATEMENT – GROUP

KSEK	Note	2015	2014
Net turnover	C3	384,369	259,836
Cost of revenuer		-201,094	-143,688
Gross profit		**183,274**	**116,148**
Research and Development expenses		-49,840	-34,971
Sales and Marketing expenses		-82,737	-38,533
General and administrative expenses		-28,113	-32,202
Other operating income		2,549	1,803
Other operating expenses		-5,346	-3,231
Operating result	C4, C5, C6, C7, C8, C17	**19,788**	**9,015**
Financial income		38	42
Financial expenses		-48	-439
Operating result after financial items	C9	**19,778**	**8,618**
Taxes	C10	-4,448	-1,804
NET RESULT FOR THE YEAR		**15 330**	**6,814**
Attributed to:			
Parent company's shareholders		15,330	6,814
Non-controlling interest		-	-
Earnings per share			
Weighted average number of shares (thousands)		8,800	8,800
Earnings per share (SEK) before and after dilution		1.74	0.77

STATEMENT OF COMPREHENSIVE INCOME – GROUP

KSEK	2015	2014
Net result for the year	**15,330**	**6,814**
Items that later can be reversed in profit		
Foreign currency translation differences (net after tax)	3,485	8,553
Total other comprehensive income for the year	**3,485**	**8,553**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**18,815**	**15,367**
Attributed to:		
Parent company's shareholders	18,815	15,367
Non-controlling interest	-	-

BALANCE SHEET – GROUP

KSEK	Note	Dec 31, 2015	Dec 31, 2014
Fixed assets			
Intangible fixed assets	C11		
Capitalized development costs		94,269	71,680
Goodwill		2,293	2,302
		96,562	**73,982**
Tangible fixed assets	C12		
Equipment		4,634	2,892
		4,634	**2,892**
Deferred tax assets	C10	2,310	1,025
Total fixed assets		**103,506**	**77,899**
Current assets	C14, C20		
Accounts receivable		9,881	7,569
Tax receivable		175	0
Other receivable		3,952	7,327
Prepaid expenses and accrued income	C16	25,197	21,536
Cash and cash equivalents		33,870	32,864
Total current assets		**73,075**	**69,297**
TOTAL ASSETS		**176,581**	**147,195**
Equity	C13		
Share capital		880	880
Other capital contribution		54,203	54,032
Other reserves		12,060	8,575
Profit brought forward		56,202	40,871
Total shareholders' equity		**123,345**	**104,359**
Current liabilities	C20		
Accounts payable		12,320	12,893
Other liabilities		1,225	1,593
Tax liabilities		6,438	2,326
Accrued expenses	C16	33,253	26,025
Total current liabilities		**53,236**	**42,837**
TOTAL EQUITY AND LIABILITIES		**176,581**	**147,195**

CHANGES IN SHAREHOLDERS' EQUITY – GROUP

KSEK	Share capital	Other capital	Other reserves	Retained earnings	Sharehold-ers' equity
Shareholders' equity as of 2014-01-01	**880**	**54,032**	**22**	**34,058**	**88,992**
Net result for the year				6,814	6,814
Total other comprehensive income			8,553		8,553
Total comprehensive income for the year			**8,553**	**6,814**	**15,367**
Shareholders' equity as of 2014-12-31	**880**	**54,032**	**8,575**	**40,872**	**104,359**
Eget kapital 2015-01-01	**880**	**54,032**	**8,575**	**40,872**	**104,359**
Net result for the year				15,330	15,330
Total other comprehensive income			3,485		3,485
Total comprehensive income for the year			**3 485**	**15,330**	**18,815**
Premium for warrant program		171			171
Total transactions with the owners recognized directly in equity		**171**			**171**
Shareholders' equity as of 2015-12-31	**880**	**54,203**	**12,060**	**56,202**	**123,345**

CASH FLOW – GROUP

KSEK	Note	2015	2014
Cash flow from operating activities	C21		
Operating result after financial items		19,778	8,618
Adjusting items not included in cash flow		38,710	31,286
		58,488	39,904
Taxes paid		-2,273	-1,345
Cash flow before changes in working capital		**56,215**	**38,559**
Cash flow from changes in working capital			
Decrease in operating receivables		-6,064	-19,216
Increase in operating liabilities		4,627	20,478
Cash flow from operating activities		**54,778**	**39,821**
Investing activities			
Investing in equipment		-3,854	-2,373
Investing in capitalized development costs		-50,235	-32,358
Cash flow from investing activities		**-54,089**	**-34,731**
Financial activities			
Premium for warrant program		171	-
Cash flow from financial activities		**171**	**-**
Cash Flow		**860**	**5,090**
Cash at the beginning of the year		**32,864**	**27,433**
Cash flow		860	5,090
Exchange rate difference		146	342
Cash at the end of the year		**33,870**	**32,864**

GROUP NOTES

Note C1 – Accounting principles

General information
G5 Entertainment AB (publ) is the parent company for a group of active companies: G5 Holdings Ltd. (Malta), G5 Holding RUS LLC (Russia), G5 Entertainment Inc (USA), and G5 Holding UKR LLC (Ukraine).

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

This Annual Report was approved for publication by the Board of Directors on April 27, 2015. The 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. No assets or liabilities have been accounted at fair value.

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

Accounting policy for the parent company, see Note C2.

Fiscal year info
Fiscal year 2015 is from January 1, 2015 up to December 31, 2015.

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
New and amended standards approved by the European Commission

New and amended standards that have entered into force from 2015 have not impacted the financial reporting of the group.

New standards and interpretations not yet adopted by the group

International Accounting Standard Board (IASB) has published a number of changes in standards that will be in force during 2016 and 2017. None of these is expected to have any significant financial impact on the financial statements of the group.

IASB has also issued a number of extensive standards that come into force in 2018 and 2019 respectively:

- IFRS 9 Financial Instruments. The standard will replace IAS 39 Financial Instruments Recognition and Measurement. It contains rules for the classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting. The standard will be applied from 2018 but is yet to be approved by the EU. The Group estimates preliminarily that the new standard will not have any material impact on the financial statements.
- IFRS 15 Revenue from Contracts with Customers. The standard addresses the accounting of revenue from contracts and from the sale of certain non-financial assets. It will replace IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. The standard will be applied from 2018 but is yet to be approved by the EU. The Group estimates preliminarily that the new standard will not have any material impact on the financial statements but lead to increased disclosure requirements.
- IFRS 16 Leases. In January 2016 the IASB published a new leasing standard that will replace IAS 17 Leases and related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities relating to all leases, with some exceptions, are recognized in the balance sheet. This report is based on the view that the lessee has a right to use an asset for a specific period of time and at the same time an obligation to pay for that right. The standard is applicable to fiscal years beginning January 1, 2019 or later. Early application is permitted provided that also IFRS 15 Revenue from Contracts with Customers is applied. The EU has not yet adopted the standard. The Group estimates preliminarily that existing leases (Note C17) will be affected by this standard.

Changed classification in the income statement
From 2015, G5 is reporting revenues including fees to distributors. Previously the company reported total revenue based on the amounts actually paid to the company, after the third party distributors have taken their fees. The change means that the amounts spent by G5's customers, the players, including fees to distributors, are now reported as consolidated revenue. This increases reported revenue by approximately 40% compared with the previous revenue recognition. Fees to distributors are classified as cost of revenue. There is no change in the

timing of when revenue is recognized.

From 2015, G5 also reports revenues and costs in a function-based income statement format. Operational costs are classified as Cost of revenue, Research & development, Sales & marketing, and General & administrative expenses. This change is being done both because a functionally divided lineup is expected to provide a more transparent picture of G5's profit developments, and to get a better comparability with other public companies in the industry in which the company operates. A number of such companies is using functional income statements.

Comparative figures for 2014 have been adjusted to reflect these changes. For more information, see Note C22.

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

Research and development consist mainly of salaries, bonuses and other benefits for the company's developers. It also includes external services, as well as premises and other indirect costs attributable to the company's research and development. Costs for software and hardware development are expensed. Development costs incurred before the game is launched, and that is 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 consists 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 administration expenses consists 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.

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.

Subsidiaries are recognized using acquisition accounting. With this method, acquisition of a subsidiary is regarded as a transaction whereby the group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis establishes the fair value of acquired identifiable assets and assumed liabilities on the acquisition date, as well as any non-controlling interest. Transaction expenses, except for transaction fees attributable to issued equity or debt instruments are recognized directly in profit/loss for the year.

In business combinations in which the transferred payment, any non-controlling interest, and fair value of previously held interest (for incremental acquisitions) exceeds the fair value of acquired assets and assumed liabilities that are recognized separately, the difference is recognized as goodwill. When the difference is negative, it is recognized directly in profit/loss for the year. Contingent considerations are recognized at fair value on the date of acquisition. In cases where contingent considerations are presented as equity instruments, no revaluation is done and adjustments are made in equity. Other contingent considerations are revalued at each reporting date and the change is recognized in profit/loss for the year.

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 iTunes App Store, Google Play, and Amazon Appstore.

Revenue is recognized on an accruals basis in accordance with the substance of the relevant agreements.

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

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

Interest income is reported continuously and dividends received are reported after the right to the dividend is deemed secure.

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

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, as well as premises and other indirect costs attributable to the company's research and development. Costs for software and hardware development are expensed. Development costs incurred before the game is launched, and that is 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.

Financial revenue and expenses

Financial revenue and expenses comprise interest income on bank balances and receivables, interest expenses on liabilities and exchange rate differences.

Leasing

Leased assets

Leases are classified as finance leases or operating leases. Finance leases are when the economic risks and rewards of ownership have been substantially transferred to the lessee. All other leases are classified as operating leases.

Assets leased under operating leases are not recognized as an asset on the balance sheet. Operating leases do not give rise to a liability.

Operating leases

Costs pertaining to operating leases are recognized in the income statement on a straight-line basis over the lease term. Incentives received in con-junction with signing a lease agreement are recognized in the income statement as a reduction of the leasing payments on a straight-line basis over the lease term. Variable charges are expensed in the periods when they arise.

Intangible assets

Goodwill

Goodwill is the positive difference between the acquisition value of a business combination and the net fair value of acquired identifiable assets, liabilities and contingent liabilities. Goodwill can be viewed as a payment for future financial benefits that cannot be separately identified, nor accounted separately.

Goodwill is valued at acquisition value less potential accumulated write-downs. Goodwill is divided to cash-generating units and is not amortized but subject to impairment tests at least annually, see the "write-downs" heading below.

Capitalized development costs

Development costs are only capitalized if the expenses are expected to result in identifiable future financial benefits that are under the control of the group, and it is technologically and financially possible to complete the asset. The costs that can be capitalized are costs that are invoiced externally, direct costs for labor and a reasonable portion of indirect costs. Other development costs are expensed in the income statement as they arise. Capitalized development costs are accounted at acquisition value, less deductions for accumulated amortization.

Amortization of capitalized development costs occurs when the asset has been active for six months. The first six months are used to prepare and calibrate the product, no depreciation is therefore immediately after launch. 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 expected from the use or disposal of the asset. The gain or loss resulting when an intangible fixed asset is removed from the balance sheet is accounted in the income statement. The gain or loss is calculated as the difference between the potential net revenue from the divestment and the asset's carrying amount.

Tangible fixed assets

Expenditure for tangible fixed assets is accounted in the balance sheet when it is likely that the future financial benefits associated with the asset will arise for the group and the asset's acquisition value can be reliably calculated. Tangible fixed assets are accounted at acquisition value less accumulated depreciation according to plan and potential write-downs. The acquisition value comprises the purchase price directly attributable to the asset. The carrying amount of the asset is removed from the balance sheet upon disposal or divestment, or when no future financial benefits are expected from the use or disposal/divestment of the asset.

The gain or loss that results when a tangible fixed asset is removed from the balance sheet is accounted in the income statement. The gain or loss is calculated as the difference between the potential net revenue from the divestment and the asset's carrying amount.

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 assets with indeterminable useful lives are not amortized. Instead, an impairment test is applied pursuant to IAS 36 by comparing the asset's recoverable value and its carrying amount. This test is conducted annually, or at any time there are indications of value impairment of the intangible asset. Evaluations of amortization methods and useful lives are conducted annually.

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. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. 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 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.

Benefits for employees

The employee benefits are only defined contribution plans. The group has no defined benefit plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Provisions are only accounted coincident with termination of employees if the group has demonstrably committed to conclude employment before the normal time, or when remuneration is paid to encourage voluntary redundancy. In those cases the group issues redundancy notices, a detailed plan, which as a minimum, includes information on workplaces, positions and the approximate number of people affected, and the remuneration for each employee category, or positions and the time for conducting the plan.

Financial instruments

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Financial liabilities within the G5 group are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

The effective interest method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liabilities.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis.

Classification

The G5 group classifies its financial assets and liabilities for the financial year 2014 and 2015 in the following categories:
Loans and receivables and financial liabilities measured at amortized costs.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The group's loans and receivables comprise account receivables, other receivables, accrued income and cash and bank in the balance sheet.

Accounts receivable and other receivables are reported in the amounts that are expected to be received after deductions for bad debts, which are assessed on an individual basis. The expected term of accounts receivable and other receivables in the group is short, which is why the amount is reported at nominal value without discounting. Any impairment is reported in operating expenses.

Financial liabilities measured at amortized costs

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

The 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.

Impairment of financial assets

Loans and receivables

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments.

Earnings per share

Earnings per share have been calculated pursuant to IAS 33. Earnings per share are calculated by earnings attributable to holders of ordinary shares of the parent company are divided by the weighted average number of ordinary shares at the end of the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by assuming conversion of all dilutive potential ordinary shares. For the warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants.

Provisions

Provisions are accounted in the balance sheet when a legal or informal commitment arises as a consequence of an event that has occurred and it is likely that an outflow of financial benefits will be necessary to settle the commitment and a reliable estimate of the amount is possible. The provision is accounted at an amount corresponding to the best estimate of the disbursement necessary to settle the commitment. Provisions are liabilities that are uncertain in terms of the amount or timing of when they will be settled.

Contingent liabilities

Contingent liabilities are potential commitments sourced from events that have occurred and whose incidence may be confirmed only by one or more uncertain future events occurring or not occurring, which do not lie entirely within the group's control. Contingent liabilities may also be existing commitments sourced from events that have occurred but that are not accounted as a liability or provision because it is unlikely that an outflow of resources will be necessary to settle the commitment, or the size of the commitment cannot be estimated with sufficient reliability.

Cash flow statement

The cash flow statement has been prepared pursuant to the indirect method. Cash flow from operating activities is calculated proceeding from net profit/loss. The profit-loss is adjusted for transactions not involving payments made or received changes in trade-related receivables and liabilities, and for items attributable to investing or financing activities.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances. At present, the group has no short-term investments.

Segment reporting

GG5's business, development and sales of casual games for mobile platforms, is global, and both games and sales channels are the same regardless of where the players are. The company measures revenue for each game, but does not divide all costs, assets and liabilities by game. The operations and the Group's financial performance and position cannot be divided into different segments in such a way that it improves the ability to analyze and manage the company. For this reason, the Board analyzes the consolidated financial position of the Group as a whole, i.e. as one segment.

Note 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. For capitalized development expenses that have not yet been taken into use, historical data for comparable games is used.

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.

Advances to external developers

Advances to external developers are continuously evaluated and tested for impairment. Basis of calculation for valuation of the item is largely in line with the calculations for capitalized development expenses. For more information, see Note C14.

Goodwill

G5 tests annually whether there is an impairment need of goodwill. For more information, see Note C11.

Deferred tax assets

To determine the current tax liabilities and current tax assets as well as the provisions for deferred tax liabilities and deferred tax assets management needs to make estimates and judgments, especially in the valuation of deferred tax assets. In this process the tax result of each of the countries in which the group conducts its business needs to be evaluated. The process includes assessing the actual current tax exposure together with assessing that temporary differences resulting from certain assets and liabilities are valued differently in the accounts and tax returns. Management must also assess the likelihood that deferred tax assets can be realized in future periods through the generation of taxable profits. For more information regarding deferred tax assets and liabilities, see note C8.

Note C3 – Classification of revenue and fixed assets

Revenue split by countries	2015	2014
Sweden	383,353	259,728
Other countries	158	108
Total	**383,511**	**259,836**

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.

Fixed assets (tangible and intangible asset) split by countries	2015	2014
Malta	97 402	74 994
Other countries	3 794	1 890
Total	**101 196**	**76 884**

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

Note C4 – Expenses by nature

	2015	2014
Fees to distributors	115 469	77 951
Royalty to developers and license fees	85 625	65 968
Research and development	25 041	17 168
Sales and marketing	77 439	38 533
Staff costs	50 415	39 755
Amortization and write-downs of capitalized development costs	36 221	19 480
Capitalized costs	-50 235	-32 358
Other costs	21 809	23 127
Total	**361 784**	**249 624**

Note C5 – Audit fees

	2015	2014
Auditing within the audit assignment		
Mazars	616	693
Other auditing firms	27	27
Other auditing tasks		
Mazars	335	682
Total	**978**	**1 402**

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

Note C6 – Employees

The staff consists of employees in the active subsidiaries.

Gender distribution	2015	2014
Men	140	124
Women	87	69
Total	**227**	**193**

Average number of employees by country	2015	2014
Sweden	2	2
Malta	4	2
Russia	15	16
Ukraine	203	169
USA	4	4
Total	**227**	**193**

Executive management team	2015	2014
Men	3	4
Women	-	-
Total	3	4

Board of directors	2015	2014
Men	4	5
Women	1	-
Total	5	5

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

Total staff remuneration	2015	2014
Salaries	41,534	32,882
Social security*	8,566	6,993
Total	**50,100**	**39,875**

*of which pension costs 294 (305) KSEK

The CEO and other senior executives are remunerated partly by a fixed monthly salary and partly through performance bonuses.
Bonus shall be calculated quarterly by 10 per cent on the portion of operating income that exceeds an operating margin of 5 per cent. The bonus amount will be distributed such that 40 per cent shall accrue to the Company's CEO and the remaining 60 percent shall be allocated to the executive management team.
A potential operating loss in a quarter reduces the calculation basis for bonus in subsequent quarters. The CEO's and the management's overall bonus for the year may not exceed 60 per cent of each person's annual salary.
Any 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 for senior executives shall be competitive and in substance the same as for other employees. Other benefits/compensation includes compensation to Jeffrey Rose for legal advice, healthcare insurance for managers, etc.
The CEO and the members of the executive management team are also given the opportunity to participate in the group's warrant program, see Note C13.
The employment agreements with senior executives shall contain a notice period of at least 3 months for the employees and a maximum of 12 months from the Company. Upon termination by the Company a severance pay may at most be equal to the fixed monthly salary for 12 months. The contracts of the CEO and the members of the executive management team include certain non-compete provisions for the period of employment and six months after the termination of employment.

The annual general meeting 2015 resolved that the remuneration to the chairman of the Board should amount to SEK 300,000 and SEK 150,000 each to the other members. In addition an annual fee is paid to the members of the audit committe, SEK 30,000 to the chairman and SEK 15,000 to the other members.

The tables below summarizes remuneration to the board and managers:

Remuneration to the board and managers 2015	Salary/board fee	Pension	Variable compensation	Other benefits/ compensation
Petter Nylander (chairman)	305	-	-	-
Jeffrey Rose (director)	150	-	-	604
Pär Sundberg (director)	165	-	-	-
Annika Andersson (director)	96	-	-	-
Vlad Suglobov (CEO, director)	2,219	129	-	192
Executive management team (2 persons)	2,639	100	-	8
Total	**5,530**	**229**	**-**	**804**

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

Note C8 – Other operating gains and losses

	2015	2014
Currency exchange gains	2,549	1,803
Other operating gains	**2,549**	**1,803**
Currency exchange losses	-5,346	-3,231
Other operating losses	**-5,346**	**-3,231**
Total other operating gains and losses	**-2,797**	**-1,428**

Note C9 – Financial income and expenses

	2015	2014
Interest	38	42
Financial income	**38**	**42**
Costs due to liquidation	-	220
Other	48	219
Financial expenses	**48**	**439**
Financial income and expenses	**-10**	**-397**

Note C10 – Taxes

Income tax expenses	2015	2014
Current tax	-6,488	-1,518
Deferred tax	2,040	-286
Total tax expenses	**-4,448**	**-1,804**

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	2015	2014
Profit / loss before tax	19,778	8,618
Tax according to current tax rate 22%	-4,351	-1,896
Tax effect from income exempted from tax	5	157
Tax effect from non-deductible expenses	-70	-680
Taxes recoverable*	1,251	-
Adjustment for tax rates in foreign subsidiaries	-1,477	567
Tax effect of deferred tax asset not accounted for		-49
Tax effect of previous deferred tax assets not accounted for	130	125
Other	63	-28
Tax charge	**-4,448**	**-1,804**

*Taxes recoverable are related to the subsidiaries on Malta.

Non-recognised deferred tax assets

The group has no deductible temporary differences and losses carry-forwards for tax purposes for which deferred tax assets have not been recognised in the income statement and balance sheet:

	2015		2014	
Deferred tax reconciliation	Deferred tax assets	Deferred tax liability	Deferred tax assets	Deferred tax liability
Intangible assets	2,332		2,156	
Taxes recoverable	1,251			
Accrued expenses				-603
Other	242	-1,518	219	-747
Total	**3,825**	**-1,518**	**2,375**	**-1,350**
Offsetting	-1,518	1,518	-1,350	1,350
Net deferred tax asset	**2,308**		**1,025**	

	Amount at the beginning of the year	Income statement	Other comprehensive income	Recalculation differences	Amount at the end of the year
Intangible assets	2,156	97		79	2,332
Taxes recoverable	0	1,251			1,251
Accrued expenses	-603	603			0
Other	-528	90	-747	-91	1,276
Total	**1,025**	**2,040**	**-747**	**-12**	**2,308**

Note C11 – Intangible fixed assets

Change of intangible fixed assets	2015	2014
Beginning of the year	**71,680**	**48,299**
Investments	50,235	32,358
Write-downs	-8,177	-1,591
Amortization	-28,045	-17,890
Currency exchange difference	8,575	10,504
End of the year	**94,269**	**71,680**

Accumulated capitalized development costs	2015	2014
Accumulated costs	211,318	140,562
Accumulated amortization	-92,562	-63,563
Accumulated write-downs	-24,487	-15,499
Net amount	**94,269**	**71,680**

Capitalize development expenses are distributed according to the below table. 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. The development time is normally 6-12 months, meaning that the amortization of these games will probably begin in 2016 or 2017.

	2015	2014
Released games, free-to-play	49,648	21,670
Released games, unlockable	4,615	8,853
Not released games, free-to-play	37,427	35,754
Not released games, unlockable	2,577	5,403
Net value of games portfolio	**94,269**	**71,681**

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 2 years after the launch of the game. For launched games the revenue is calculated based on sales data for the game which is then used to project the total revenue over the remaining amortization period. Because of the short time period, no discounting is done.

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

Goodwill	2015	2014
At the beginning of the year	**2,318**	**2,318**
Currency exchange effects	-25	-16
At the end of the year	**2,293**	**2,302**

Impairment testing of goodwill

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

The most material part of the goodwill, 2,302 KSEK, is related to the former subsidiary Shape Games Inc. Through the acquisition of Shape Games the group got original source code and trademark rights for a number of attractive games. Based on this source code, these games have subsequently been developed further, and have become a successful part of G5's portfolio. Development work is continuing on a number of the games, creating new versions of the games, on various platforms. The company expects these games to generate substantial revenue during the foreseeable future. The games have been transferred from Shape Games to the group, and are being valued separately from the rest of the game portfolio.

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

Note C12 – Tangible fixed assets

Change of tangible fixed assets	2015	2014
Beginning of the year	**2,892**	**1,929**
Investments	3,854	2,373
Depreciation	-1,565	-1,152
Currency exchange difference	-547	-258
End of the year	**4,634**	**2,892**

Accumulated equipment	2015	2014
Accumulated costs	10,171	7,569
Accumulated depreciation / write-downs	-5,537	-4,325
Net amount	**4,634**	**2,892**

Note C13 – Equity

G5 Entertainment AB has only one share class, with all shares having equal voting rights. No treasury shares were repurchased or sold. By the end of 2014 there were 8,800,000 ordinary shares, each with a par value of 0.1 SEK.

Outstanding shares	2015	2014
Shares at the end of the year	8,800,000	8,800,000
Weighted average number of shares	8,800,000	8,800,000

Since 2012 the group has had a long-term warrant program as a long-term incentive program.

At the annual general meeting 2015 it was resolved that the program would be prolonged (2015-2017). After the annual general meeting managers and senior executives was offered to participate in the program and 135,000 warrants were subscribed. Each warrant gives the holder a right to subscribe for one (1) share in the Company to a strike price amounting to 97,53 kronor. The warrants were purchased at fair value calculated with the Black-Scholes formula, the price was 1 SEK per warrant. The warrants may be exercised between June 12, 2018 and September 12, 2018. In case all warrants are exercised 135,000 shares are issued, which corresponds to approximately two per cent of the total number of outstanding shares and votes. If a participant of the program ends the position at G5 there is a pre-emption right for the company to repurchase the warrants at fair value.

Outstanding warrants can be seen in the below table.

Date of issue	Number of warrants	Warrant price	Strike price	Exercise period
October 10, 2012	135,000	0,62	106,48	December 15, 2015 – march 16, 2016
August 4, 2013	125,000	0,74	127,45	August 4, 2016 – November 2, 2016
January 17, 2015	127,500	0,40	83,33	January 17, 2018 – April 16, 2018
June 13, 2015	125,000	1,00	97,53	June 12, 2018 – September 12, 2018

Total number of outstanding warrants amount to 512,500. As the average share price during the year is below the strike price the potential shares have no dilutive effect and as such are not included in the number of shares after dilution.

Dividend

The Board of Directors has decided to propose to the Annual General Meeting that no dividend is to be paid for the financial year 2015. For G5's dividend policy please see the Director's report.

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.

OTHER RESERVES

Other reserves consists of amounts paid in excess of issued shares par value, and amounts paid for warrants.

Note C14 – Account receivables and other receivables

Account receivables

In 2015, there was no (0) write-downs for account receivables. As of December 31, 2015, 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	2015	2014
0-3 months	9,881	7,569
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, 2015, the total advances to external developers amounted to 3,145 (6,659) KSEK.

Maturity of other receivables	2015	2014
0-3 months	1,622	1,578
More than 3 months	2,330	5,749

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 2015 there was no write-downs (894 KSEK) advances to external developers.

Note C15 – Related parties

Transactions with related parties consist of transactions between group companies, fees to the board, CEO and other managers, the warrant program, and fees paid to the board member Jeffrey Rose for legal advice in the USA (see note C7).

Note C16 – Accrued receivables and expenses

	2015	2014
Accrued income	24 856	21 295
Other	341	241
Prepaid expenses and accrued income	**25 197**	**21 536**
Royalty	-29 480	-25 515
Other	-3 773	-510
Accrued expenses	**-33 253**	**-26 025**
Total	**-8 056**	**-4 489**

Note C17 – Leasing

The group does not have any financial leases. Operating leases consist of rent premises agreements, for the offices in Moscow, Kharkov, San Francisco, Stockholm, Kaliningrad and Sliema.

Office rent	2015	2014
Rent	2,848	975

The future aggregate minimum lease payment under non-cancelable operating lease are all due within one year (2016) at a total amount of 237 KSEK.

Note C18 – Pledged assets

Floating charge 3,000 SEK (3,000), pledged for cheque account with overdraft facility 400 KUSD (400) . The overdraft facility was unused 2015-12-31.

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

Note C19 – Contingent liabilities

Different advisors consulted by the company have different views on a tax matter relating to payment of compensation to developers during previous years. The issue includes among others the interpretation of the applicable tax laws in countries where G5 operates. G5 has monitored the issue for a long period of time and considers the risk of additional tax to be very small.

Note C20 – Financial risks 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, which is delegated to the chief executive office, and the chief financial officer.

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

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

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

Currency risk

Exposure to exchange rate fluctuation arises when the group carries out a large number of business transactions in foreign currency in connection with its business operations (transaction risk). Such exposure derives among others from business transactions between operational units within the group that have different currencies as their functional currency as well as from sales in currencies other than the individual companies' functional currency. G5 is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar, the Euro, the Russian Ruble, and the Ukrainian Hryvna. In addition to transaction risk the Group is exposed to translation risk, ie the translation of subsidiaries net assets, including its income statement to SEK.

The company does not hedge these risks at present, as the net exposure to any of these currencies is considered to be too small to justify active hedging.

Foreign currency sensitivity analysis

If no exchange rate movements in relation to the Swedish krona had occurred in 2015, i. e. if all exchange rates had had the same value throughout 2015 as per December, 31, 2014, the Group's revenue would have been marginally lower, while operating profit would have increased by 2.8 MSEK.

Credit risk

Accounts receivable

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

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

Advances to external developers

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

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

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

Liquidity risk

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

Concentration of risk

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

Fair value

The group has no financial instruments 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	2015	2014
Accrued income	24,856	21,248
Account receivable	9,881	7,569
Other receivables	3,952	7,327
Cash and cash equivalents	33,870	32,864
Loan and receivables	**72,559**	**69,008**

Financial liabilities	2015	2014
Account payable	12,320	12,893
Other liabilities	1,225	1,593
Accrued expenses	33,253	26,025
Financial liabilities measured at amortized costs	**46,798**	**40,511**

Maturity of financial liabilities	2015	2014
0-3 months	46,798	40,511
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 C14.

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

Note C21 – Adjustments for items not included in cash flow

	2015	2014
Depreciation/amortization	29,609	19,042
Write-down of fixed assets	8,177	1,591
Write-down of advances	-	894
Other	925	9,759
Total	**38,710**	**31,286**

Interest received and interest paid are equivalent to recognized amounts in accordance with note K9.

Note C22 – Reclassification of comparative period

KSEK	2014 according to approved annual report	Changed revenue recognition[1]	Reclassifica-tions[2]	2014
Revenue	182,116	77,720	-	259,836
Production costs[3]	-102,090	-	102,090	-
Cost of revenue[4]	-	-77,720	-65,968	-143,688
Gross profit	**80,026**	**0**	**36,122**	**116,148**
General and administrative expenses[3]	-69,583	-	69,583	-
Research and development[5]	-	-	-34,971	-34,971
Sales and marketing[6]	-	-	-38,533	-38,533
General and administrative expenses[7]	-	-	-32,202	-32,202
Other operating income	1,803	-	-	1,803
Other operating expenses	-3,231	-	-	-3,231
Operating result	**9,015**	**0**	**0**	**9,015**
Financial income	42	-	-	42
Financial expenses	-439	-	-	-439
Operating result after financial items	**8,618**	**0**	**0**	**8,618**
Taxes	-1,804	-	-	-1,804
NET RESULT FOR THE YEAR	**6,814**	**0**	**0**	**6,814**

[1]From 2015, revenue is recognized including charges from distributors.
[2]Reclassifications from the transition to a function-based income statement.
[3]After reclassification of the income statement line will not be reported.
[4]Cost of revenue includes fees to distributors, which was not reported in the previous year, and royalty that last year was recognized in production costs.
[5]Research and development relates primarily to costs for development and maintenance of the games and related costs. Previously, the majority of the costs were recorded under production cost.
[6]Sales and marketing was primarily reported as general and administrative expenses.
[7]Administration was primarily reported as general and administrative expenses.

PARENT COMPANY FINANCIAL RESULTS

INCOME STATEMENT – PARENT COMPANY

KSEK	Note	2015	2014
Net turnover		383,496	259,728
Cost of revenuer		-286,692	-192,735
Gross profit		**96,804**	**66,994**
Research and development expenses		-351	-715
Sales and marketing expenses		-2,100	-94
General and administrative expenses		-92,670	-58,216
Other operating income		-	4,123
Other operating expenses		-2,856	-3,198
Operating result	P2, P3, P5	**-1,172**	**8,894**
Interest income and similar items		5,615	2,495
Interest expense and similar items		-49	-267
Operating result after financial items	P6	**4,394**	**11,122**
Taxes	P7	-652	-2,346
Net result for the year		**3,742**	**8,776**

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

KSEK	2015	2014
Net result for the year	**3,742**	**8,776**
Items that later can be reversed in profit		
Foreign currency translation differences (net after tax)	3,099	7,771
Total other comprehensive income for the year	**3,099**	**7,771**
Total comprehensive income for the year	**6,841**	**16,547**

BALANCE SHEET – PARENT COMPANY

KSEK	Note	Dec 31, 2015,	Dec 31, 2014
Fixed assets			
Financial fixed assets			
Shares in group companies	P9	70	570
Receivable from group companies	P10	100,084	91,845
		100 154	**92,415**
Current assets	P11		
Account receivables		9,874	8,015
Receivables from group companies		137	0
Other receivables		521	285
Prepaid expenses and accrued income	P13	24,856	21,295
Cash and cash equivalents		25,605	27,817
		60,993	**57,412**
TOTAL ASSETS		**161,148**	**149,826**
Restricted equity			
Share capital		880	880
Non-restricted equity			
Share premium reserve		54,160	53,989
Fair value reserve		11,519	8,420
Profit carried forward		38,819	30,044
Net result for the year		3,742	8,776
Total equity	P12	**109,120**	**102,109**
Liabilities			
Accounts payable		131	4,064
Liability to group companies		49,338	39,543
Other liability		150	1,265
Accrued expenses and prepaid income	P13	2,408	2,843
Total liabilities		**52,026**	**47,716**
TOTAL EQUITY AND LIABILITIES		**161,148**	**149,826**
Pledged assets	P15	3,050	3,050
Contingent liabilities	P16	3,500	3,500

CASH FLOW – PARENT COMPANY

KSEK	Note	2015	2014
Operating activities	P18		
Operating result after financial items		4,394	11,122
Adjusting for items not included in cash flow		-1,452	-1,916
		2,942	9,206
Taxes paid		-2,354	-804
Cash before changes in working capital		**588**	**8,402**
Cash flow from changes in working capital			
Increase/decrease in operating receivables		-5,793	3,488
Increase/decrease in operating liabilities		7,093	31,329
Cash flow from operating activities		**1,888**	**43,219**
Investing activities			
Investing in capitalized development costs		-	-2,138
Sales of subsidiaries		-	62
Investments/new loans to subsidiaries		-4,270	-36,529
Cash flow from investing activities		**-4,270**	**-34,731**
Financial activities			
Premium for warrant program		171	-
Cash flow from financial activities		**171**	**-**
CASH FLOW		**-2,212**	**4,614**
Cash and bank at the beginning of year		**27,817**	**23,203**
Cash flow		-2,212	4,614
Cash and bank at the end of the year		**25,605**	**27,817**

CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY

KSEK	Share capital	Share premium reserve	Fair value reserve	Profit/loss carried forward	Sharehold-ers' equity
Shareholders' equity as of 2014-01-01	**880**	**53,989**	**649**	**30,043**	**85,561**
Net result for the year				8,776	8,776
Total other comprehensive income[1]			7,771		7,771
Total comprehensive income for the year			**7,771**	**8,776**	**16,547**
Shareholders' equity as of 2014-12-31	**880**	**53,989**	**8,420**	**38,819**	**102,109**
Shareholders' equity as of 2014-01-01	**880**	**53,989**	**8,420**	**38,819**	**102,108**
Net result for the year				3,742	3,742
Total other comprehensive income[1]			3,099		3,099
Total comprehensive income for the year			**3,099**	**3,742**	**6,841**
Premium for warrant program		171			
Total transaction with the owners recognized directly in equity		**171**			**171**
Shareholders' equity as of 2014-12-31	**880**	**54,160**	**11,519**	**42,561**	**109,120**

[1]Change in value for the year amounted to 10,004 KSEK, of which -2,233 KSEK was taxes.
[2]Change in value for the year amounted to 3,969 KSEK, of which -873 KSEK was taxes.

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.

Receivables in subsidiaries

Exchanges differences arising on monetary items that forms part of a reporting entity´s net investment shall be recognized in other comprehensive income and as reserve within equity as "fair value reserve" in the parent company and as "Other reserves" in the group. For further information regarding this matter, see Note M8. From January 1, 2016 a change in RFR 2 occurred, which means that the translation difference until today recognized as "fair value" is recognized in the income statement for the parent company.

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.

Changes in RFR 2, with effect from the financial year 2016, involves the following change of the parent company:

Translation differences which are attributable to receivables from subsidiaries, which are not scheduled to be settled in the foreseeable future (Note P8), are recognized in the income statement from January 1, 2016. These translation differences have so far been recognized in other comprehensive income / fair value reserves. The change is implemented with retroactive effect, which means that the translation effect arising during the financial year 2015, 3,099 KSEK, will be transferred from fair value reserve to the income statement and the accumulated effect as of January 1, 2015, 8,420 KSEK, will be transferred from fair value reserve to retained earnings. The change does not affect the consolidated financial report where the effect will continue to be recognized through other comprehensive income to other reserves in equity.

Note P2 – Expenses by nature

	2015	2014
Fees to distributors	115,469	77,918
Royalty to developers and license fees	171,223	113,295
Marketing	2,100	93
Personnel costs	2,252	2,293
Amortization and write-downs of capitalized development costs	-	1,752
Other costs	90,769	56,638
Total	**381,812**	**251,989**

[1]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 2 (2) employees during the year. Compensation to parent company employees amounted to 1,746 KSEK (1,604), social costs 546 KSEK (492) and pension costs 226 KSEK (189).

Note P4 – Audit fees

	2015	2014
Auditing within the audit assignment		
Mazars	425	525
Other auditing tasks		
Mazars	275	652
Total	**700**	**1,177**

Note P5 – Other operating gains and losses

	2015	2014
Currency exchange gains	-	455
Capital gains	-	3,669
Other operating gains	**-**	**4,123**
Currency exchange losses	-2,856	-3,198
Other operating losses	**-2,856**	**-3,198**
Total other operating gains and losses	**-2,856**	**926**

Note P6 – Financial income, expense and other similar items

	2015	2014
Interest income from group companies	4,150	2,465
Other	1465	30
Financial income	**5,615**	**2,495**
Interest costs	49	47
Other	-	220
Financial expense	**49**	**267**
Financial income and expense	**5,566**	**2,228**

Note P7 – Taxes

Income tax expenses	2015	2014
Current tax	-652	-387
Deferred tax	-	-1,959
Total tax expenses	**-652**	**-2,346**

Actual tax charge	2015	2014
Profit / Loss before tax	4,394	11,122
Tax according to current tax rate 22%	-967	-2,447
Tax effect of income exempted from tax	-	157
Tax effect of expenses not deductible	-5	-56
Result from liquidation of subsidiary	319	-
Other	-	-
Tax charge	**-653**	**-2,346**

Note P8 – Related parties

Transactions between group companies are conducted either as royalty, or at cost plus a certain margin. As of December 31, 2015, the parent company had 100,084 (91,845) KSEK in receivables from group companies and 49,338 KSEK (39,543) in liabilities to group companies. Parent company sales to subsidiaries amounted to 143 KSEK (529). Parent company purchases from subsidiaries amounted to 254,593 KSEK (131,372).

Receivables and liabilities to group companies are according to commercial terms. For loans not planned to be repaid in the foreseeable future, see Note P10.

Note P9 – Shares in subsidiaries

Shares in subsidiaries	2015	2014
Accumulated value, opening balance	**570**	**630**
Purchase of shares	-	2
Liquidation of subsidiary	-500	62
Accumulated value, closing balance	**70**	**570**

During the year the subsidiaries in Honk Kong were liquidated. After a previous restructure of the group the companies had no function.

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

Company name	Domicile	Group ownership	Book value	Primary business
G5 UA Holdings Ltd	Malta	100%	11	Holding company
G5 Holdings Ltd*	Malta	100%		Game publishing
G5 Entertainment Inc	USA	100%	7	Marketing
G5 Holding UKR LLC	Ukraina	100%	50	Game development
G5 Holding RUS LLC	Russia	100%	2	Game development

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

Note P10 – Financial fixed assets

Long-term receivables from group companies	2015	2014
Financial assets at the beginning of year	**91,845**	**33,342**
Investment in long-term receivables from group companies	4,270	48,346
Currency effect	3,969	10,157
Financial assets at the end of year	**100,084**	**91,845**

Loans to subsidiaries in respect of these assets are not planned to be paid in the foreseeable future. Translation differences attributable to these assets are therefore recognized as part of the net investment in the foreign operation, that is, in other comprehensive income.

Note P11 – Accounts receivables and other receivables

Maturity of account receivables	2015	2014
0-3 months	9,874	8,015
More than 3 months	-	-

Maturity of other receivables	2014	2013
0-3 months	521	285
More than 3 months	-	-

Note P12 – Equity

Fair value reserve

The fair value reserve consists of exchange differences on receivables that forms part of a reporting entity´s net investment.

Note P13 – Accrued income and expenses

	2015	2014
Accrued income	24 856	21 295
Accrued income	**24 856**	**21 295**
Royalty	114	2 404
Marketing expenses	2 100	93
Other	194	346
Accrued expenses	**2 408**	**2 843**
Total	**22 448**	**18 452**

Note P14 – Leasing

The parent company does not have any financial leases. Operating leases consist of rent premises agreements.

Office rent	2015	2014
Rent paid	192	169

The future aggregate minimum lease payment under non-cancelable operating lease are all due within one year (2016) at a total amount of 48 KSEK.

Note P15 – Pledged assets

Floating charge 3,000 KSEK (3,000) pledged for cheque account with overdraft facility 400 KUSD (400)). The overdraft facility was unused 2015-12-31.

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

Note P16 – Contingent liabilities

Different advisors consulted by the company have different views on a tax matter relating to payment of compensation to developers during previous years. The issue includes among others the interpretation of the applicable tax laws in countries where G5 operates. G5 has monitored the issue for a long period of time and considers the risk of additional tax to be very small.

Note P17 – 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 C20 Financial risks.

Financial instruments split into categories

Financial assets	2015	2014
Accrued income	24,856	21,295
Account receivable	9,874	6,185
Receivables group (long-term)	100,084	91,845
Other receivables	658	285
Cash and cash equivalents	25,605	27,817
Loan and receivables	**161,077**	**147,427**

Financial liabilities	2015	2014
Account payable	131	4,064
Liabilities group	49,338	39,543
Other liabilities	150	1,265
Accrued expenses	2,408	2,843
Financial liabilities measured at amortized costs	**52,026**	**47,716**

Maturity of financial liabilities	2015	2014
0-3 months	52,026	47,716
More than 3 months	-	-

Note P18 – Adjustments for items not included in cash flow

	2015	2014
Depreciation/amortization of fixed assets	-	1,752
Liquidation of subsidiary	-1,452	-
Other	-	-3,668
Total	**-1,452**	**-1,916**

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, 2016-04-27

Petter Nylander
Chairman of the Board

Annika Andersson
Board member

Jeffrey Rose
Board member

Pär Sundberg
Board member

Vlad Suglobov
CEO, Board member

Our audit report was issued on 2016-04-27
Mazars SET Revisionsbyrå AB

Bengt Ekenberg
Authorized public accountant

AUDITOR'S REPORT

To the Annual General Meeting of shareholders in G5 Entertainment AB.

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of G5 Entertainment AB (publ) for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 14-48.

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

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31st 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31st 2015 and of their financial performance and cash flows in accordance with International Financial Reporting Standards as adopted by the EU and in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company´s profit or loss and the administration of the Board of Directors and the Managing Director of G5 Entertainment AB (publ) for the year 2015.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

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

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

Opinions

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

Stockholm 2016-04-27
Mazars SET Revisionsbyrå AB

Bengt Ekenberg
Auktoriserad revisor

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 2015 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 2016 and is an account of how corporate governance has been conducted at G5 Entertainment during the financial year 2015. This corporate governance report has been audited by the company's auditors. The corporate governance report does not form part of the directors' report.

PRINCIPLES OF CORPORATE GOVERNANCE

In addition to the principles of corporate governance imposed by law or regulation, G5 Entertainment applies the Swedish Code of Corporate Governance (the "Code"), (see Swedish Corporate Governance Board website www.bolagsstyrning.se). The internal regulations for the company's governance consist of the articles of association, the board's rules (including instructions for the board committees), CEO instructions, instructions for financial reporting and other policies and guidelines.

G5 Entertainment complies with the Code with the following exceptions:

- The audit committee has had only two members from February 2015, to the annual general meeting 2015, following the resignation of Martin Bauer from the board. A third member of the committee was added after the annual general meeting 2015.

SHAREHOLDERS

Per December 31, 2015 the company had approximately 1000 shareholders.

Major share holdings

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.

Voting rights

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

ARTICLES OF ASSOCIATION

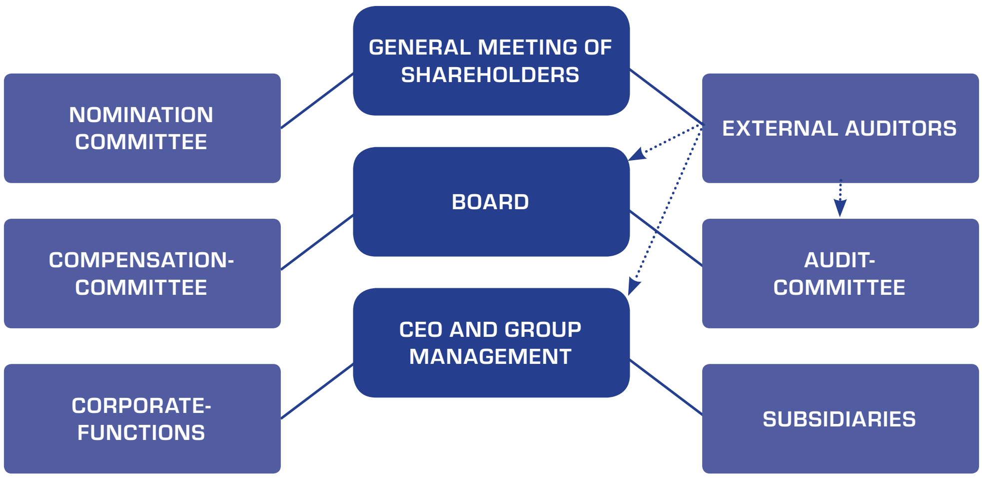
The current articles of association (see company's website www.g5e.com/corporate) were adopted at the annual general meeting of May 20, 2015. The articles of association do not contain any specific provisions on the appointment and dismissal of board members or on amendments to the articles.

GENERAL MEETING OF SHAREHOLDERS

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

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

G5's corporate governance model



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

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 2015

G5 Entertainment held its 2015 annual general meeting on May 20 at hotel Kung Carl, Birger Jarlsgatan 21, Stockholm, Sweden. 15 shareholders, representing almost 39 per cent of votes and capital, attended the meeting. The majority of G5 Entertainment's executive team plus the board and the company's auditors were present as required by the Code. The annual general meeting resolved to adopt the income statement and balance sheet for 2015, 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 prolonged the incentive program initially decided on an extraordinary general meeting.

The 2016 annual general meeting will be held at 7a conference center, Sveavägen 7a, Stockholm, Sweden on May 19.

Authorizations

The Annual General Meeting 2015 authorized the board of directors to, until the next annual general meeting, with or without deviation from the shareholders' preferential right, on one or more occasions, to resolve on issuance of a maximum of 880,000 shares, meaning an increase of the share capital of a maximum of SEK 88,000, corresponding to a dilution of about 10 per cent of the share capital and voting right. The purpose of the authorization is to enable acquisitions and 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).

Nomination committee

The annual general meeting appoints the nomination committee and decides what tasks the committee will complete for the next annual general meeting.

The nomination committee for the 2016 annual general meeting consists of representatives of G5 Entertainment's five largest shareholders:

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

BOARD OF DIRECTORS

Board composition

Until the annual general meeting 2015 the Board consisted of Petter Nylander, chairman, Pär Sundberg, Jeffrey Rose, and Vlad Suglobov. Martin Bauer resigned from the board on his own request in February 2015. The 2015 annual general meeting thereby re-elected all board members except Martin Bauer, and Annika Andersson was elected as board member. Petter Nylander was elected as chairman of the board.

Board independence

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

Board composition, independence, remuneration and presence 2015

Name	Elected	Independent	Position	Committees	Board attendance	Audit committee attendance	Compensation committee attendance	Fees KSEK	No. of shares/ warrants in G5 Entertainment[1]
Petter Nylander	2013	Yes	Chairman of the Board, the audit committee as well as compensation committee.	Audit and compensation committee	12 (12)	7 (7)	3 (3)	305	9,900/0
Pär Sundberg	2012	Yes	Member of the board	Audit and compensation committee	12 (12)	7 (7)	3 (3)	165	2,000/0
Annika Andersson	2015	Yes	Member of the board	Audit committee	5 (5)	4 (4)	-	96	1,000/0
Jeffrey Rose	2011	No	Member of the board	Compensation committee	12 (12)	-	3 (3)	150	2,000/0
Martin Bauer[2]		Yes	Member of the board	Audit committeet	1 (1)	1 (1)	-	-	
Vlad Suglobov	2006	No	Member of the board, CEO		12 (12)	-	-	-	616,000/80,000[3]

[1]The information above is valid on March 31, 2016.

[2]Martin Bauer left the Board in February, 2015.

[3]Holdings: 80,000 warrants. Vlad is also a deputy board member in Wide Development Ltd. that owns 616.000 shares.

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.

Work during the year

In 2015 the board met on twelve occasions in addition to the constituent meeting following the annual general meeting (including one 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.
- May Statutory board meeting, decisions on the board's work schedule, instructions to the CEO, and instructions for financial reporting, board's annual plan, and signatories
- July-August Interim report second quarter
- August-September Strategy meeting, financial targets, instructions for budgeting
- October Interim report third quarter
- December Budget meeting, business plan

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

Board work in committees

The board has since the annual general meeting 2014 had two committees: the audit committee and the compensation committee. The 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 some mandate to make 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 until February 2015 of Petter Nylander, chairman, Pär Sundberg, and Martin Bauer. In February Martin Bauer resigned from the board. Annika Andersson was added to the committee after the annual general meeting 2015.

In 2015, the audit committee held seven 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.

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

Compensation committee

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

In 2015, the compensation committee held three minuted meetings.

Attendance by board members and committee members during the year is shown in the table on page 51.

AUDITORS

The auditing firm appointed by the 2015 annual general meeting for a period of one year is Mazars SET Revisionsbyrå AB. Authorized public accountant Bengt Ekenberg is the head auditor.

The auditors are responsible, on behalf of the shareholders, for auditing the company's annual report and accounting records, as well as the administration of the company by the board and CEO. The auditor reports regularly to the board. Auditing fees are presented in Note C5.

WORK OF CEO AND SENIOR MANAGEMENT

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

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

During the year, the focus has been on continued development of the company's portfolio of free-to-play games, as well as increasing revenue from released free-to-play-games. Processes and tools for acquiring new users in a profitable and cost efficient way have been introduced and continuously improved. Some new positions have been introduced, and all functional teams were strengthened to support new free-to-play games.

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.

BOARD OF DIRECTORS

Petter Nylander (b. 1964)

Petter Nylander has Bachelor's Degree in Business Administration from University of Stockholm. In 1994, Petter Nylander joined MTG AB and made it to several senior positions including CEO of TV3 Sweden (Sweden's first commercially financed TV station), CEO TV3 Scandinavia and Vice President MTG Broadcasting Channels. During 2003-2005 he was CEO of OMD Sweden AB (Omnicom Media Group), a global communications services company. During 2005-2010 he served as CEO for Unibet Group Plc, one of Europe's leading online gambling sites. Other experience from gaming sector include: 2000-2003 Director of the Board, Cherry Företagen AB (Later split into Betsson, Net Entertainment and Cherry), 2004-2005 Director of the Board, Ongame e-Solutions AB (Acquired by Bwin), 2006-2011 Director of the Board, European Betting and Gaming Association (EGBA), 2010-2011 Director of the Board, Bingo.com. Currently, Petter Nylander is Chairman of the Board in Besedo Services AB, and Global CEO of Universum Communications AB.
Holdings: 9,900 shares, 0 warrants.

Annika Andersson (b. 1958)

Holds an M.Sc. Econ from the Stockholm School of Economics. She serves as executive Chairman of the Board at Pantor Engineering AB, Director of the Board at Invisio Communications AB, Karolinska Institutet Holding AB and Moira AB she is also corporate governance advisor. Annika Andersson has a long background in the financial services industry, among others from the Fourth Swedish National Pension Fund as investment manager and as responsible for corporate governance, information and sustainability.
Holdings: 1,000 shares, 0 warrants

Jeffrey W. Rose (b. 1962)

Jeffrey W. Rose is an attorney specializing in intellectual property licensing, development, publishing, and strategy. For more than twenty years, he has served clients in the interactive entertainment, film, television, new media, and technology industries, providing counsel on a wide spectrum of successful projects. His practice is based in Southern California and serves clients worldwide. Jeffrey W. Rose previously served on the board of Web Wise Kids, a non-profit organization dedicated to educating 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

Pär Sundberg (b. 1972)

After graduating from Luleå University of Technology with a Masters Degree in Industrial Engineering and Management, Pär Sundberg co-founded OTW, Sweden's leading provider of Content Marketing Services. He served as Group President and CEO of OTW from inception in 1996 until 2009. Following that, Pär Sundberg has also served as President and CEO of Metronome Film & Television. Pär Sundberg is currently executive chairman of the Brand New Content group, Chairman of the board in Näslund & Jonsson Import AB ("Snö of Sweden") and Board member in Hälsa Invest Sweden AB.
Holdings: 2,000 shares, 0 warrants

Vlad Suglobov (CEO, co-founder) (b. 1977)

Vlad Suglobov started in the games industry as a programmer in 1995, Vlad Suglobov possesses over 20 years of industry experience. Before co-founding G5 in 2001 and since then serving as CEO of the group for more than 14 years, Vlad graduated from Lomonosov Moscow State University with M.Sc. in Computer Science, and has worked in a number of Russian and US companies in games and IT industry. Growing with G5, Vlad was active in many essential roles, establishing company's strategy, client relations, product development and sales. Today, Vlad is concentrating on expanding G5's business internationally.
Holdings: 80,000 warrants. Vlad is also a deputy board member in Wide Development Ltd. that owns 616.000 shares..

The information above is valid on March 31, 2016

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, 2015 the executive team consisted of the CEO, the group's CFO and the group's COO.

Vlad Suglobov
(CEO, co-founder) (b. 1977)

Vlad Suglobov started in the games industry as a programmer in 1995, Vlad Suglobov possesses over 20 years of industry experience. Before co-founding G5 in 2001 and since then serving as CEO of the group for more than 14 years, Vlad graduated from Lomonosov Moscow State University with M.Sc. in Computer Science, and has worked in a number of Russian and US companies in games and IT industry. Growing with G5, Vlad was active in many essential roles, establishing company's strategy, client relations, product development and sales. Today, Vlad is concentrating on expanding G5's business internationally.
Holdings: 80,000 warrants. Vlad is also a deputy board member in Wide Development Ltd. that owns 616,000 shares.

Alexander Tabunov
(COO, co-founder) (b. 1974)

Alexander Tabunov is an experienced IT manager with background in software engineering. Since co-founding G5 in 2001, he is responsible for G5's day-to-day operations and processes in the COO position, including building G5's development team on multiple platforms and technologies. Alexander Tabunov received his MS degree in computer science from Moscow State Institute of Electronics and Mathematics.
Holdings: 530,000 shares through the company Purple Wolf Ltd, 80,000 warrants.

Stefan Wikstrand
(CFO, deputy CEO) (b. 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.
Holdings: 1,000 shares, 10,000 warrants.

Stockholm, April 27, 2016
The Board of G5 Entertainment AB

The information above is valid on March 31, 2016

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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

It is the board of directors who is responsible for the corporate governance statement for the financial year 2015 on pages 50-55 and that it has been prepared in accordance with the Annual Accounts Act.
We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that my our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.
In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm 2016-04-27

Mazars SET Revisionsbyrå AB

Bengt Ekenberg
Authorized Public Accountant

THE SHARE

As of December 31, 2015, G5 Entertainment's share capital was 880,000 SEK divided between 8,800,000 shares, at quoted value of 0.10 SEK per share. The average number of outstanding shares during the year is 8,800,000 shares. Each share confers equal rights to participation in G5's assets and earnings and confers the holder with one vote.

The G5 share 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. June 10, 2014, G5's share is quoted on Nasdaq Stockholm. At year-end 2015, the share price was 50.5 SEK and total market capitalization was 444,4 MSEK.

Warrant program

At an extraordinary general meeting held on October 31, 2012, it was decided to implement a multi-year share warrant program, as part of a long-term incentive program. At the 2015 annual general meeting it was resolved that the warrant program would continue and the board of G5 then decided to allocate a total of 145,000 warrants to existing employees, keeping 31,000 warrants for potential new recruitments. 135,000 warrants were subscribed. Board members with exception of the CEO were not entitled to subscribe.

For more information regarding the warrant program see the corporate web page www.g5e.com/corporate

Share capital history

The trading of G5's shares on NGM Nordic MTF exchange in Stockholm started on October 2, 2006. Before that, in 2006, the company completed an issue of 1,000,000 shares and placement of 1,000,000 of owner shares at 3 SEK per share, attracting new shareholders. In July 2008, G5 completed a new issue of 375,000 shares in order to acquire 51 per cent of Shape Games Inc. In October 2008, G5 completed preferential rights issue and placement of 1 ,044,574 shares in order to raise funds to finance the development of company's original games. In November 2008, trading in G5's shares was moved to Aktietorget exchange in Stockholm. In August 2012, G5 completed a direct issue of 580,426 shares at 21.50 SEK per share to investment company AB Traction in order to raise funds to finance the expansion of the group's product development. On February 7, 2013, G5 completed a directed issue of 800,000 shares at the price of 47 SEK per share. On June 10, 2014, trading in G5's share started on Nasdaq Stockholm.

Largest shareholders as of December 31, 2015

Shareholder	No. of shares	Holding / votes
Försäkringsaktiebolaget Avanza Pension	812,676	9.23%
Rite Internet Ventures Holding AB	677,447	7.70%
Wide Development Limited*	616,000	7.00%
Proxima LTD	570,000	6.48%
Swedbank Robur Ny Teknik	550,000	6.25%
Purple Wolf Limited**	530,000	6.02%
Nordnet Pensionsförsäkring AB	478,445	5.44%
Tommy Svensk	403,000	4.58%
ABG Sundal Collier ASA	249,818	2.84%
Peter Lindell	143,673	1.63%
Total	**5,031,059**	**57.17%**

*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 2016	May 9, 2016
Annual general meeting 2016	May 19, 2016
Interim report, January-June 2016	July 27, 2016
Interim report, January-September 2016	November 3, 2016
Year-end report 2016	February 23, 2017

For questions regarding this report, please contact
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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.

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.

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 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.

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