



G5 Entertainment AB

# Interim Report Q1 2022

JANUARY – MARCH 2022



# INTERIM REPORT JANUARY – MARCH 2022

## January – March 2022

- Revenue for the period was SEK 333.1 M (326.6), an increase of 2 percent compared to the same period in 2021 in SEK terms. In USD terms revenue declined 8 percent year-over-year.
- Gross margin increased to 67 percent (59 percent), as larger share of revenue is coming from own games and lower store fees, primarily from Microsoft.
- Expenses were impacted by extraordinary expenses related to the war in Ukraine amounting to SEK 15 M (0). For additional details on how the extraordinary expenses have impacted the period see page six.
- EBIT for the period was SEK 53.6 M (59.9). Adjusted for extraordinary expenses the EBIT was SEK 67.9 M (59.9) an increase of 15% and corresponding to an EBIT margin of 20.5% (18.3).
- Net result for the period was SEK 49.9 M (53.8).
- Earnings per share for the period, before dilution, was SEK 5.91 (6.26). Adjusted for extraordinary expenses the earnings per share was SEK 7.48 (6.26).
- Cash flow amounted to SEK 36.5 M (62.2).
- Average Monthly Active Users (MAU) was 6.2 million, a decrease of 11 percent compared to the same period in 2021. Average Daily Active Users (DAU) was 1.8 million, unchanged compared to the same period in 2021. Average Monthly Unique Payers (MUP) was 188.6 thousand, a decrease of 8 percent while Average Monthly Average Gross Revenue Per Paying User (MAGRPPU) was USD 62.1, a decrease of 2 percent.

## FINANCIAL KEY RATIOS

KSEK	Jan-Mar 2022	Adj (war effect)	Jan-Mar 2022 Adj	Jan-Mar 2021	Change %	Change % adj	Apr-Mar 21/22	2021	Change %
Revenue	333,065	-1,100	331,965	326,572	2%	2%	1,322,196	1,315,703	0%
Commission to distributors <sup>1</sup>	-75,443	367	-75,077	-95,119	-21%	-21%	-329,508	-349,183	-6%
Royalty to external developers <sup>2</sup>	-35,620		-35,620	-39,697	-10%	-10%	-151,996	-156,073	-3%
<b>Gross profit</b>	<b>222,002</b>	<b>-733</b>	<b>221,268</b>	<b>191,757</b>	<b>16%</b>	<b>15%</b>	<b>840,692</b>	<b>810,447</b>	<b>4%</b>
Gross margin	67%		67%	59%			64%	62%	
Operating costs excluding costs for user acquisition	-102,186	15,000	-87,186	-75,531	35%	15%	-356,410	-329,755	8%
EBIT excluding costs for user acquisition	119,815	14,267	134,082	116,225	3%	15%	484,282	480,691	1%
<b>EBIT margin before costs for user acquisition</b>	<b>36%</b>		<b>40%</b>	<b>36%</b>			<b>37%</b>	<b>37%</b>	
Costs for user acquisition <sup>3</sup>	-66,178		-66,178	-56,329	17%	17%	-274,420	-264,571	4%
Costs for user acquisition as percentage of revenue	-20%		-20%	-17%			-21%	-20%	
<b>EBIT</b>	<b>53,637</b>	<b>14,267</b>	<b>67,904</b>	<b>59,896</b>	<b>-10%</b>	<b>13%</b>	<b>209,861</b>	<b>216,121</b>	<b>-3%</b>
EBIT margin (%)	16.1%		20.5%	18.3%			15.9%	16.4%	
<b>Earnings per share before dilution</b>	<b>5.91</b>	<b>1.57</b>	<b>7.48</b>	<b>6.26</b>	<b>-6%</b>	<b>19%</b>	<b>22.57</b>	<b>23.32</b>	<b>-3%</b>
Cash flow before financing activities	36,488		36,488	62,164			126,430	152,106	
Cash and cash equivalents	187,260		187,260	214,732			187,260	149,964	

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

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

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

# Comment from the CEO: Strong quarter in troubling times



Needless to say, the first quarter was an extremely busy and stressful time for the company and many of its employees who mainly live in Ukraine and Russia. The war in Ukraine brought a level of conflict and destruction not seen in decades right to our front step. The company has outlined the steps it took immediately after the invasion to support our staff in Ukraine. It is important for G5 to focus here on giving an update on the business now and give insight into the coming quarters.

A shout out has to go to our incredible team and the fantastic work our employees have done to keep the business going during such difficult and heartbreaking circumstances, this goes especially to our employees in Ukraine. Thanks to everybody's hard work, there was little impact on the business due to the war, which I'll come back to in a moment.

G5's success over the years is due to its awesome employees and the company is determined to support the team impacted by the war. G5 has seen additional expenses in the quarter due to the war. In the quarter we therefore report a one-time extraordinary expense of 15 MSEK for the expenses that we attribute to the war, including payments that will be incurred through the rest of 2022 through the commitments we have made.

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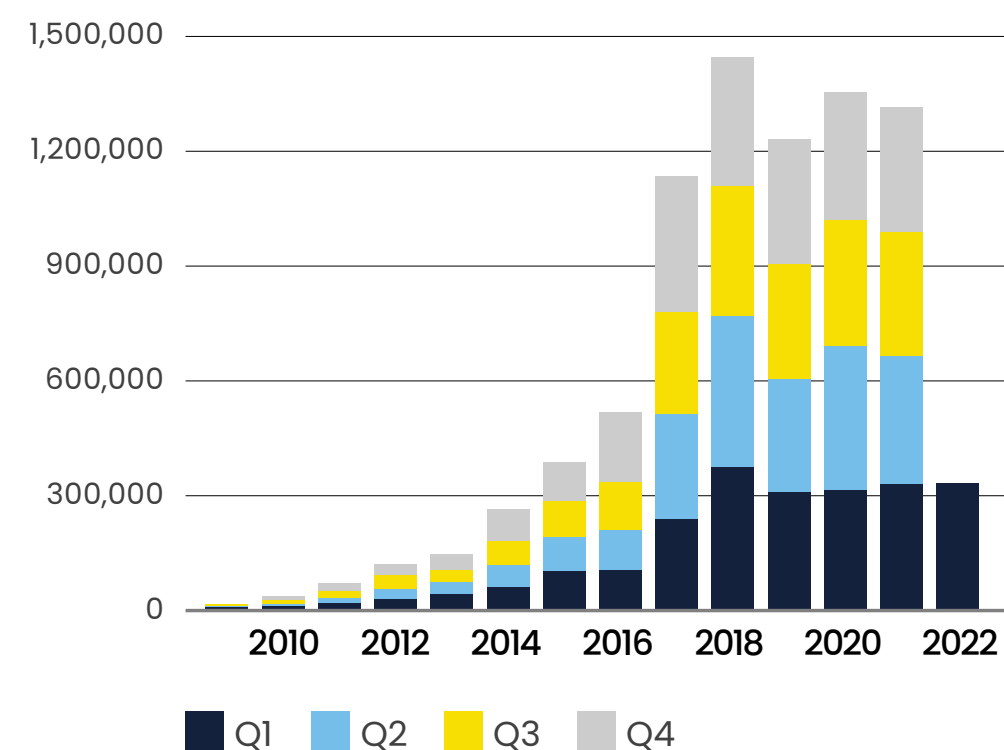
**In the quarter we report a one-time extraordinary expense of SEK 15 M related to the war**

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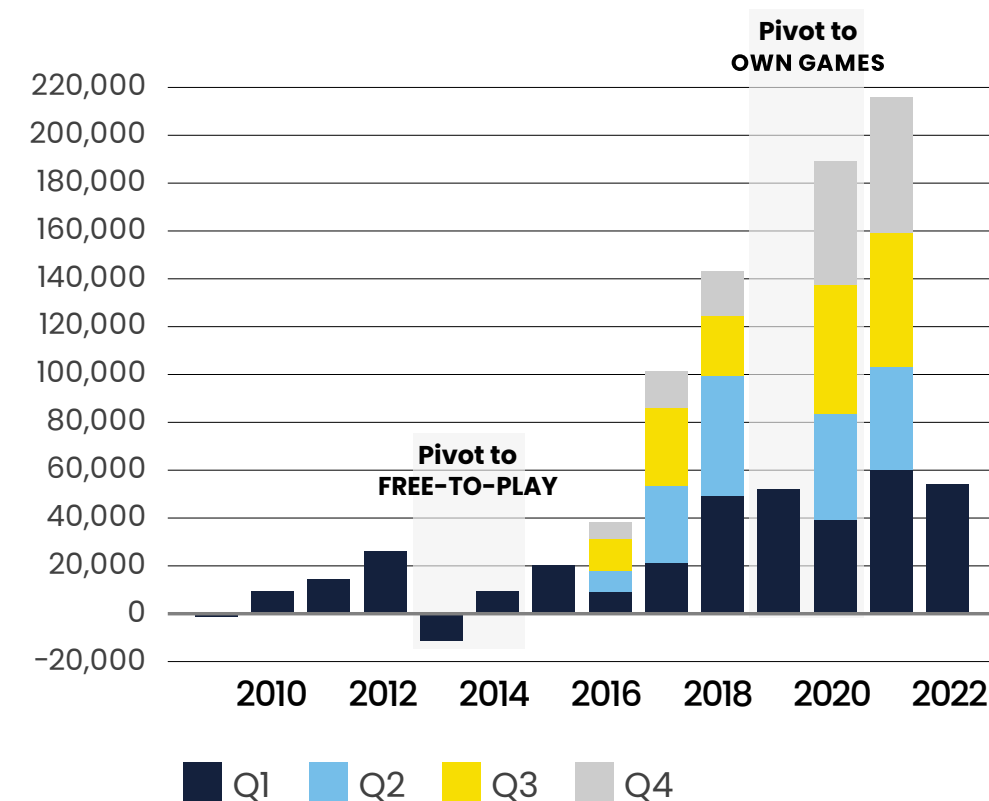
During the quarter we have also been running campaigns in the games to support Ukraine, both through contributions to the company or directly to humanitarian aid. We're all grateful for the player contributions during the period aimed at our relief efforts which amounted to about 1.1 MSEK. We will continue to support employees impacted over the coming quarters. To give a short summary, G5 has focused its relief efforts on the following areas including expenses incurred during the quarter:

1. Financially supporting all of our Ukrainian employees in the first days of the invasion with extra salary payments (4.5 MSEK) and advances
2. Compensating our Ukrainian employees for relocation expenses and housing for at least a month, and more for those below a certain pay level (1.9 MSEK)
3. Running campaigns within our games for the benefit of humanitarian aid to Ukraine. This was quickly put together so it is difficult to quantify the value, but these banners were seen by at least 1.4 million players around the world and the link that transfers players to a page where they can donate was clicked around 200,000 times.
4. Encouraging our employees to volunteer and financing the efforts of our team on the ground in Ukraine to provide local relief in Kharkiv through humanitarian aid, food and medical supply logistics and delivery to those in need including refugees from other cities, helping local emergency services with purchasing needed supplies and equipment, providing funding to animal shelters. Employees' donations across all offices raised 0.7 MSEK, and the company has doubled this

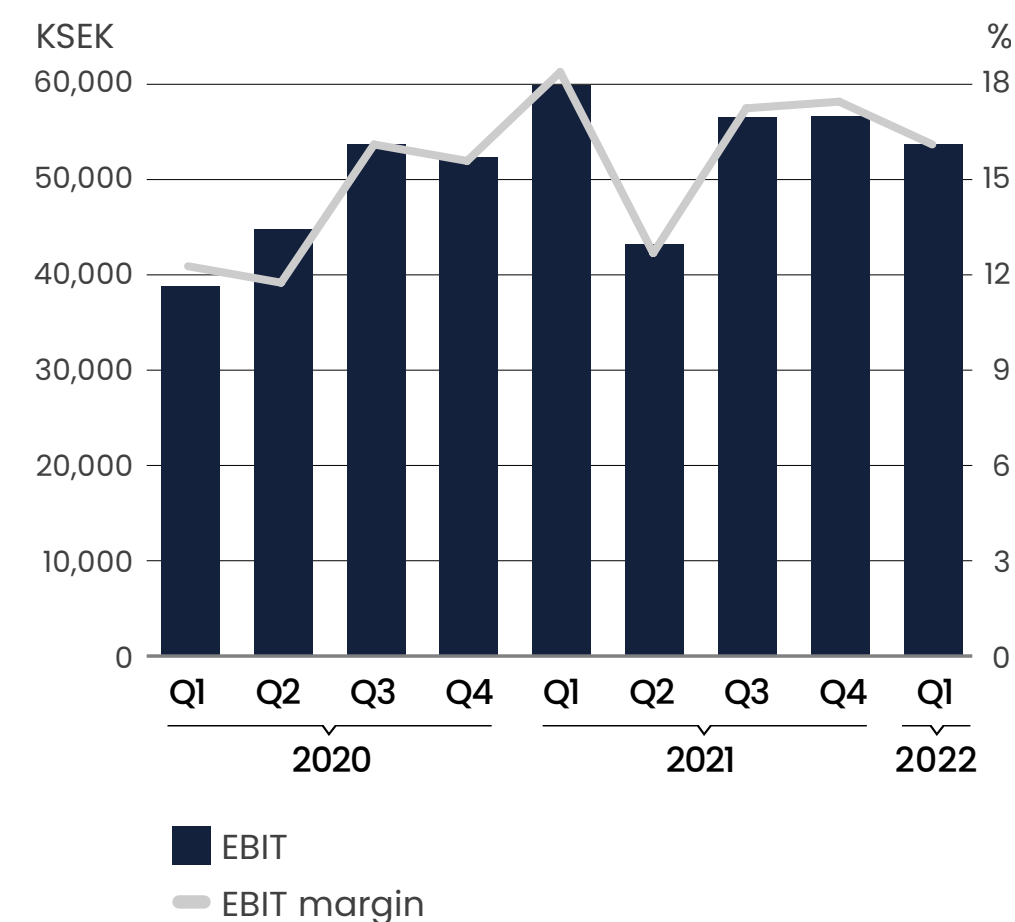
Revenue KSEK



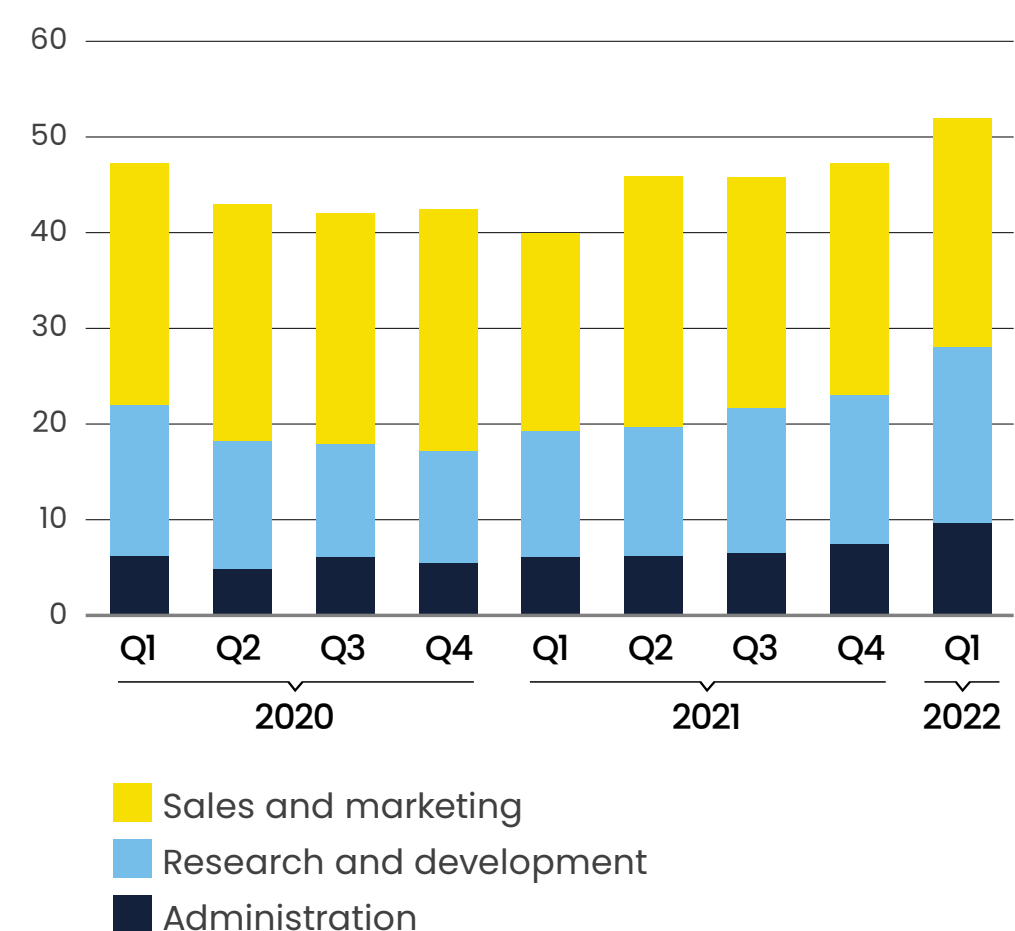
EBIT KSEK



EBIT (KSEK) | EBIT-margin (%)



Costs in % of revenue



amount, (0.7 MSEK)

5. Assisting with relocation, legal advice and such services for some employees who decided to leave the country at least for a while (1.1 MSEK)

In the report on page two and six we have outlined the total effect on the P/L including accruals for future expenses.

As many are aware, when the invasion started, a large part of our workforce was split almost equally between our offices in Ukraine and Russia. G5 employees have always been a tightknit group, working across borders on almost every function. This has always been a key strength. The war has changed our view of having a development base in Russia, and we obviously have no intention of increasing staff there. G5 is facilitating the relocation of those employees who choose to leave the country and join our teams in other countries.

We already have entities in Montenegro, Poland, Armenia, Georgia, and are setting up offices in Bulgaria and Turkey for now. The goal is to provide G5 with access to new pools of development talent and to provide options to those willing to relocate. We expect our office in Russia to shrink considerably over time. Already, more than 100 people have signed up to relocate for the long term, and we expect them to be employees in other countries and entities soon. We aim to maintain the same level of costs for the company as we relocate staff to new offices, but there may be slight increase over time because of cost of living and taxation adjustments. We will continue to update on progress during the year given the substantial personnel movement expected.

**If not for the war, we would have had the highest EBIT margin and the highest EPS ever**

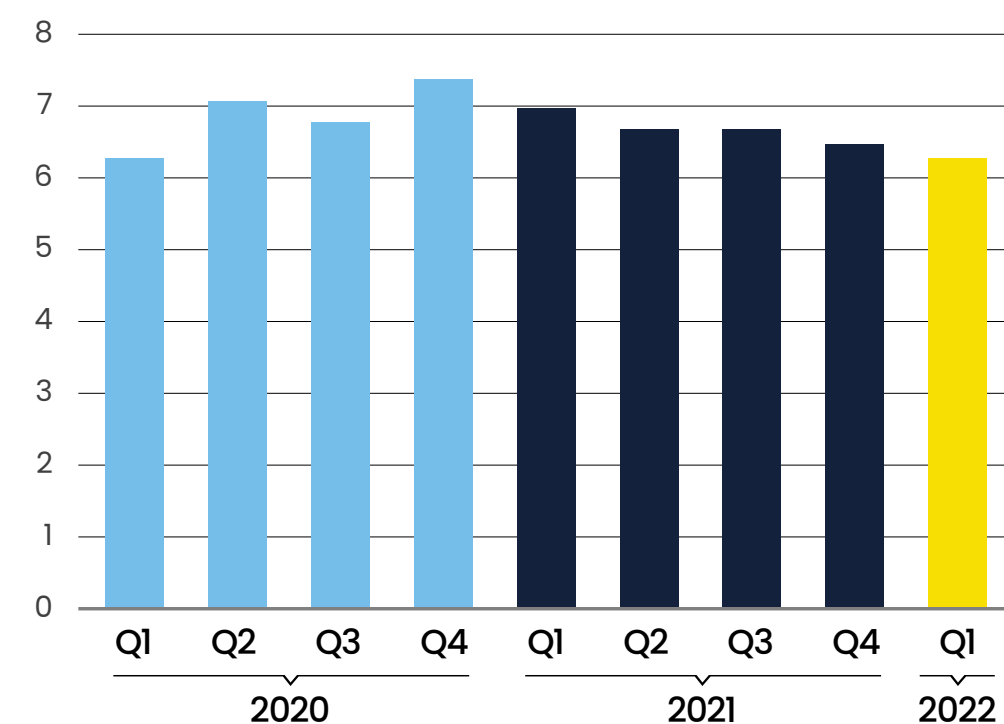
Underlying Business Remains Strong

As mentioned, despite the war and thanks to our great team, the business saw little effect during Q1. In fact, we would have achieved the highest EBIT-margin and the highest earnings per share, if not for the effect of the war. G5 is grateful to all our employees for the hard work under extraordinary circumstances.

G5's topline revenue performance was in line with overall market performance, according to available estimates, specifically Sensor Tower Q1 data. In USD terms revenue was down 8% y-o-y and 3% q-o-q whilst the stronger USD and EUR impacted our reported revenue positively. The underlying trends from 2021 continued during the first three months of the year. The New Generation of games, especially Sherlock and the Jewels Family continued to increase revenue thanks to their rising popularity. G5 launched Hidden Epee worldwide during the quarter, and it is gaining traction from a low base. Revenue was also bolstered by growth in the G5 Store, which grew sequentially by 10% in net revenue, while advertising revenue shrank sequentially. Hidden City continued to decline as did royalties.

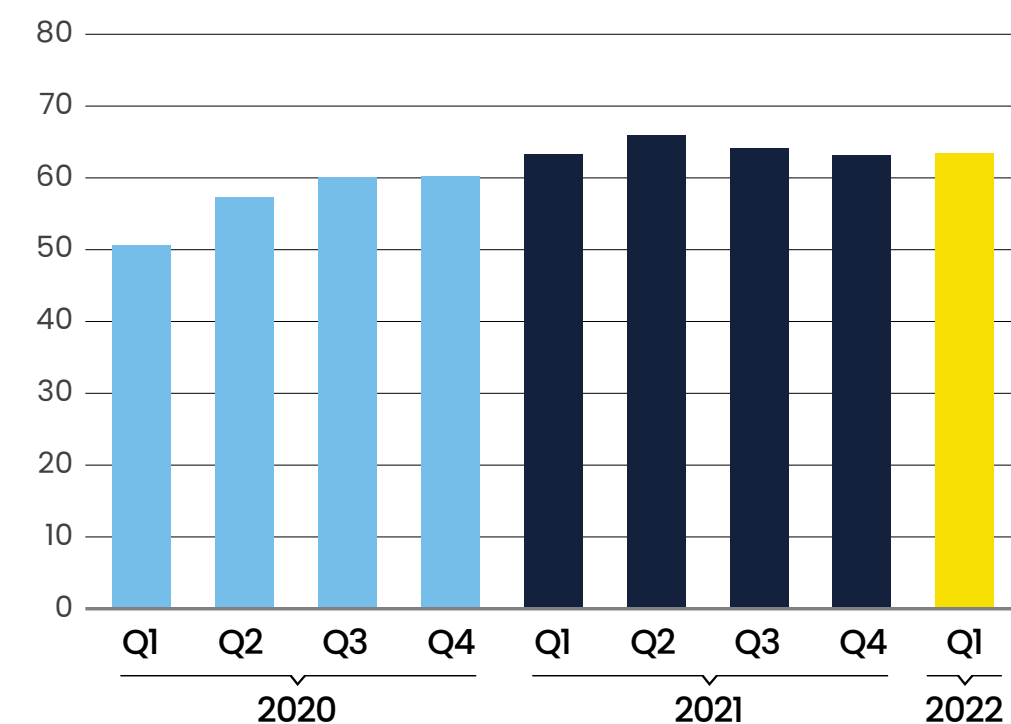
The growth and higher profitability of internally developed games is driving a change in the revenue mix between those games we own and those that are licensed and also helped expand margins. The trend continued in Q1 with G5's own games responsible for 70.5% of revenue compared to 63.5% a year earlier, and our New Generation of games (those released since 2019) making up 55.9% of Q1 '22 revenue compared to 43.3% last year – a jump of 19% YoY in USD terms.

**MAU, mn**



The user acquisition (UA) spend was within the company’s earlier communicated range of between 17-22% of revenue. In total, the profitability was therefore strong. We see an effect from the weak RUB and UAH but this was still our most profitable quarter ever, taking out the extraordinary expenses related to the war. Reported EBIT was 53.6 MSEK corresponding to an EBIT-margin of 16.1%, adjusting for additional expense the EBIT margin would have been 20.5%.

**MAGRPPU, USD**



**2022 Outlook**

G5’s strategy of developing its own games is clearly working. The revenue from these titles is expected to continue to increase, while G5 Store revenue and advertising revenue will continue to rise as a percentage of sales and store fees should gradually decrease.

We have seen some of our games perform so well over the last few quarters that G5 plans to increase UA spend to boost growth in these games even more. This increase in spending should result in faster revenue growth for these games and the company overall. We are confident that the plan makes strategic sense, and the potential benefits outweigh the costs.

We will diverge from the usual UA spend range of 17-22% and temporarily go as high as 35% in Q2 and continue to maintain higher spend levels into July, impacting the third quarter to a certain extent. The earnings and EPS that we will not see in Q2/Q3 are expected to be fully recouped in the following 12 months or sooner, while accelerating the growth of the group’s top line going forward. The goal here is to bring the group's revenue to new higher platform where we can deliver even higher profit margins due to inherent leverage of our business model.

All in all, under the circumstances, the G5 team, especially in Ukraine, delivered an amazing result this quarter and they deserve our praise. With a team like this I am certain that we can make it through the difficult times together and emerge even stronger while delivering on the company strategy.

Thanks for following us at G5.

May 5th, 2022

**Vlad Suglovov**, CEO, co-founder

## January–March

### Revenue and gross profit

Revenue amounted to SEK 333.1 M (326.6). Revenue increased by 2 percent compared to the same period in 2021, in USD the revenue declined by 8%.

Cost of revenue decreased to SEK 111.1 M (134.8). Cost of revenue includes commission to the distributors. Most parties still charge up to 30 percent of gross revenue, except for Microsoft Store with commission fees of 12 percent since August 2021 and G5 Store with commission fees in single digit percent for third-party payment processing. Cost of revenue also includes royalties payable to external developers which decreased by 10 percent compared to the same period in 2021.

Gross margin for the period was 67 percent (59). Gross profit for the quarter increased by 16 percent compared to the first quarter in 2021 and was SEK 222.0 M (191.8).

### Operational Costs

Costs for research and development were SEK 61.8 M (43.0) during the period. Research and development was impacted with SEK 9.3 M (0.0) for extraordinary expenses related to the war in Ukraine. Adjusted for extraordinary expenses the increase in costs is primarily driven by higher amortization.

Sales and marketing increased to SEK 80.4 M (67.8). Sales and marketing is primarily affected by the costs for user acquisition. During the quarter the cost for user acquisition was SEK 66.2 M (56.3). Cost for user acquisition as a percentage of sales was 20 percent, compared to 17 percent in the same

period in 2021. Sales and marketing, excluding user acquisition, increased to SEK 14.2 M (11.5), impacted by extraordinary expenses of SEK 1.3 M (0.0).

General and administrative costs amounted to SEK 31.5 M (19.6), impacted by extraordinary expenses of SEK 4.4 M (0.0). Other operating income amounted to SEK 3.7 M (-1.2) and other operating expenses amounted to SEK 1.6 M (-0.3). Together they amounted to SEK 5.3 M (-1.5), primarily driven by currency effects on operational assets and liabilities.

### EBIT

Depreciation and amortization have increased with the larger portfolio of games, and amounted to SEK 35.7 M (32.1). Capitalization of intangible assets amounted to SEK 43.2 M (35.0). During the quarter no write-downs were made. Net effect of capitalization and amortization, net capitalization, on intangible assets amounted to SEK 9.9 M (7.9).

Earnings before interest and taxes (EBIT) amounted to SEK 53.6 M (59.9), corresponding to an EBIT margin of 16.1 percent (18.3), adjusted for extraordinary expenses related to the war EBIT was SEK 67.9 M (59.9), corresponding to an EBIT margin of 20.5 percent (18.3).

### Net profit

Net profit was marginally affected by financial items. Tax affected the result with SEK -3.7 M (-5.8).

Net profit amounted to SEK 49.9 M (53.8) which equals an earnings per share, before and after dilution, of SEK 5.91 (6.26), adjusted for

extraordinary expenses the net profit was SEK 63.1 M (53.8) and earnings per share was SEK 7.56 (6.26). Extraordinary expenses

## Extraordinary expenses

Adjustment column includes extraordinary expenses incurred due to the war in Ukraine.

Costs include bonuses to Ukrainian staff, costs for relocation, humanitarian aid etc.

Cost of revenue and taxes are adjusted based on the gross margin and group tax rate respectively, according to reported figures for the first quarter.

KSEK	Jan–Mar 2022	Adj	Jan–Mar 2022 Adj	Jan–Mar 2021	Change (%)
Net turnover	333,065	-1,100	331,965	326,572	2%
Cost of revenue	-111,063	367	-110,697	-134,815	-18%
<b>Gross profit</b>	<b>222,002</b>	<b>-733</b>	<b>221,268</b>	<b>191,757</b>	<b>15%</b>
Research and Development expenses	-61,775	9,326	-52,449	-43,000	22%
Sales and Marketing expenses	-80,386	1,295	-79,091	-67,787	17%
General and administrative expenses	-31,482	4,379	-27,103	-19,557	39%
Other operating income	3,664		3,664	-1,251	-393%
Other operating expenses	1,614		1,614	-266	-707%
<b>Operating result</b>	<b>53,637</b>	<b>14,267</b>	<b>67,904</b>	<b>59,896</b>	<b>13%</b>
Financial income	152		152	21	619%
Financial expenses	-197		-197	-344	-43%
<b>Operating result after financial items</b>	<b>53,592</b>	<b>14,267</b>	<b>67,859</b>	<b>59,573</b>	<b>14%</b>
Taxes	-3,731	-993	-4,724	-5,802	-19%
<b>Net result for the year</b>	<b>49,861</b>	<b>13,274</b>	<b>63,134</b>	<b>53,771</b>	<b>17%</b>
Earnings per share	5.91	1.57	7.48	6.26	19%

## Operational metrics

F2P	Q1 '22	Q1 '21	Change
Average MAU (mn)	6.2	7.0	-11%
Average MUP (thousands)	188.6	205.6	-8%
Average MUU (mn)	4.5	5.2	-12%
Average MAGRPPU (USD)	62.1	63.4	-2%
Average DAU (mn)	1.8	1.8	0%

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

### Releases during the quarter

There were no significant releases during the quarter.

## Cash flow

During the first quarter, the group had an operating cash flow before changes in working capital of SEK 74.9 M (90.6). In the quarter taxes impacted the cash flow negatively with SEK -11.2 M (-1.1), as outlined in the report for the fourth quarter a reversal of the positive tax payments would occur in the first quarter of 2022. Changes in working capital impacted the cash flow with SEK 6.6 M (10.6). Capitalized development expenses impacted the cash flow negatively with SEK -43.2 M (-35.0).

Cash flow before financing activities amounted to SEK 36.5 M (62.2). Financing activities were impacted by IFRS16 bookings related to lease of premises SEK 1.0 M (-2.9). The cashflow for the period amounted to SEK 35.5 (25.1).

Available cash on March 31, 2022 amounted to SEK 187.3 M (214.7).

## Financial position

The company's publishing strategy is based on having a certain number of different games in the portfolio, in order to maximize potential and reduce risk. Some of these games become very successful and extremely profitable, a good portion of these games do not become big breakthroughs but pay for themselves and are stable earners over a long period of time, while a few other games may fail in the market. Capitalized development expenses for unsuccessful games will then have to be written down. Over time, the company expects such write-downs to be more than compensated for by the revenue and profits produced by successful games in the portfolio.

Capitalized development expenses amounted to SEK 291.4 M (226.3). 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. During the initial 6 month period after launch, the company does not amortize the games.

MSEK	Mar 31 2022	Mar 31 2021
Released games	255.2	212.8
Not released games	36.2	13.5
Book value of games portfolio	291.4	226.3

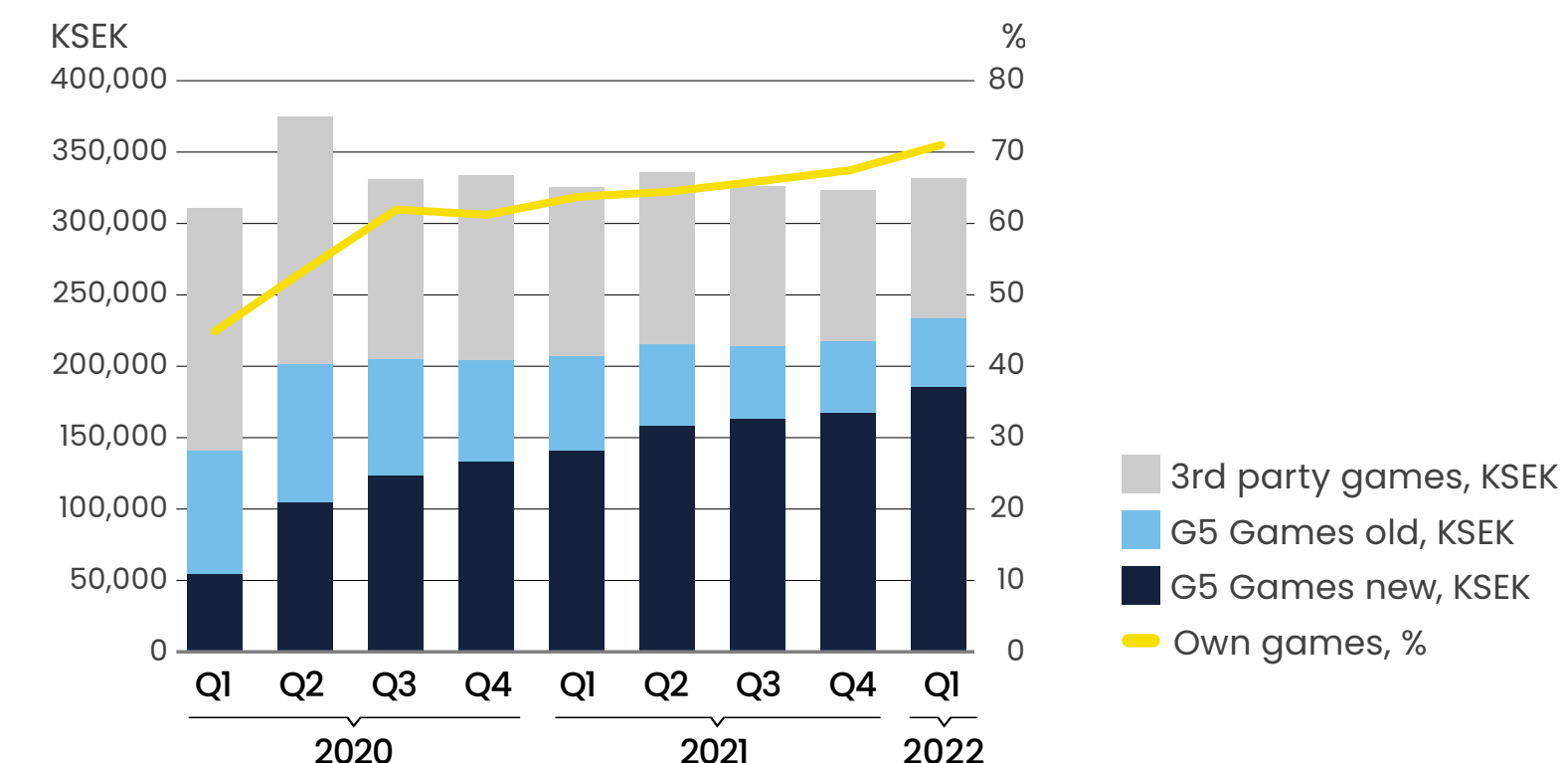
Impairment need in the portfolio is tested every quarter. A thorough review of the input parameters is done on a yearly basis. During the quarter, no write-downs were made.

Consolidated equity amounted to SEK 544.6 M (472.5), which equals SEK 64.5 per share (55.0) and the equity/asset ratio is 80 percent (67).

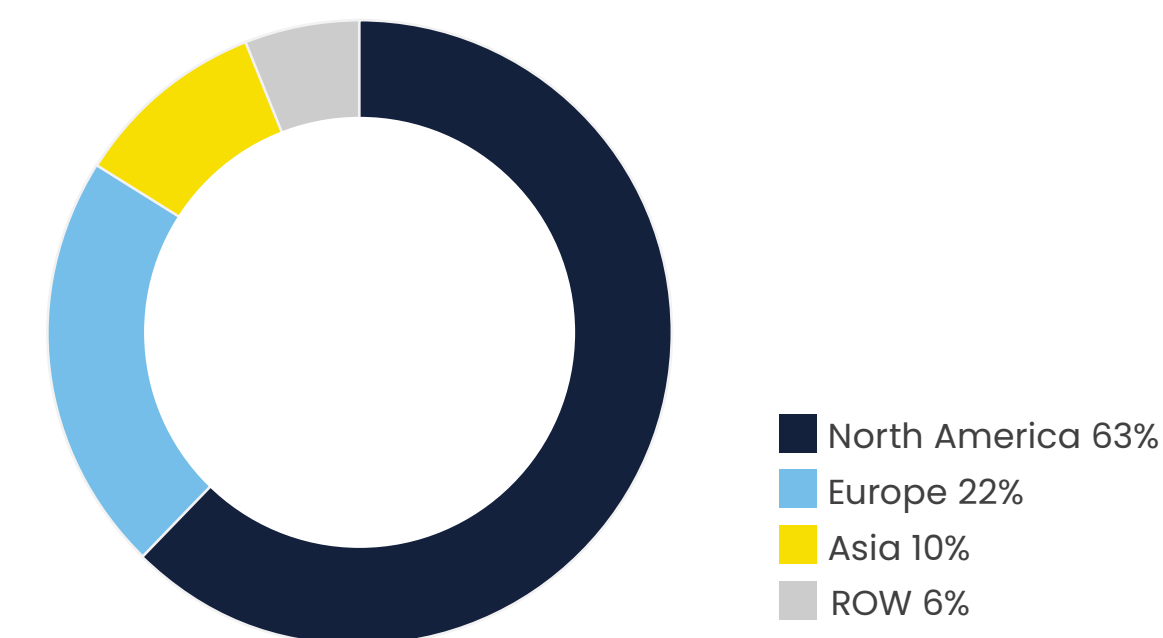
Cash on hand amounted to SEK 187.3 M (214.7).

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

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



## Revenue breakdown by geography First Quarter 2022



### Parent company

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

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

### Other disclosures

#### Outlook

G5 Entertainment does not publish forecasts.

#### Risk assessment

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

#### Related-party transactions

During the period no significant related-party transactions have taken place except the ongoing transactions highlighted in the annual report 2020.

### Upcoming report dates

Annual General Meeting 2022	June 15, 2022
Interim report Jan-Jun 2022	August 11, 2022
Interim report Jan-Sep 2022	November 9, 2022

### Teleconference

On May 5th, 2022 at 08.00 CET, CEO Vlad Suglobov and CFO Stefan Wikstrand will present the interim report in a conference call.

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

### Forward-looking statements

This report may contain statements concerning, among other things, G5 Entertainment's financial position and performance as well as statements on market conditions that may be forward-looking.

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

### Inquiries

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



# Assurance

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

Stockholm May 5th, 2022

Petter Nylander  
Chairman of the Board

Johanna Fagrell Köhler  
Board member

Jeffrey Rose  
Board member

Marcus Segal  
Board member

Vlad Suglobov  
CEO, Board member

Note:  
G5 Entertainment AB (publ) is required to make the information in this interim report public in compliance with the Swedish Securities Market Act. The information was submitted for publication on May 5th, 2022 at 07.30. This interim report has not been subject to review by the company's auditors. This report is published in Swedish and English. In the event of any difference between the English version and the Swedish original, the Swedish version shall prevail.

**INCOME STATEMENT - GROUP**

KSEK	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 21/22	2021
Net turnover	333,065	326,572	1,322,196	1,315,703
Cost of revenue	-111,063	-134,815	-481,504	-505,256
<b>Gross profit</b>	<b>222,002</b>	<b>191,757</b>	<b>840,692</b>	<b>810,447</b>
Research and Development expenses	-61,775	-43,000	-207,956	-189,180
Sales and Marketing expenses	-80,386	-67,787	-327,942	-315,343
General and administrative expenses	-31,482	-19,557	-96,724	-84,800
Other operating income	3,664	-1,251	1,557	-3,358
Other operating expenses	1,614	-266	234	-1,646
<b>Operating result</b>	<b>53,637</b>	<b>59,896</b>	<b>209,861</b>	<b>216,121</b>
Financial income	152	21	306	175
Financial expenses	-197	-344	-7,063	-7,209
<b>Operating result after financial items</b>	<b>53,592</b>	<b>59,573</b>	<b>203,105</b>	<b>209,086</b>
Taxes	-3,731	-5,802	-8,807	-10,878
<b>Net result for the year</b>	<b>49,861</b>	<b>53,771</b>	<b>194,298</b>	<b>198,208</b>
<b>Attributed to:</b>				
Parent company's shareholders	49,861	53,771	194,298	198,208

KSEK	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 21/22	2021
<b>Earnings per share</b>				
Weighted average number of shares (thousands)	8,440	8,585	8,610	8,498
Weighted average number of shares after dilution, (thousands)	8,440	8,585	8,610	8,498
Earnings per share (SEK) before dilution	5.91	6.26	22.57	23.32
Earnings per share (SEK) after dilution	5.91	6.26	22.57	23.32

**STATEMENT OF COMPREHENSIVE INCOME - GROUP**

KSEK	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 21/22	2021
<b>Net result for the period</b>	<b>49,861</b>	<b>53,771</b>	<b>194,298</b>	<b>198,208</b>
<b>Items that later can be reversed in profit</b>				
Foreign currency translation differences	204	22,139	15,408	37,343
<b>Total other comprehensive income for the period</b>	<b>204</b>	<b>22,139</b>	<b>15,408</b>	<b>37,343</b>
<b>Total comprehensive income for the period</b>	<b>50,065</b>	<b>75,910</b>	<b>209,706</b>	<b>235,551</b>
<b>Attributed to:</b>				
Parent company's shareholders	50,065	75,910	209,706	235,551

**BALANCE SHEET – GROUP**

KSEK	Mar 31 2022	Mar 31 2021	Dec 31 2021
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Capitalized development expenses (Note 2)	291,351	226,257	274,757
	291,351	226,257	274,757
<b>Tangible fixed assets</b>			
Equipment	14,759	32,215	26,013
	<b>14,759</b>	<b>32,215</b>	<b>26,013</b>
Financial assets	18,088	-	18,088
Deferred tax receivable	-	74,721	-
<b>Total non-current assets</b>	<b>324,198</b>	<b>333,193</b>	<b>318,858</b>
<b>Current assets</b>			
Accounts receivable	-	-	3
Tax receivable	4,241	5,639	3,880
Other receivables (Note 4,6)	14,294	7,669	11,575
Prepaid expenses and accrued income	134,108	143,898	129,316
Financial assets	13,200	1,748	12,195
Cash and cash equivalents	187,260	214,732	149,964
<b>Total current assets</b>	<b>353,103</b>	<b>373,686</b>	<b>306,933</b>
<b>Total assets</b>	<b>677,301</b>	<b>706,879</b>	<b>625,791</b>

KSEK	Mar 31 2022	Mar 31 2021	Dec 31 2021
<b>Equity</b>			
<b>Total shareholders' equity</b>	<b>544,560</b>	<b>472,549</b>	<b>492,410</b>
<b>Long-term liabilities</b>			
Deferred tax liabilities	589	668	466
Long-term liabilities	1,881	14,866	4,841
<b>Total long-term liabilities</b>	<b>2,470</b>	<b>15,534</b>	<b>5,307</b>
<b>Current liabilities (Note 5)</b>			
Short-term liabilities	806	4,603	7,450
Accounts payable	25,437	14,207	24,253
Other liabilities	17,935	23,331	6,965
Tax liabilities	17,860	99,668	24,040
Accrued expenses	68,234	76,988	65,367
<b>Total current liabilities</b>	<b>130,271</b>	<b>218,796</b>	<b>128,075</b>
<b>Total equity and liabilities</b>	<b>677,301</b>	<b>706,879</b>	<b>625,791</b>

**CHANGES IN SHAREHOLDERS' EQUITY - GROUP**

<b>KSEK</b>	<b>Share capital</b>	<b>Other capital contribution</b>	<b>Other reserves</b>	<b>Profit/loss brought forward</b>	<b>Shareholders' equity</b>
<b>Shareholders' equity 2021-01-01</b>	<b>928</b>	<b>-15,616</b>	<b>-9,307</b>	<b>455,802</b>	<b>431,807</b>
Net result for the year				53,771	53,771
Total other comprehensive income			27,752		27,752
<b>Total comprehensive income for the year</b>			<b>27,752</b>	<b>53,771</b>	<b>81,523</b>
Repurchase of shares		-34,313			-34,313
IFRS2 - Employee share schemes			855		855
<b>Total transactions with the owners recognized directly in equity</b>	<b>-</b>	<b>-34,313</b>	<b>855</b>	<b>-</b>	<b>-33,458</b>
<b>Shareholders' equity as of 2021-03-31</b>	<b>928</b>	<b>-49,929</b>	<b>19,300</b>	<b>509,573</b>	<b>479,872</b>
<b>Shareholders' equity 2022-01-01</b>	<b>928</b>	<b>-141,638</b>	<b>33,207</b>	<b>599,913</b>	<b>492,410</b>
Net result for the year				49,861	49,861
Total other comprehensive income			204		204
<b>Total comprehensive income for the year</b>			<b>204</b>	<b>49,861</b>	<b>50,065</b>
IFRS2 - Employee share schemes			2,085		2,085
<b>Total transactions with the owners recognized directly in equity</b>		<b>-</b>	<b>2,085</b>	<b>-</b>	<b>2,085</b>
<b>Shareholders' equity as of 2022-03-31</b>	<b>928</b>	<b>-141,638</b>	<b>35,496</b>	<b>649,774</b>	<b>544,560</b>

**CASH FLOW STATEMENT - GROUP**

KSEK	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 21/22	2021
<b>Cash flow from operating activities</b>				
Profit after financial items	53,592	59,573	203,106	209,086
Adjusting items not included in cash flow	32,512	32,057	144,847	144,393
	86,104	91,630	347,953	353,479
Taxes paid	-11,165	-1,064	-17,342	-7,241
<b>Cash flow before changes in working capital</b>	<b>74,939</b>	<b>90,566</b>	<b>330,611</b>	<b>346,238</b>
<b>Cash flow from changes in working capital</b>				
Change in operating receivables	-11,158	-25,139	5,897	-8,084
Change in operating liabilities	17,725	35,784	4,418	22,477
<b>Cash flow from operating activities</b>	<b>81,506</b>	<b>101,211</b>	<b>340,926</b>	<b>360,631</b>
<b>Investing activities</b>				
Investment in fixed assets	-1,808	-4,011	-7,498	-9,701
Capitalized development expenses	-43,210	-35,036	-170,697	-162,523
Short term investments	-	-	-18,213	-18,213
Long term investments	-	-	-18,088	-18,088
<b>Cash flow from investing activities</b>	<b>-45,018</b>	<b>-39,047</b>	<b>-214,496</b>	<b>-208,525</b>

KSEK	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 21/22	2021
<b>Financing activities</b>				
Lease financing	-978	-2,883	-10,314	-12,219
Dividend	-	-	-54,097	-54,097
Repurchase shares	-	-34,139	-91,883	-126,022
<b>Cash flow from financing activities</b>	<b>-978</b>	<b>-37,022</b>	<b>-156,294</b>	<b>-192,338</b>
<b>Cash flow</b>	<b>35,510</b>	<b>25,142</b>	<b>-29,864</b>	<b>-40,232</b>
<b>Cash at the beginning of the period</b>	<b>149,964</b>	<b>188,411</b>	<b>214,732</b>	<b>188,411</b>
Cash flow	35,510	25,142	-29,864	-40,232
Exchange rate differences	1,786	1,179	2,392	1,785
<b>Cash at the end of the period</b>	<b>187,260</b>	<b>214,732</b>	<b>187,260</b>	<b>149,964</b>

**Note 1****Accounting principles**

G5 Entertainment's consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS). This report was prepared for the group in accordance with the IAS 34 Interim Financial Reporting and the Annual Accounts Act. Accounting and calculation principles used in the report for the group are identical to those used in the Annual Report 2021, except for the stated below.

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

**Note 2****Capitalized development expenses**

<b>KSEK</b>	<b>Jan-Mar 2022</b>	<b>Jan-Mar 2021</b>	<b>Apr-Mar 21/22</b>	<b>2021</b>
<b>At the beginning of the period</b>	<b>274,757</b>	<b>204,649</b>	<b>226,257</b>	<b>204,649</b>
Investments	43,210	35,036	170,697	162,523
Write-downs	0	0	0	0
Amortization	-33,349	-27,131	-122,250	-116,031
<b>Net change during the period</b>	<b>9,860</b>	<b>7,905</b>	<b>48.447</b>	<b>46,492</b>
Currency exchange differences	6,734	13,704	16,647	23,617
<b>At the end of the period</b>	<b>291,351</b>	<b>226,257</b>	<b>291,351</b>	<b>274,757</b>

**Note 3****Other receivables**

Other receivables include SEK 5.8 M (2.7) for prepaid royalties to third party developers. G5 publishes both proprietary games and games licensed from third-party developers. In connection with the conclusion of agreements with third party developers, G5 sometimes pays an advance on royalties to fund game development. These advances are usually offset against the third party developer's contractual share of the revenue that each game generates.

**Note 4****Pledged assets and contingent liabilities**

G5 Entertainment has pledged assets amounting to SEK 3 M. G5 Entertainment does not have any contingent liabilities.

**Note 5****Fair value**

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

**INCOME STATEMENT – PARENT COMPANY**

KSEK	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 21/22	2021
Net turnover	333,065	326,572	1,322,196	1,315,703
Cost of revenue	-261,283	-261,648	-1,011,682	-1,012,047
<b>Gross profit</b>	<b>71,782</b>	<b>64,924</b>	<b>310,514</b>	<b>303,656</b>
Research and development expenses	-26	-27	-106	-107
Sales and Marketing expenses	-68,438	-32,764	-271,853	-236,178
General and administrative expenses	-7,664	-34,767	-44,212	-71,316
Other operating income	1,861	12,576	3,201	13,915
Other operating expenses	641	-13,855	-3,209	-17,705
<b>Operating result</b>	<b>-1,843</b>	<b>-3,913</b>	<b>-5,665</b>	<b>-7,734</b>
Financial income	8	13	348,388	348,393
Financial expenses	-57	0	-6 085	-6,028
<b>Operating result after financial items</b>	<b>-1,893</b>	<b>-3,900</b>	<b>336,638</b>	<b>334,631</b>
Taxes	0	803	-803	0
<b>Net result for the period</b>	<b>-1,893</b>	<b>-3,097</b>	<b>335,835</b>	<b>334,631</b>

**STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY**

KSEK	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 21/22	2021
<b>Net result for the period</b>	<b>-1,893</b>	<b>-3,097</b>	<b>335,835</b>	<b>334,631</b>
Items that later can be reversed in profit				
Foreign currency translation differences				
<b>Total other comprehensive income for the period</b>	<b>-1,893</b>	<b>-3,097</b>	<b>335,835</b>	<b>334,631</b>

**BALANCE SHEET – PARENT COMPANY**

<b>KSEK</b>	<b>Mar 31 2022</b>	<b>Mar 31 2021</b>	<b>Dec 31 2021</b>
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>	18	34	22
Tangible fixed assets	18	34	22
<b>Financial fixed assets (Not 7)</b>			
Shares in group companies	71	70	70
Financial assets	18,088	-	18,088
<b>Total fixed assets</b>	<b>18,176</b>	<b>104</b>	<b>18,179</b>
<b>Current assets</b>			
Account receivables	0	0	3
Receivables from group companies	174,624	1	170,023
Tax receivables	3,502	4,113	2,751
Other receivables	4,398	2,653	3 847
Prepaid expenses and accrued income	123,982	138,755	122,901
Financial assets	13,200	-	12,195
Cash and cash equivalents	141,592	186,912	127,096
<b>Total current assets</b>	<b>461,299</b>	<b>332,434</b>	<b>438,816</b>
<b>Total assets</b>	<b>479,475</b>	<b>332,538</b>	<b>456,995</b>

<b>KSEK</b>	<b>Mar 31 2022</b>	<b>Mar 31 2021</b>	<b>Dec 31 2021</b>
<b>Restricted equity</b>			
Share capital	928	928	928
<b>Non-restricted equity</b>			
Share premium reserve	51,415	50,996	51,415
Profit/Loss carried forward	-148,568	-331,444	-145,673
Net result for the period	335,835	335,835	334,631
<b>Total equity</b>	<b>239,610</b>	<b>56,316</b>	<b>241,302</b>
<b>Current liabilities</b>			
Accounts payable	21,504	428	21,487
Tax Liability	0	0	0
Liability to group companies	211,517	258,618	189,566
Other liability	3,712	3,412	1,575
Accrued expenses	3,132	15,512	3,065
<b>Total current liabilities</b>	<b>239,865</b>	<b>277,970</b>	<b>215,694</b>
<b>Total equity and liabilities</b>	<b>479,475</b>	<b>334,285</b>	<b>456,995</b>



# Glossary

## Financial statement

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

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

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

**General and Administrative** expenses primarily consist of salaries, bonuses, and benefits for the company's executive, finance, legal, information tech-

nology, human resources and other administrative employees, as well as support staff. It also includes outside consulting, legal and accounting services, insurance as well as facilities and other overhead costs not allocated to other areas across the business. In addition, general and administrative expenses include all of the company's depreciation expenses.

## Use of key ratios not defined in IFRS

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

All of G5's definitions are included below.

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

## Operational terms

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

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

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

**Monthly Unique Users (MUU)** is the number of individuals who played a G5 game at least once during a calendar month. An individual who plays two different games during the month is counted as one MUU.

Numbers presented in the report are the average of the three months in any given quarter.

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

## About G5 Entertainment

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

# G5 Entertainment AB (publ)

BIRGER JARLSGATAN 18  
114 34 STOCKHOLM | SWEDEN  
PHONE: +46 84 1111 5  
E-MAIL: [CONTACT@G5E.COM](mailto:CONTACT@G5E.COM)  
Org.nr. 556680-8878  
[WWW.G5E.COM](http://WWW.G5E.COM)

