

**G5 ENTERTAINMENT AB**



**Reg.nr: 556680-8878**

**INTERIM REPORT  
JANUARY - SEPTEMBER 2014**

## July-September 2014

- Consolidated revenue for the period is 44 653 (21 910) kSEK, an increase of 104% compared to the same period 2013.
- Operating result for the period is -846 (-4 637) kSEK. Excluding write-downs and re-listing expenses the operating result was 1 966 kSEK.
- Net result for the period is -2 209 (-3 595) kSEK.
- Earnings per share for the period before and after dilution is -0.25 (-0.41) SEK.
- Cash flow before financing activities during the period is 7 527 (-5 231) kSEK.
- The result for the period is affected by write-downs of capitalized development costs and advances to external developers in the amount of 2 443 kSEK.

## January-September 2014

- Consolidated revenue for the period is 124 399 (71 289) kSEK, an increase of 74% compared to the same period 2013.
- Operating result for the period is 6 663 (8 692) kSEK. Excluding write-downs and re-listing expenses the operating result is 10 884 kSEK.
- Net result for the period is 3 559 (7 635) kSEK.
- Earnings per share for the period before and after dilution is 0.40 (0.88) SEK.
- Cash flow before financing activities during the period is 5 349 (-13 693) kSEK. This includes fees of 1 778 kSEK to advisors in connection with the listing on Nasdaq Stockholm.
- The result for the period is affected by write-downs of capitalized development costs and advances to external developers in the amount of 2 443 kSEK.

## Important events during the third quarter

- G5 has during the quarter shown substantial and profitable growth, and generated record monthly and quarterly revenue.
- Revenue from free-to-play games grew 147% compared to 13Q3, and accounted for 77% of total revenue in 14Q3 (54% in 13Q3).
- Revenue from unlockable games was slightly lower than in 14Q2 but stable.
- The accumulated number of downloads of the group's games (not counting updates) surpassed 180 million.
- The group continued working on improving free-to-play games in its portfolio and working on new free-to-play games.

## Important events after the end of the period

- In free-to-play business model, the group's increased marketing spending allows balancing the inflow of new users during the "low" season in the application stores and accelerate user acquisition during the "high" season. During 14Q3 and after the end of the period, many new great hardware devices, smartphones and tablets, were announced and/or launched to the market in time for the holidays, which should benefit the installed base of devices G5 games are addressing. With the new higher level of marketing expenses and new game updates and releases coming out, the management is looking forward to 14Q4 and 15Q1, historically the strongest quarters in the year.
- The company continues to work on upcoming new free-to-play games, with the aim to have more than 10



free-to-play games in the portfolio before 2015. Most of new games that are scheduled to come out before the end of the year are owned by G5 and developed either internally or by 3rd party studios under work-for-hire contracts.

- The group's office in Kharkov continues business as usual. 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.

## **Inquiries**

Vlad Suglobov, CEO, [investor@g5e.com](mailto:investor@g5e.com)

Odd Bolin, CFO, +46 70 428 3173

*G5 Entertainment AB is a developer and publisher of high quality downloadable games for iOS, Android, Kindle Fire, Mac, and Windows 8. G5 develops and publishes games that are family-friendly, easy to learn, and targeted at the widest audience of experienced and novice players. G5's portfolio includes a number of popular games like The Secret Society, Virtual City, Special Enquiry Detail, Supermarket Mania, Stand O' Food, and Mahjong Artifacts. G5 Entertainment AB is listed on Nasdaq Stockholm since 2014.*



## Comments by the Chief Executive Officer

14Q3 is a new record revenue quarter for the company, the fourth in a row after mixed performance during the transitional year 2013. The company continues to benefit from the transition it accomplished in 2013, when the emphasis was put on free-to-play games, which now generate the majority of the company's revenue. While the company still has smaller part of its revenue coming from unlockable games, the growth comes from free-to-play games.

Management believes that the year-on-year top line growth of 104% reflects continued improvement and the ongoing benefits of the shift in strategy towards free-to-play games. The operating result and margin are better in 14Q3 than a year ago but lower than in 14Q2, in part because of the increased user acquisition costs in pursuit of growth as part of the implementation and deployment of the new games and strategy. Despite temporarily lower margins, the company has high operating leverage, a strong liquidity position, and free-to-play revenue can be scaled substantially. Consistent with these other improvements and strengths, management remains confident that future results will continue to reflect a return to a 30% margin over the long term through organic top line growth, but in order to do so, it retains the flexibility to increase or decrease user acquisition spending (Sales and Marketing expense category) as we deem fit for the purpose of balancing growth, profitability, and cash flow. This may have both positive and negative effects on the operating margin in the short term.

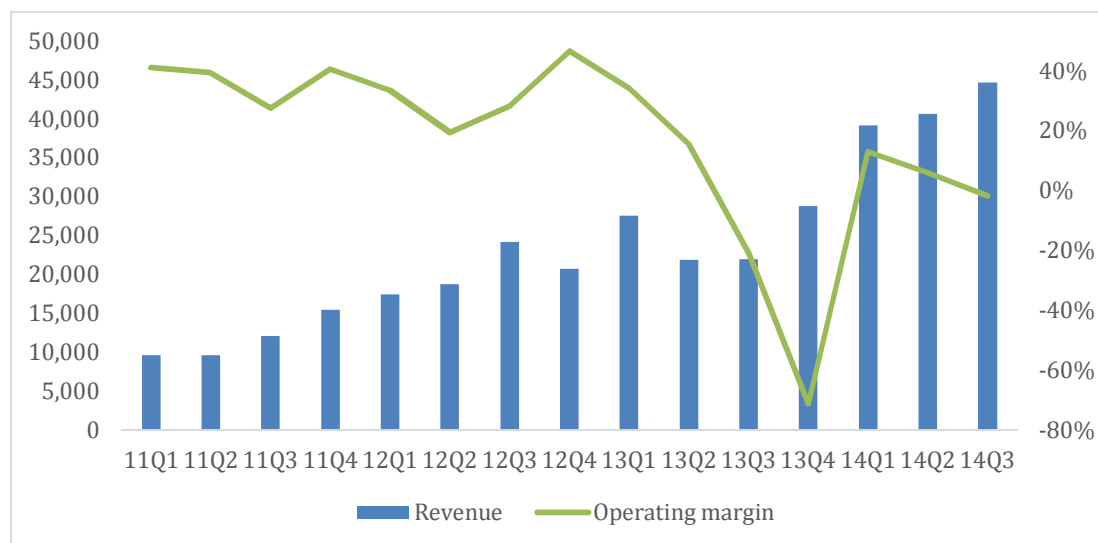
The company continues to invest actively not only in product development but also in improving its publishing platform toolset, which comprises of analytical, marketing, and game management tools. These tools are designed to make the development, deployment, performance analysis, and marketing of free-to-play games more effective, enhancing the ability of the development teams to focus on creative aspects and achieve targets for usage, engagement, and monetization parameters. The management sees the publishing platform tools as an important competitive advantage for the company.

With the listing on Nasdaq Stockholm main market and strengthened team and tools, we have built the foundation for further growth. The company is profitable and has the funds to continue investing in improvement and marketing of its existing free-to-play games, and the development of new free-to-play games, several of which are going to be released before the end of the year. It remains our goal to have over 10 free-to-play games in our portfolio before 2015.

Stockholm, October 31, 2014

**Vlad Suglobov**, Chief Executive Officer, co-founder

## Revenue and operating margin



Revenue and operating margin 11Q1-14Q3

## Financial key ratios

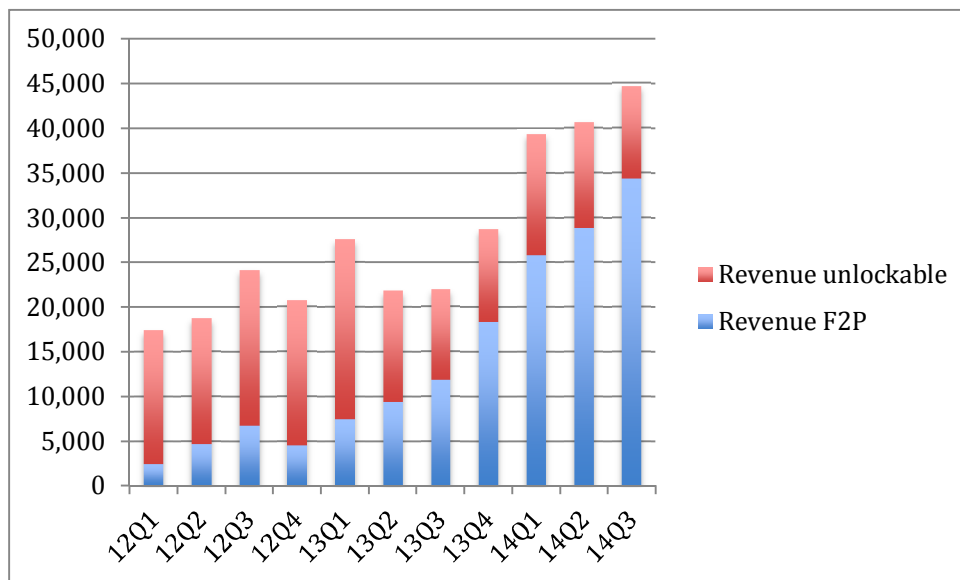
	14Q3	13Q3	14Q1-3	13Q1-3	13Q4-14Q3	2013
Revenue (kSEK)	44 653	21 910	124 399	71 289	153 117	100 007
Revenue growth (%)	104%	-9%	74%	18%		24%
Gross profit (kSEK)	17 151	4 535	50 660	26 518	45 224	21 082
Gross margin (%)	38%	21%	41%	37%	30%	21%
Gross profit excl write-downs (kSEK)	19 594	6 958	53 103	28 941	63 252	39 090
Gross margin excl write-downs (%)	44%	32%	43%	41%	41%	39%
EBIT (kSEK)	-846	-4 637	6 663	8 692	-13 855	-11 826
EBIT margin (%)	-2%	-21%	5%	12%	-9%	-12%
EBIT excl write-downs and re-listing expenses (kSEK)	1 966	-775	10 884	12 554	5 981	9 965
EBIT margin excl write-downs and re-listing expenses (%)	4%	-4%	9%	18%	4%	10%

## July-September

Year-on-year revenues grew by 104% during the period, driven by the strong growth for the group's free-to-play-games, to 44 653 (21 910) kSEK. G5 reports revenue net of the application stores' fees, which usually are 30% of the price that the end user pays. Revenue from free-to-play-games grew by 147% during 14Q3 compared to the same quarter 2013. Revenue from the unlockable games portfolio decreased somewhat compared to the previous quarter. Earnings before interest and taxes (EBIT) was -846 (-4 637) kSEK, corresponding to an EBIT-margin of -2%. Excluding write-downs and re-listing expenses, EBIT was 1 966 kSEK, corresponding to an EBIT-margin of 4%. The accumulated number of downloads of the group's games (not counting updates) surpassed 180 million.

## January-September

Year-on-year revenues grew by 74% during the period, driven by the strong growth for the group's free-to-play-games, to 124 399 (71 289) kSEK. Revenue from free-to-play-games grew by 189% during the period compared to the same period 2013.



Revenue share from free-to-play games and ununlockable games 2012-2014

The group's production cost was 73 739 (44 771) kSEK during the period. The group booked 47 998 (22 785) kSEK in royalty to external developers, corresponding to 38% (32%) of revenue. The gross profit for the period was 50 660 (26 518) kSEK, corresponding to a gross margin of 41% (37%).

Earnings before interest and taxes (EBIT) was 6 663 (8 692) kSEK. The operating margin was 5% (12%) for the period. Excluding write-downs and re-listing expenses, EBIT was 10 884 kSEK, corresponding to an EBIT-margin of 9%. The change in EBIT compared to the same period in 2013 can primarily be explained by:

- An increase in the level of user acquisition expenses. G5 continues to invest in acquisition of users, and the costs for marketing during the period were 22 494 (7 447) kSEK, corresponding to 18% (10%) of revenue.
- Increased administrative costs in order to ensure the group's capacity for further growth, and due to higher demands caused by the listing on Nasdaq Stockholm.
- Ongoing investments in publishing tools, which are not being capitalized.

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

During the third quarter, a number of ununlockable games have been cancelled due to a limited future potential. Another cancellation was an experimental F2P-game, Pet Zoometry, that was launched in 2013, and was licensed from a 3<sup>rd</sup> party development studio.

A regular impairment test of the entire game portfolio has also resulted in a need for write-downs of a small number of older games. The total write-down amount is equal to 2 443 kSEK. This amount includes both a write-down of capitalized development costs, i. e. costs that arise from internal development activities, 1 549 kSEK, and

a write-down of advances to external developers, 894 kSEK. Unlockable games constitute the absolute majority of the write-downs. The write-downs have no cash flow-effect.

At the end of the reporting period the company carried out a sale of all remaining intellectual property rights from G5 Sweden to G5 Malta. The purpose is to create a clearer organizational setup, where G5 Malta procures all development work, while G5 Sweden is the group's distribution entity. The sale resulted in a tax of 423 kSEK.

In certain instances the company has credit terms with external suppliers that are materially longer than the corresponding credit terms with the company's distributors. During the reporting period negative exchange rate effects in excess of 1 MSEK, that impacted the company's profit, resulted from such liabilities to suppliers.

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 primarily due to user acquisition expenses.

### **Liquidity and financial position**

During the third quarter, the group had an operating cash flow before changes in working capital of 12 426 (5 304) kSEK and a cash flow of 7 527 (-5 255) kSEK.

During the reporting period, the group had an operating cash flow before changes in working capital of 24 982 (20 139) kSEK and a cash flow of 5 349 (20 448) kSEK. The cash flow was affected negatively by fees of 1 778 kSEK to advisors in connection with the listing on Nasdaq Stockholm. The cash flow for the 2013 comparison period includes the proceeds from the new share issues undertaken at the beginning of 2013.

Cash flow from operating activities increased during the reporting period compared to the corresponding period 2013 primarily due to somewhat less taxes paid, and a change in operating liabilities, mostly liabilities to external developers. Operating receivables and liabilities fluctuate over time, depending on the precise dates when payments are made from the group's distributors, relative to the group's book closing dates.

G5 continues to invest in free-to-play-games. During the period, the group capitalized 23 485 (32 162) kSEK of direct development costs, while amortizations of capitalized development costs were 13 024 (16 311) kSEK. Total capitalized development costs at the end of the period were 62 537 (55 767) kSEK, while total outstanding advances to external developers were 4 578 (9 880) kSEK.

Available cash on September 30, 2014, amounted to 33 162 (34 086) kSEK.

The parent company's financial position is solid, in line with the group's.

### **Outlook**

G5 Entertainment does not publish forecasts.

### **Risk assessment**

G5 Entertainment is, like all companies, exposed to various kinds of risk in its operations. Among the most notable are risks related to the dependency on certain strategic partners, delays in the release of new games, changes in technology, dependency on key employees, and tax as well as political risks due to the multi-national nature of the group's operations. Risk management is an integral part of G5 Entertainment's management and the risks are described in greater detail in the 2013 annual report.

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

### **Related-party transactions**

During the period no significant related-party transactions have taken place.

## Annual general meeting 2015

G5 Entertainment's annual general meeting 2015 will be held on May 20 in Stockholm. Shareholders wishing to have matters considered at the meeting must submit these to G5 Entertainment by March 25, 2015, to be included in the notice. Requests should be addressed to the board and be sent by mail to G5 Entertainment AB (publ), Riddargatan 18, 114 51 Stockholm, Sweden.

## Nomination committee

G5 Entertainment's nomination committee consists of:

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

Chairman of the nomination committee will be elected by the committee, and communicated promptly.

Shareholders wishing to submit proposals to G5 Entertainment's nomination committee may do so by mail to G5 Entertainment AB (publ), Riddargatan 18, 114 51 Stockholm, Sweden or by e-mail to [nomination@g5e.se](mailto:nomination@g5e.se).

Please note that proposals must be received by the nomination committee by March 1, 2015.

## Upcoming report dates

Year-end report, January-December 2014	February 24, 2015
Interim report, January-March 2015	May 8, 2015
Annual General Meeting 2015	May 20, 2015
Interim report, January-June 2015	July 24, 2015
Interim report, January-September 2015	November 6, 2015

## 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.





## **Assurance**

The Board of Directors and the CEO certify that the interim report provides a true and fair view of the Group's operations, financial position, and earnings.

Stockholm, October 31, 2014

Petter Nylander

Chairman of the Board

Martin Bauer

Board member

Pär Sundberg

Board member

Jeffrey Rose

Board member

Vlad Suglovov

CEO & Board member

*Note: 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.*

## Report on review of interim financial information

### Introduction

We have reviewed the summarized interim financial information for G5 Entertainment AB (publ) on September 30 2014 and for the nine month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the group's part according to IAS 34 and the Annual Accounts Act and for the parent company's part according to the Annual Accounts Act.

Stockholm, October 31, 2014

Mazars SET Revisionsbyrå AB

Bengt Ekenberg

*Authorized Public Accountant*

**Income statement - Group**

G5 Entertainment group (kSEK)	2014-07-01 2014-09-30	2013-07-01 2013-09-30	2014-01-01 2014-09-30	2013-01-01 2013-09-30	2013-10-01 2014-09-30	2013-01-01 2013-12-31
Net turnover	44 653	21 910	124 399	71 289	153 117	100 007
Production cost (Note 1, 2)	-27 502	-17 375	-73 739	-44 771	-107 893	-78 925
<b>Gross profit</b>	<b>17 151</b>	<b>4 535</b>	<b>50 660</b>	<b>26 518</b>	<b>45 224</b>	<b>21 082</b>
General and administrative expenses	-16 391	-8 099	-43 180	-17 243	-60 279	-34 342
Other operating income	556		1 610	304	3 352	2 046
Other operating expenses	-2 163	-1 073	-2 427	-887	-2 152	-612
<b>Operating result</b>	<b>-846</b>	<b>-4 637</b>	<b>6 663</b>	<b>8 692</b>	<b>-13 855</b>	<b>-11 826</b>
Financial income					85	85
Financial expenses	-601	-236	-439	-236	-504	-301
<b>Operating result after financial items</b>	<b>-1 447</b>	<b>-4 873</b>	<b>6 224</b>	<b>8 456</b>	<b>-14 274</b>	<b>-12 042</b>
Taxes (Note 3)	-762	1 278	-2 665	-821	-1 466	378
<b>NET RESULT FOR THE PERIOD</b>	<b>-2 209</b>	<b>-3 595</b>	<b>3 559</b>	<b>7 635</b>	<b>-15 740</b>	<b>-11 664</b>
<i>Attributed to:</i>						
Parent company's shareholders	-2 209	-3 595	3 559	7 635	-15 740	-11 664
Non-controlling interest	-	-	-	-	-	-
<i>Earnings per share</i>						
Weighted average number of shares	8 800 000	8 800 000	8 800 000	8 711 111	8 800 000	8 711 111
Earnings per share (SEK) before and after dilution	-0,25	-0,41	0,40	0,88	-1,79	-1,34

**Statement of comprehensive income - Group**

G5 Entertainment group (kSEK)	2014-07-01 2014-09-30	2013-07-01 2013-09-30	2014-01-01 2014-09-30	2013-01-01 2013-09-30	2013-10-01 2014-09-30	2013-01-01 2013-12-31
<b>Net result for the period</b>	<b>-2 209</b>	<b>-3 595</b>	<b>3 559</b>	<b>7 635</b>	<b>-15 740</b>	<b>-11 664</b>
<b>Items that later can be reversed in profit</b>						
Foreign currency translation differences	2 846	302	4 005	-124	4 498	369
<b>Total other comprehensive income for the period</b>	<b>2 846</b>	<b>302</b>	<b>4 005</b>	<b>-124</b>	<b>4 498</b>	<b>369</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>637</b>	<b>-3 293</b>	<b>7 564</b>	<b>7 511</b>	<b>-11 242</b>	<b>-11 295</b>
<i>Attributed to:</i>						
Parent company's shareholders	637	-3 293	7 564	7 511	-11 242	-11 295
Non-controlling interest	-	-	-	-	-	-

**Balance sheet - Group**

G5 Entertainment group (kSEK)	2014-09-30	2013-09-30	2013-12-31
<b>Fixed assets</b>			
<i>Intangible fixed assets</i>			
Capitalized development costs (Note 2)	62 537	55 767	48 299
Goodwill	2 305	2 320	2 318
	<b>64 842</b>	<b>58 087</b>	<b>50 617</b>
<i>Tangible fixed assets</i>			
Equipment	2 641	1 828	1 929
	<b>2 641</b>	<b>1 828</b>	<b>1 929</b>
Deferred tax receivable (Note 3)	67		2 105
<b>Total fixed assets</b>	<b>67 550</b>	<b>59 915</b>	<b>54 651</b>
<b>Current assets (Note 6)</b>			
Accounts receivable	6 920	2 384	7 156
Tax receivable		288	4 437
Other receivables (Note 4)	5 519	14 634	6 915
Prepaid expenses and accrued income	16 058	12 627	10 916
Cash at bank	33 162	34 086	27 433
<b>Total current assets</b>	<b>61 659</b>	<b>64 019</b>	<b>56 857</b>
<b>TOTAL ASSETS</b>	<b>129 209</b>	<b>123 934</b>	<b>111 508</b>
<b>Equity</b>			
Share capital	880	880	880
Other capital contribution	54 032	54 032	54 032
Other reserves	4 027	-471	22
Profit/loss brought forward	37 617	53 357	34 058
<b>Total shareholders' equity</b>	<b>96 556</b>	<b>107 798</b>	<b>88 992</b>
<b>Non-current liabilities</b>			
Deferred tax		590	
<b>Total non-current liabilities</b>		<b>590</b>	
<b>Current liabilities (Note 5, 6)</b>			
Accounts payable	13 410	6 112	7 478
Other liabilities	1 760	2 304	464
Tax liabilities	1 279	4 494	6 505
Accrued expenses	16 203	2 636	8 069
<b>Total current liabilities</b>	<b>32 651</b>	<b>15 546</b>	<b>22 516</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>129 209</b>	<b>123 934</b>	<b>111 508</b>

## Cash flow statement - Group

G5 Entertainment group (kSEK)	2014-07-01 2014-09-30	2013-07-01 2013-09-30	2014-01-01 2014-09-30	2013-01-01 2013-09-30	2013-10-01 2014-09-30	2013-01-01 2013-12-31
<b>Cash flow from operating activities</b>						
Profit after financial items	-1 447	-4 873	6 224	8 457	-14 275	-12 042
Adjusting items not included in cash flow	10 266	10 394	20 974	16 835	43 253	39 114
	<b>8 819</b>	<b>5 521</b>	<b>27 198</b>	<b>25 292</b>	<b>28 978</b>	<b>27 072</b>
Taxes paid	3 607	-217	-2 216	-5 153	-1 646	-4 583
<b>Cash flow before changes in working capital</b>	<b>12 426</b>	<b>5 304</b>	<b>24 982</b>	<b>20 139</b>	<b>27 332</b>	<b>22 489</b>
<b>Cash flow from changes in working capital</b>						
Decrease in operating receivables	-2 748	3 940	-9 134	-478	-12 710	-4 054
Increase in operating liabilities	5 799	2 675	14 606	-645	19 506	4 255
<b>Cash flow from operating activities</b>	<b>15 477</b>	<b>11 919</b>	<b>30 454</b>	<b>19 016</b>	<b>34 128</b>	<b>22 690</b>
<b>Investing activities</b>						
Purchase of equipment	-863	-418	-1 619	-547	-2 190	-1 118
Capitalized development costs	-7 086	-16 732	-23 485	-32 162	-33 238	-41 915
<b>Cash flow from investing activities</b>	<b>-7 949</b>	<b>-17 150</b>	<b>-25 104</b>	<b>-32 709</b>	<b>-35 428</b>	<b>-43 033</b>
<b>Financing activities</b>						
New share issue		-24		34 019		34 019
Premium for issued warrants				122		122
<b>Cash flow from financing activities</b>		<b>-24</b>		<b>34 141</b>		<b>34 141</b>
<b>CASH FLOW</b>	<b>7 527</b>	<b>-5 255</b>	<b>5 349</b>	<b>20 448</b>	<b>-1 301</b>	<b>13 798</b>
<b>Cash at the beginning of the period</b>	<b>25 148</b>	<b>39 636</b>	<b>27 433</b>	<b>13 661</b>	<b>34 086</b>	<b>13 661</b>
Cash flow	7 527	-5 255	5 349	20 448	-1 301	13 798
Exchange rate difference	486	-295	379	-23	377	-26
<b>CASH AT THE END OF THE PERIOD</b>	<b>33 162</b>	<b>34 086</b>	<b>33 162</b>	<b>34 086</b>	<b>33 162</b>	<b>27 433</b>

## Statement of changes in shareholder's equity - Group

G5 Entertainment group (kSEK)	Share capital	Other capital contribution	Other reserves	Profit/loss brought forward	Shareholders' equity
<b>Shareholders' equity as of 2013-01-01</b>	<b>800</b>	<b>19 971</b>	<b>-347</b>	<b>45 722</b>	<b>66 146</b>
Net result for the period				7 635	
Total other comprehensive income			-124		<b>-124</b>
<b>Total comprehensive income for the period</b>			<b>-124</b>	<b>7 635</b>	<b>7 511</b>
Incentive program		122			<b>122</b>
New share issue	80	37 520			<b>37 600</b>
Cost of new share issue		-3 581			<b>-3 581</b>
<b>Total transaction with the owners recognized directly in equity</b>	<b>80</b>	<b>34 061</b>			<b>34 141</b>
<b>Shareholders' equity as of 2013-09-30</b>	<b>880</b>	<b>54 032</b>	<b>-471</b>	<b>53 357</b>	<b>107 798</b>
<b>Shareholders' equity as of 2014-01-01</b>	<b>880</b>	<b>54 032</b>	<b>22</b>	<b>34 058</b>	<b>88 992</b>
Net result for the period				3 559	<b>3 559</b>
Total other comprehensive income			4 005		<b>4 005</b>
<b>Total comprehensive income for the period</b>			<b>4 005</b>	<b>3 559</b>	<b>7 564</b>
<b>Shareholders' equity as of 2014-09-30</b>	<b>880</b>	<b>54 032</b>	<b>4 027</b>	<b>37 617</b>	<b>96 556</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. The accounting and calculation principles used in the report for the group are identical to those used in the Annual Report 2013. None of the new and changed standards from IASB, applicable from 1st of January 2014, has had any material effect on the Financial Statements. For detailed information on the accounting principles, see Annual report 2013.

### Note 2 - Capitalized development costs

Group (kSEK)	2014-07-01 2014-09-30	2013-07-01 2013-09-30	2014-01-01 2014-09-30	2013-01-01 2013-09-30	2013-10-01 2014-09-30	2013-01-01 2013-12-31
<b>At the beginning of the period</b>	<b>57 683</b>	<b>49 686</b>	<b>48 299</b>	<b>40 429</b>	<b>55 767</b>	<b>40 429</b>
Investments	7 086	16 732	23 485	32 162	33 238	41 915
Write-downs	-1 549	-2 423	-1 549	-2 423	-13 034	-13 908
Amortization	-4 436	-7 715	-13 024	-13 888	-19 230	-20 094
Currency exchange differences	3 752	-513	5 325	-513	5 795	-43
<b>At the end of the period</b>	<b>62 537</b>	<b>55 767</b>	<b>62 537</b>	<b>55 767</b>	<b>62 537</b>	<b>48 299</b>

Parent company (kSEK)	2014-01-01	2013-01-01	2013-01-01
	2014-09-30	2013-09-30	2013-12-31
<b>At the beginning of the period</b>	<b>7 771</b>	<b>20 833</b>	<b>20 833</b>
Investments	2 138	5 248	6 574
Write-off		-1 873	-9 466
Amortization	-1 752	-8 224	-10 170
Intra-group transfer	-8 157		
<b>At the end of the period</b>	<b>0</b>	<b>15 984</b>	<b>7 771</b>

During the third quarter, all remaining intellectual property rights (IPRs) have been transferred from G5 Sweden to G5 Malta, in accordance with the company's stated strategy of having all IPRs in G5 Malta. This is in line with a clearer organizational model, where G5 Malta procures all development work, while G5 Sweden is the group's distribution entity.

### Note 3 - Tax

G5 Entertainment is active in a number of different jurisdictions, with different tax rates. The Group's effective tax rate consequently varies between periods depending on the distribution of revenues and costs. In 14Q3 the effective tax rate became higher than usual due to combination of revenue distribution among subsidiaries, temporary differences between the carrying amount and the tax base of some of the group's intangible assets, and lower group profit during the period.

The deferred tax asset for 2013 is related to loss carry-forwards in the parent company.

A sale of intellectual property rights from G5 Sweden to G5 Malta has also resulted in a tax of 423 kSEK during 14Q3.

### Note 4 - Other receivables

Other receivables include 4 578 (9 880) kSEK 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 toward the third party developer's contractual share of the revenue that each game generates.

### Note 5 - Pledged assets and contingent liabilities

Floating charge 3 000 (700) kSEK, pledged for cheque account with overdraft facility (400 kUSD). The overdraft facility was unused as of September 30, 2014.

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

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 considers the risk of additional tax to be small, but a certain risk exposure exists, with a maximum amount estimated to 3.5 MSEK.

### Note 6 - 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**

G5 Entertainment AB (kSEK)	2014-01-01 2014-09-30	2013-01-01 2013-09-30	2013-01-01 2013-12-31
Revenue	124 290	70 121	99 197
Production costs (Note 1, 2)	-76 516	-56 179	-86 107
<b>Gross profit</b>	<b>47 774</b>	<b>13 942</b>	<b>13 090</b>
General and administrative expenses	-39 089	-11 283	-25 471
Other operating income	2 614	-477	
Other operating losses	-1 327		-29
<b>Operating profit</b>	<b>9 972</b>	<b>2 182</b>	<b>-12 410</b>
Interest income and similar items	1 114		412
Interest expense and similar items	-47	-95	-299
<b>Profit after financial items</b>	<b>11 039</b>	<b>2 087</b>	<b>-12 297</b>
Appropriations			2 680
Income tax expenses	-2 483	-473	1 399
<b>NET RESULT FOR THE PERIOD</b>	<b>8 556</b>	<b>1 614</b>	<b>-8 218</b>

**Statement of comprehensive income – parent company**

G5 Entertainment AB (kSEK)	2014-01-01 2014-09-30	2013-01-01 2013-09-30	2013-01-01 2013-12-31
<b>Net result for the period</b>	<b>8 556</b>	<b>1 614</b>	<b>-8 218</b>
<b>Items that later can be reversed in profit</b>			
Foreign currency translation differences	3 244	0	649
<b>Total other comprehensive income for the year</b>	<b>3 244</b>	<b>0</b>	<b>649</b>
<b>Total comprehensive income for the year</b>	<b>11 800</b>	<b>1 614</b>	<b>-7 569</b>



**Balance sheet – parent company**

G5 Entertainment AB (kSEK)	2014-09-30	2013-09-30	2013-12-31
<b>Fixed assets</b>			
<i>Intangible fixed assets</i>			
Capitalized development costs (Note 1, 2)	0	15 984	7 771
	<b>0</b>	<b>15 984</b>	<b>7 771</b>
<i>Financial fixed assets</i>			
Receivables from group companies	79 727		33 342
Deferred tax assets			2 101
Shares in group companies	570	865	630
	<b>80 297</b>	<b>865</b>	<b>36 073</b>
<b>Current assets</b>			
Account receivables	6 845	370	6 185
Receivables from group companies	441	32 945	8 657
Other receivables	2 015	4 809	7 386
Prepaid expenses and accrued income	16 002	15 739	10 854
Cash and bank	24 586	32 516	23 203
	<b>49 890</b>	<b>86 379</b>	<b>56 285</b>
<b>TOTAL ASSETS</b>	<b>130 187</b>	<b>103 228</b>	<b>100 129</b>
<b>Restricted equity</b>			
Share capital	880	880	880
<b>Non-restricted equity</b>			
Share premium reserve	53 990	53 989	53 989
Fair value reserve	3 892	1	649
Profit\Loss carried forward	30 043	38 261	38 261
Net result for the period	8 556	1 614	-8 218
<b>Total equity</b>	<b>97 361</b>	<b>94 745</b>	<b>85 561</b>
Untaxed reserves		2 680	
<b>Current liabilities</b>			
Accounts payable	6 794	2 052	1 584
Income tax liability		-752	
Liability to group companies	12 619	1 483	4 956
Other liability	118	407	74
Accrued expenses	13 295	2 614	7 954
<b>Total current liabilities</b>	<b>32 826</b>	<b>5 803</b>	<b>14 569</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>130 187</b>	<b>103 228</b>	<b>100 129</b>
<b>Memorandum items (Note 5)</b>			
Pledged assets	3 050	750	3 050
Contingent liabilities	3 500	-	-

*G5 Entertainment AB is a developer and publisher of high quality downloadable games for iOS, Android, Kindle Fire, Mac, and Windows 8. G5 develops and publishes games that are family-friendly, easy to learn, and targeted at the widest audience of experienced and novice players. G5's portfolio includes a number of popular games like The Secret Society, Virtual City, Special Enquiry Detail, Supermarket Mania, Stand O'Food, and Mahjong Artifacts. G5 Entertainment AB is listed on Nasdaq Stockholm since 2014.*

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