



G5 Entertainment AB

Interim Report Q2 2023

JANUARY – JUNE 2023



INTERIM REPORT JANUARY – JUNE 2023

April – June 2023

- Revenue for the period was SEK 331.2 M (343.5), a decrease of 4 percent compared to the same period in 2022 in SEK terms. In USD terms revenue decreased 10 percent year-over-year.
- Gross margin increased to 67.4 percent (66.2 percent), as larger share of revenue is coming from own games and direct-to-consumer platform.
- EBIT for the period was SEK 38.9 M (1.0), an increase of 3,801%. EBIT for 2022 was heavily impacted by increased costs for user acquisition.
- Net result for the period was SEK 40.1 M (-2.6), positively impacted by the finance net of SEK 6.4 M (-1.7).
- Earnings per share for the period, before dilution, was SEK 4.96 (-0.31).
- Cash flow amounted to SEK -31.8 M (33.9), negatively impacted by dividend of SEK 64.5 M (59.1) and repurchases of own shares of SEK 13.1 M (0.0).
- Average Monthly Active Users (MAU) was 5.2 million, a decrease of 21 percent compared to the same period in 2022. Average Daily Active Users (DAU) was 1.5 million, a decrease of 13 percent compared to the same period in 2022. Average Monthly Unique Payers (MUP) was 168.0 thousand, a decrease of 9 percent while Average Monthly Average Gross Revenue Per Paying User (MAGRPPU) was USD 62.0, a decrease of 3 percent compared to the same period last year. Audience metrics for 2022 were heavily inflated by increased user acquisition.

FINANCIAL KEY RATIOS

KSEK	Apr-Jun 2023	Apr-Jun 2022	Change %	Jan-Jun 2023	Jan-Jun 2022	Change %	Jul-Jun 22/23	2022	Change %
Revenue	331,241	343,502	-4%	676,612	676,567	0%	1,400,161	1,400,117	0%
Commission to distributors ¹	-74,857	-79,011	-5%	-152,030	-154,454	-2%	-318,293	-320,718	-1%
Royalty to external developers ²	-33,005	-37,255	-11%	-68,453	-72,875	-6%	-138,557	-142,978	-3%
Gross profit	223,380	227,236	-2%	456,129	449,238	2%	943,311	936,420	1%
Gross margin	67.4%	66.2%		67%	66%		67%	67%	
Operating costs excluding costs for user acquisition	-122,862	-105,370	17%	-254,640	-207,556	23%	-509,455	-521,590	-2%
EBIT excluding costs for user acquisition	100,518	121,866	-18%	201,489	241,681	-17%	433,856	414,830	5%
EBIT margin before costs for user acquisition	30%	35%		30%	36%		31%	30%	
Costs for user acquisition ³	-61,651	-120,869	-49%	-122,818	-187,048	-34%	-330,368	-335,380	-1%
Costs for user acquisition as percentage of revenue	-19%	-35%		-18%	-28%		-24%	-24%	
EBIT	38,866	996	3801%	78,670	54,633	44%	103,488	79,451	30%
EBIT margin (%)	11.7%	0.3%		11.6%	8.1%		7.4%	5.7%	
Earnings per share before dilution	4.96	-0.31	n/a	10.82	5.50	97%	13.10	8.00	64%
Cash flow before financing activities	45,745	93,098		86,082	129,586		84,587	128,091	
Cash and cash equivalents	173,120	226,317		173,120	226,317		173,120	177,469	

¹ 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.

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

³ 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: Stable performance within seasonal pattern



The stable performance experienced during the first three months of the year continued in the second quarter, following the “new normal” scenario we introduced at the end of 2022. Financially, we delivered another strong quarter. The G5 Store continued to show fast growth, helping boost our gross margin.

Second quarter revenue slipped 4% in SEK and decreased 10% in USD terms in absence of new game releases. Sherlock, the Jewels family of games and Hidden City performed slightly weaker than in the first three months of the year, consistent with the historically weaker summer season. Still, Sherlock’s Q2 revenue increased 12% in USD year-over-year, while it declined 3% sequentially.

The G5 Store continues to accelerate with an increasing number of players using our own store to access games. We distribute games to consumers primarily through other platforms such as the Apple App Store, Google Play and Microsoft Store, but we are seeing more and more players come directly to us. The G5 Store grew 17% sequentially and jumped 106% from the same period last year in USD terms. This increase

in revenue derived from the G5 Store is a powerful boost to our gross margins since we don’t have to pay the hefty store fees, up to 30% depending on the platform, on other distribution channels.

The success of the G5 Store continues to gain steam as we have seen strong sequential growth into July. These gains helped drive the Q2 gross margin to 67.4%, compared to 66.2% a year earlier. The G5 Store revenue accounted for almost 10% of total revenue, up from 4.3% last year. As we said before, some peers report up to 25% of revenue from direct-to-consumer channels. We believe the G5 Store can continue growing for a long time.

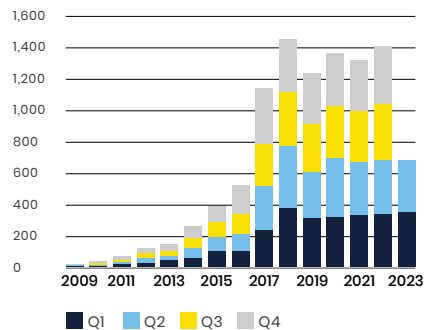
EBIT was SEK 38.9 M (1.0). The impact is largely due to a low base last year when we temporarily and substantially increased user acquisition (UA) spending. This year we committed to UA spending in the normal range of between 17-22%. In Q2, UA spending was 19%. The EBIT and EBIT margin in Q2 are consistent with the Q1 results and reflect the stability in results we are aiming for in 2023.

Cash flow was strong in the quarter with Q2 cash flow before financing activities of SEK 45.7. We ended the quarter with a strong cash position of SEK 173.1 M after paying dividends of SEK 65 M and buying back 65,000 shares for SEK 13.1 M. The total number of shares in the market (not counting those held by the company) was reduced to 8,063,063. The EPS in the quarter was SEK 4.96 (-0.31).

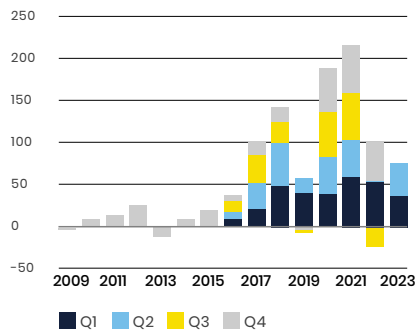
We continue to work on new game ideas and titles in pre and after soft launch stage. Our pipeline now has 36 game ideas in evaluation and testing and 7 ideas

In the second quarter our direct-to-consumer offering, G5 Store, earned us almost 10 percent of net revenue

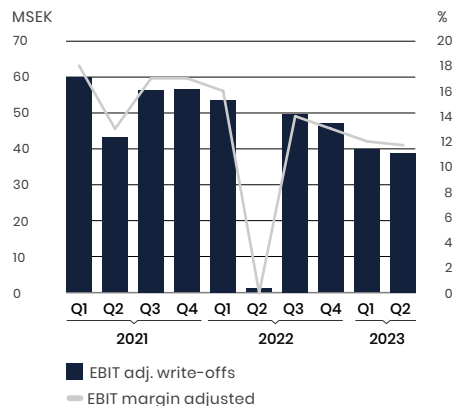
Revenue (MSEK)



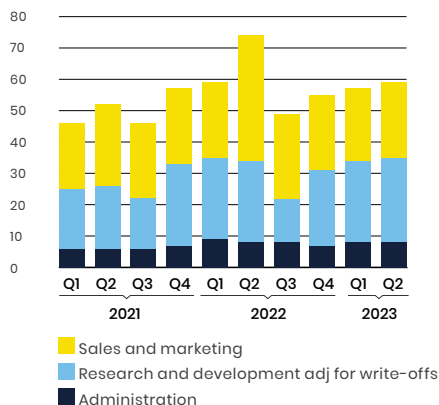
EBIT (MSEK)



EBIT (MSEK) | EBIT-margin (%)



Costs in % of revenue



in soft launch development and iterations. As we said before, we expect to soft launch 5 to 6 games each year and launch 1 to 2 globally. We haven't launched any games globally this year yet, so the second half of the year should be more exciting in terms of global launches even though any potential financial benefits will only materialize next year.

There were no significant changes in the number of employees during the quarter, however, there was certain reduction in the outsource work spending because of the integration of generative AI tools into the development process.

During the quarter we were able to close the LTI programs 2019 and 2020. 2020 did not yield any outcome but the program 2019 was closed with almost 80 employees across nine countries receiving almost 26,000 shares.

G5 remains in a strong financial position with zero debt. Our existing game portfolio continues to perform and generate income that funds both marketing efforts

Our pipeline now has 36 game ideas in evaluation and testing and 7 ideas in soft launch development and iterations.

and investment in new games, while also providing returns for our shareholders. Management has a Board mandate to continue share repurchases, confirmed by the general meeting held in June, which considered G5's stable performance and high cash conversion.

The second quarter was a continuation of the "new normal" mentioned at the end of 2022.

We are in a strong position and

our games and direct-to-consumer business continues to gain traction. We expect continued stability in the second half of 2023, with an opportunity for additional positive developments thanks to our new game pipeline.

Thank you for following G5,

August 10, 2023

Vlad Suglobov, CEO, co-founder

April – June

Revenue and gross profit

Revenue amounted to SEK 331.2 M (343.5). Revenue decreased by 4 percent compared to the same period in 2022, in USD the revenue decreased by 10%.

Cost of revenue decreased to SEK 107.9 M (116.3). 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 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 11 percent compared to the same period in 2022.

Gross margin for the period was 67.4 percent (66.2). Gross profit for the quarter decreased by 2 percent compared to the second quarter in 2022 and was SEK 223.4 M (227.2).

Operational Costs

Costs for research and development were SEK 88.4 M (65.9) during the period. The main driver for the increase was the change made to the development funnel which was communicated with the interim report for Jan-Sep 2022. In the second quarter the company capitalized SEK 21.6 M less than the same period last year. Amortizations increased at the same time with SEK 2.7 M.

Sales and marketing decreased to SEK 78.0 M (137.5). Sales and marketing is primarily affected by the costs for user acquisition. During the quarter the cost for user acquisition was SEK 61.7 M (120.9).

Cost for user acquisition as a percentage of sales was 19 percent, compared to 35 percent in the same period in 2022. Sales and marketing, excluding user acquisition, decreased to SEK 16.3 M (16.6).

General and administrative costs amounted to SEK 25.6 M (28.0). Other operating income and other operating expenses together amounted to SEK 7.4 M (5.2), primarily driven by currency effects on operational assets and liabilities.

EBIT

Depreciation and amortization have increased with the larger portfolio of games, and amounted to SEK 39.4 M (36.5). Capitalization of intangible assets amounted to SEK 24.9 M (46.4). During the quarter no write-downs were made. Net effect of capitalization and amortization on intangible assets amounted to SEK -12.6 M (11.6).

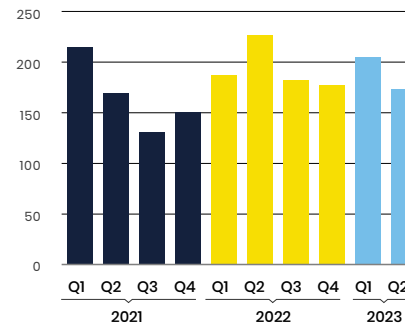
Earnings before interest and taxes (EBIT) amounted to SEK 38.9 M (1.0), corresponding to an EBIT margin of 11.7 percent (0.3).

Net profit

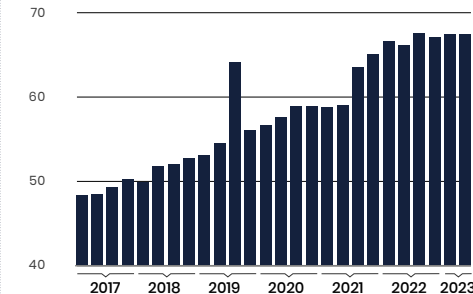
Net profit was affected by financial items with SEK 6.4 M (-1.7). Finance net was impacted by revaluation of short term investments amounting to SEK 5.1 M (-2.2) and interest income of SEK 1.2 M (0.2). Tax affected the result with SEK -5.2 M (-1.9).

Net profit amounted to SEK 40.1 M (-2.6) which equals an earnings per share, before and after dilution SEK 4.96 (-0.31).

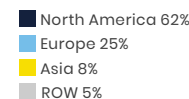
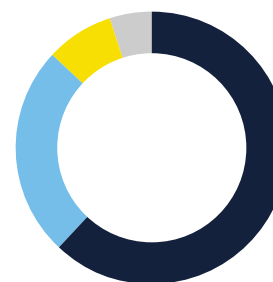
Cash Position (MSEK)



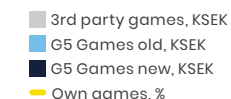
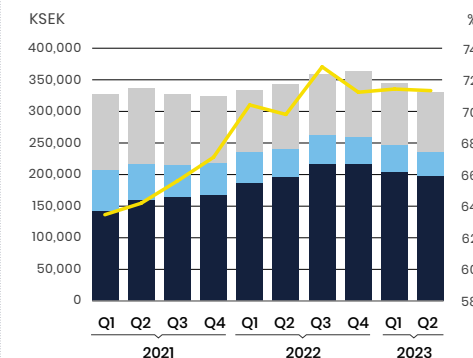
Gross Margin (%)



Revenue breakdown by geography Second Quarter 2023



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



Operational metrics

F2P	Q2 '23	Q2 '22	Change
Average MAU (mn)	5,2	6,4	-21%
Average MUP (thousands)	168,0	183,9	-9%
Average MUU (mn)	3,9	4,8	-21%
Average MAGRPPU (USD)	62,0	64,1	-3%
Average DAU (mn)	1,5	1,8	-13%

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

January – June

Revenue and gross profit

Revenue was the same compared to the same period last year, impacted strongly by the SEK/USD exchange rate. Growth in USD for the interim period was -11%. Revenue amounted to SEK 676.6 M (676.6).

The group's cost of revenue was SEK 220.5 M (227.3). Gross profit amounted to SEK 456.1 M (449.2), an increase of 2 percent compared to the same period in 2022. Gross margin was 67.4 percent (66.4).

Operating Costs

Operating costs increased 18 per cent compared to the same period in 2022. User acquisition decreased to SEK 122.8 M (187.0). Excluding costs for user acquisition the operating costs amounted to SEK 254.6 M (207.6). The operational costs were impacted by capitalization of SEK 53.2 M (87.8) depreciation and amortization of SEK -78.3 M (-72.2) and write-downs of SEK 0.0 M (0.0).

Other operating income and costs impacted the period positively with SEK 8.6 M (10.5), primarily attributed to exchange rate differences on operational assets and liabilities related to balance sheet items in the parent company.

EBIT

EBIT was SEK 78.7 M (54.6) and the EBIT-margin was 11.6 percent (8.1) for the period.

Net profit

Net profit was affected by financial items with SEK 16.5 M (-1.8). Financial items were impacted by revaluation of short term receivables of SEK 14.6 M (-2.2) Tax affected the result with SEK -7.3 M (-5.6) corresponding to an effective tax rate of 8 percent (11).

Net profit amounted to SEK 87.9 M (47.3) which is corresponding to earnings per share before dilution of SEK 10.82 (5.50).

Cash flow

During the second quarter, the group had an operating cash flow before changes in working capital of SEK 68.9 M (29.4). In the quarter taxes impacted the cash flow negatively with SEK -2.4 M (-2.0).

Changes in working capital impacted the cash flow with SEK 2.9 M (112.4). Capitalized development expenses impacted the cash flow negatively with SEK -24.9 M (-46.4).

Cash flow before financing activities amounted to SEK 45.7 M (93.1). Financing activities were impacted by dividends of SEK -64.5 M (-59.1), buybacks of own shares amounting to SEK -13.1 M (0.0) and IFRS16 bookings related to lease of premises SEK -0.0 M (-1.0).

For the interim period Jan - Jun cash flow before changes in working capital amounted to SEK 150.7 (104.4). The cash flow for the period amounted to SEK -5.6 (69.4).

Available cash on June 30, 2023 amounted to SEK 173.1 M (226.3).

Financial position

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

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

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

Capitalized development expenses amounted to SEK 262.3 M (333.4).

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-offs (0.0) were made.

Consolidated equity amounted to SEK 496.1 M (530.5), which equals SEK 61.5 per share (67.6) and the equity/asset ratio is 74 percent (77).

Cash on hand amounted to SEK 173.1 M (226.3).

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

Parent company

The parent company revenue has performed 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 2022.

Upcoming report dates

Interim report Jan-Sep 2023

November 8, 2023

Year-end report 2022

February 8, 2024

Teleconference

On August 10th, 2023 at 08.00 CET, CEO Vlad Suglobov and CFO Stefan Wikstrand will present the interim report in a conference call.

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

Forward-looking statements

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

Inquiries

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Stefan Wikstrand, CFO

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Assurance

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

Stockholm August 9th, 2023

Petter Nylander
Chairman of the Board

Johanna Fagrell Köhler
Board member

Jeffrey Rose
Board member

Sara Börsvik
Board member

Marcus Segal
Board member

Vlad Suglobov
CEO, Board member

Note:
G5 Entertainment AB (publ) is required to make the information in this interim report public in compliance with the Swedish Securities Market Act. The information was submitted for publication on August 10th, 2023 at 07.00. 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	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 22/23	2022
Net turnover	331,241	343,502	676,612	676,567	1,400,161	1,400,117
Cost of revenue	-107,862	-116,266	-220,483	-227,329	-456,850	-463,696
Gross profit	223,380	227,236	456,129	449,238	943,311	936,420
Research and Development expenses	-88,367	-65,937	-176,623	-127,712	-412,962	-364,050
Sales and Marketing expenses	-77,994	-137,512	-157,383	-217,897	-340,331	-400,844
General and administrative expenses	-25,601	-28,019	-52,026	-59,501	-106,143	-113,618
Other operating income	7,449	5,228	8,575	10,506	19,612	21,544
Other operating expenses	0	0	0	0	0	0
Operating result	38,866	996	78,670	54,633	103,488	79,451
Financial income	6,287	499	16,580	651	17,592	1,663
Financial expenses	154	-2,210	-76	-2,407	-3,175	-5,506
Operating result after financial items	45,307	-714	95,175	52,877	117,905	75,607
Taxes	-5,204	-1,871	-7,308	-5,602	-10,367	-8,661
Net result for the year	40,103	-2,585	87,867	47,276	107,538	66,947
Attributed to:						
Parent company's shareholders	40,103	-2,585	87,867	47,276	107,538	66,947

KSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 22/23	2022
Earnings per share						
Weighted average number of shares (thousands)	8,082	8,440	8,120	8,596	8,209	8,370
Weighted average number of shares after dilution, (thousands)	8,082	8,445	8,120	8,600	8,209	8,416
Earnings per share (SEK) before dilution	4.96	-0.31	10.82	5.50	13.10	8.00
Earnings per share (SEK) after dilution	4.96	-0.31	10.82	5.50	13.10	7.96

STATEMENT OF COMPREHENSIVE INCOME - GROUP

KSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 22/23	2022
Net result for the period	40,103	-2,585	87,867	47,276	107,538	66,947
Items that later can be reversed in profit						
Revaluation long-term investments	-4,503	-	-4,503	-	-6,002	-1,499
Foreign currency translation differences	2,076	46,223	8,606	46,427	4,414	38,083
Total other comprehensive income for the period	-2,427	46,223	4,103	46,427	-1,588	36,584
Total comprehensive income for the period	37,676	43,638	91,970	93,703	105,950	103,531
Attributed to:						
Parent company's shareholders	37,676	43,638	91,970	93,703	105,950	103,531

BALANCE SHEET – GROUP

KSEK	Jun 30 2023	Jun 30 2022	Dec 31 2022
Fixed assets			
Intangible fixed assets			
Capitalized development expenses (Note 2)	262,304	333,384	273,073
	262,304	333,384	273,073
Tangible fixed assets			
Equipment	15,320	19,057	16,718
	15,320	19,057	16,718
Long term Investments	12,086	18,088	16,589
Deferred tax receivable	18	434	63
Total non-current assets	289,727	370,963	306,443
Current assets			
Accounts receivable	17	32	5
Tax receivable	1,383	5,477	1,664
Other receivables (Note 3,4)	3,622	13,247	13,656
Prepaid expenses and accrued income	175,908	135,803	150,621
Short term investments	22,649	11,031	8,017
Cash and cash equivalents	173,120	226,317	177,469
Total current assets	376,700	391,907	351,433
Total assets	666,427	762,871	657,876

KSEK	Jun 30 2023	Jun 30 2022	Dec 31 2022
Equity			
Total shareholders' equity	496,093	530,467	499,729
Long-term liabilities			
Deferred tax liabilities	2,693	599	1,467
Long-term liabilities	2,049	1,810	1,578
Total long-term liabilities	4,742	2,409	3,045
Current liabilities (Note 5)			
Short-term liabilities	594	1,028	1,281
Accounts payable	25,287	105,988	61,123
Other liabilities	45,856	24,992	8,500
Tax liabilities	20,625	20,790	23,371
Accrued expenses	73,228	77,196	60,827
Total current liabilities	165,591	229,994	155,102
Total equity and liabilities	666,427	762,871	657,876

CHANGES IN SHAREHOLDERS' EQUITY – GROUP

KSEK	Share capital	Other capital contribution	Other reserves	Profit/loss brought forward	Shareholders' equity
Shareholders' equity 2022-01-01	928	-141,638	33,207	599,913	492,410
Net result for the year				47,276	47,276
Total other comprehensive income			46,427		46,427
Total comprehensive income for the year			46,427	47,276	93,703
Dividend			-59,080		-59,080
IFRS2 – Employee share schemes			3,435		3,435
Total transactions with the owners recognized directly in equity		0	-55,645	0	-55,645
Shareholders' equity as of 2022-06-30	928	-141,638	23,989	647,189	530,468
Shareholders' equity 2023-01-01	928	-189,704	80,726	607,780	499,730
Net result for the year				87,230	87,230
Total other comprehensive income			8,606		8,606
Total comprehensive income for the year			8,606	87,230	95,836
Dividend			-64,505		-64,505
Repurchase of shares		-26,986			-26,986
Adjustment from previous years			-10,980		-10,980
Revaluation long-term investments			-4,503		-4,503
IFRS2 – Employee share schemes			6,865		6,865
Total transactions with the owners recognized directly in equity		-26,986	-73,123	0	-100,109
Shareholders' equity as of 2023-06-30	928	-216,690	16,209	695,646	496,093

CASH FLOW STATEMENT – GROUP

KSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 22/23	2022
Cash flow from operating activities						
Profit after financial items	44,670	-714	94,538	52,878	117,267	75,607
Adjusting items not included in cash flow	26,645	32,134	59,583	64,646	226,969	232,032
	71,315	31,420	154,121	117,524	344,236	307,639
Taxes paid	-2,413	-1,971	-3,410	-13,136	-4,564	-14,290
Cash flow before changes in working capital	68,902	29,449	150,711	104,388	339,672	293,349
Cash flow from changes in working capital						
Change in operating receivables	1,400	8,094	-18,672	-3,064	-38,552	-22,944
Change in operating liabilities	1,507	104,281	9,834	122,006	-77,821	34,351
Cash flow from operating activities	71,809	141,824	141,873	223,330	223,299	304,756
Investing activities						
Investment in fixed assets	-1,177	-1,227	-2,622	-3,035	-8,026	-8,439
Capitalized development expenses	-24,887	-46,436	-53,169	-89,646	-130,686	-167,163
Short term investments	-	-1,063	-	-1,063	-	-1,063
Cash flow from investing activities	-26,064	-48,726	-55,791	-93,744	-138,712	-176,665

KSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 22/23	2022
Financing activities						
Lease financing	-38	-161	-173	-1139	-509	-1,475
Dividend	-64,505	-59,080	-64,505	-59,080	-64,505	-59,080
Repurchase shares	-13,051	-	-26,986	-	-75,052	-48,066
Cash flow from financing activities	-77,594	-59,241	-91,664	-60,219	-140,066	-108,621
Cash flow	-31,849	33,857	-5,582	69,367	-55,479	19,470
Cash at the beginning of the period	205,058	187,260	177,469	149,964	226,317	149,964
Cash flow	-31,849	33,857	-5,582	69,367	-55,479	19,470
Exchange rate differences	-89	5,200	1,233	6,986	2,282	8,035
Cash at the end of the period	173,120	226,317	173,120	226,317	173,120	177,469

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 2022.

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

Note 2**Capitalized development expenses**

KSEK	Apr–Jun 2023	Apr–Jun 2022	Jan–Jun 2023	Jan–Jun 2022	Jul–Jun 22/23	2022
At the beginning of the period	262,639	291,351	273,073	274,757	333,384	274,757
Investments	24,887	46,436	53,169	89,646	130,687	167,163
Write-offs	0	0	0	0	-72,530	-72,530
Amortization	-37,496	-34,809	-74,585	-68,158	-149,576	-143,149
Net change during the period	-12,609	11,627	-21,415	21,487	-91,418	-48,516
Currency exchange differences	12,274	30,406	10,646	37,140	20,338	46,832
At the end of the period	262,304	333,384	262,304	333,384	262,304	273,073

Note 3**Other receivables**

Other receivables include SEK 11.1 M (5.8) for prepaid royalties to third party developers. G5 publishes both proprietary games and games licensed from third-party developers. In connection with the conclusion of agreements with third party developers, G5 sometimes pays an advance on royalties to fund game development. These advances are usually offset against the third party developer's contractual share of the revenue that each game generates.

Note 4**Pledged assets and contingent liabilities**

G5 Entertainment has no (3) pledged assets to. G5 Entertainment does not have any contingent liabilities.

Note 5**Fair value**

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

INCOME STATEMENT – PARENT COMPANY

KSEK	Apr-Jun 2023	Apr-Jun 2022	Jan-Jun 2023	Jan-Jun 2022	Jul-Jun 22/23	2022
Net turnover	331,241	343,502	676,612	676,567	1,400,088	1,400,043
Cost of revenue	-263,729	-211,747	-541,065	-473,030	-1,093,614	-1,025,579
Gross profit	67,512	131,755	135,546	203,537	306,473	374,464
Research and development expenses	-56	-25	-56	-51	-2,691	-109
Sales and Marketing expenses	-64,033	-123,592	-127,570	-192,030	-282,666	-347,126
General and administrative expenses	-5,108	-9,562	-10,859	-17,226	-29,084	-32,126
Other operating income	8,392	12,456	7,449	14,959	13,860	21,371
Other operating expenses	0	0	0	0	0	0
Operating result	6,706	11,032	4,509	9,189	5,892	16,474
Financial income	5,234	0	15,346	8	201,652	195,891
Financial expenses	0	-2,169	0	-2,227	6,562	-5,241
Operating result after financial items	11,940	8,863	19,855	6,971	214,107	207,124
Taxes	-1,088	-317	-1,088	-317	-2,761	-1,989
Net result for the period	10,851	8,546	18,767	6,654	211,346	205,135

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

KSEK	Jan-Mar 2023	Jan-Mar 2022	Jan-Mar 2023	Jan-Mar 2022	Jul-Jun 22/23	2022
Net result for the period	10,851	8,546	18,767	6,654	211,346	205,135
Items that later can be reversed in profit						
Revaluation long-term investments	-4,503	-	-4,503	-	-6,002	-1,499
Other comprehensive income	-4,503	-	-4,503	-	-6,002	-1,499
Total other comprehensive income for the period	6,348	8,546	18,767	6,654	205,344	203,636

BALANCE SHEET – PARENT COMPANY

KSEK	Jun 30 2023	Jun 30 2022	Dec 31 2022
Fixed assets			
Tangible fixed assets	0	13	5
Tangible fixed assets	0	13	5
Financial fixed assets			
Shares in group companies	105	82	105
Financial assets	12,086	18,088	16,589
Total fixed assets	12,191	18,184	16,699
Current assets			
Account receivables	0	0	0
Receivables from group companies	12,013	192,127	392,909
Tax receivables	1,175	3,935	762
Other receivables	1,089	2,725	714
Prepaid expenses and accrued income	144,949	127,828	131,174
Financial assets	22,649	11,031	8,017
Cash and cash equivalents	101,723	161,855	129,196
Total current assets	283,597	499,501	662,772
Total assets	295,788	517,685	679,471

KSEK	Jun 30 2023	Jun 30 2022	Dec 31 2022
Restricted equity			
Share capital	928	928	928
Non-restricted equity			0
Share premium reserve	53,032	51,434	52,401
Profit/Loss carried forward	187,622	130,244	80,294
Net result for the period	18,767	6,654	205,135
Total equity	260,349	189,260	338,758
Current liabilities			
Accounts payable	24,172	103,025	44,606
Tax Liability	0	0	0
Liability to group companies	0	218,799	289,699
Other liability	9,805	2,830	2,664
Accrued expenses	1,462	3,770	3,743
Total current liabilities	35,439	328,425	340,713
Total equity and liabilities	295,788	517,685	679,471

Glossary

Financial statement

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

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

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

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

Use of key ratios not defined in IFRS

The G5 Group's accounts are prepared in accordance with IFRS. See page 13 for more information on accounting principles. Only a few key ratios are defined in IFRS. As of the second quarter 2017, G5 is applying the Alternative Performance Measures issued by ESMA (European Securities and Markets Authority). Briefly, an alternative key ratio is a financial measurement of historical or future earnings development, financial position or cash flow, not defined or specified in IFRS. To assist Group Management and other stakeholders in their analysis of the Group's performance, G5 is reporting certain key ratios not defined by IFRS. Group Management believes that this information will facilitate an analysis of the Group's performance. This data supplements the IFRS information and does not replace the key ratios defined in IFRS. G5's definitions of measurements not defined in IFRS may differ from definitions used by other companies. All of G5's definitions are included below.

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

Operational terms

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

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

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

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

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

About G5 Entertainment

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

G5 Entertainment AB (publ)

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