

The logo features the number '5' inside a blue circle, with the '5' itself being a large, white, 3D-style number. Below the circle, the word 'GAMES' is written in white, bold, sans-serif capital letters. A registered trademark symbol (®) is located to the right of the '5'.

G5[®] GAMES

G5 ENTERTAINMENT AB

INTERIM REPORT

JANUARY – JUNE 2020

INTERIM REPORT JANUARY-JUNE 2020

APRIL-JUNE

- Revenue for the period was SEK 376.3 M (297.3), an increase of 27 percent compared to 2019.
- Gross margin increased to 57 percent (55 percent) primarily due to an increasing share of revenue from own games.
- EBIT for the period was SEK 44.8 M (18.7), an increase of 139 percent compared to the same period in 2019. EBIT was negatively impacted with SEK -9.3 M (0.6) primarily due to revaluation of operational assets and liabilities in connection with the weakening of USD. Adjusted for the revaluations EBIT was SEK 54.1 M (18.0).
- Net result for the period was SEK 39.3 M (16.9).
- Earnings per share for the period, before dilution, was SEK 4.43 (1.88).
- Cash flow amounted to SEK -50.6 M (-15.4), impacted negatively by tax payments SEK -52.1 M (-29.2), dividends SEK -21.9 M (-22.5) and repurchase of shares SEK -49.5 M (0.0). Cash flow was impacted positively by the short term loan SEK 41.8 M (0.0).
- For the free-to-play games the average Monthly Active Users (MAU) was 7.1 million, an increase of 13 percent compared to the same period in 2019. Average Monthly Unique Payers (MUP) was 227.6 thousand, a increase of 3 percent and average Daily Active Users (DAU) was 1.8 million, a increase of 7 percent compared to the same period in 2019. Average Monthly Average Gross Revenue Per Paying User (MAGRPPU) was USD 57.4, an increase of 23 percent compared to the same period last year.

FINANCIAL KEY RATIOS

KSEK	Apr-Jun 2020	Apr-Jun 2019	Change %	Jan-Jun 2020	Jan-Jun 2019	Change %	Jul-Jun 19/20	2019	Change %
Revenue	376,324	297,347	27%	688,280	603,404	14%	1,317,915	1,233,039	7%
Commission to distributors ¹	-111,072	-90,772	22%	-203,866	-183,986	11%	-395,183	-375,304	5%
Royalty to external developers ²	-48,872	-44,505	10%	-91,358	-95,150	-4%	-152,848	-157,740	-3%
Gross profit	216,379	162,070	34%	393,056	324,268	21%	769,883	699,995	10%
Gross margin	57%	55%		57%	54%		58%	57%	
Operating costs excluding costs for user acquisition	-89,351	-67,954	31%	-158,822	-130,560	22%	-321,578	-292,216	10%
EBIT excluding costs for user acquisition	127,028	94,116	35%	234,234	193,708	21%	448,305	407,779	10%
EBIT margin before costs for user acquisition	34%	32%		34%	32%		34%	33%	
Costs for user acquisition ³	-82,264	-75,425	9%	-150,697	-135,155	11%	-371,504	-355,962	4%
Costs for user acquisition as percentage of revenue	-22%	-25%		-22%	-22%		-28%	-29%	
EBIT	44,764	18,692	139%	83,537	58,553	43%	76,801	51,817	48%
EBIT margin (%)	11.9%	6.3%		12.1%	9.7%		5.8%	4.2%	
Earnings per share before dilution	4.43	1.88	136%	8.14	5.87	39%	7.25	5.01	45%
Cash flow before financing activities	-18,311	12,357		14,751	11,913		47,086	44,222	
Cash and cash equivalents	131,289	125,030		131,289	125,030		131,289	152,268	

¹Variable costs paid to distributors (Apple App Store, Google Play, Amazon Appstore etc.), which is almost exclusively 30 per cent of the revenue.

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

³User 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:

NEW GENERATION OF GAMES DRIVES GROWTH AND RECORD EARNINGS



What a quarter.

I stand back and look at the success G5 had during the second quarter and I'm thrilled to see how our new generation of games contributed to our rapidly growing revenue and higher margins. The lockdowns due to the virus impacted the quarter, but they only accelerated the inevitable. We have worked so hard over the years to turn G5 into a top-class game developer, and now with 55 percent of our revenue coming from our own titles and our profit margins at record levels we have clear evidence supporting our strategy.

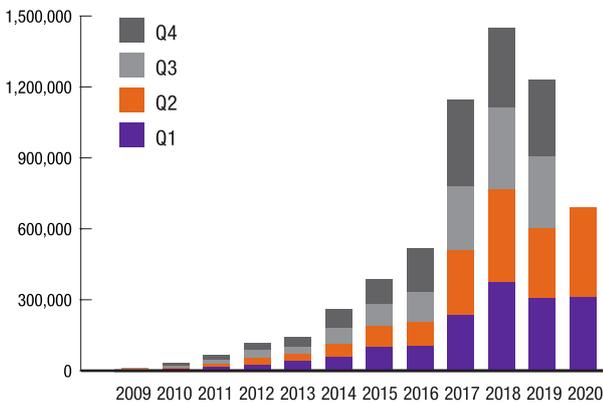
Our own games continued to gain speed during the quarter, extending the strong development we saw during the

first three months of the year. In the second quarter, our revenue jumped 27 percent to SEK 376 million compared to the same period last year, the second-highest level ever for G5. Revenue from our portfolio of own games surged more than 90 percent in the second quarter and 43 percent sequentially from the first quarter. The portion of revenue coming from our own games continued to increase going into July. This growth, combined with the more efficient marketing, helped boost our EBIT margin during the period.

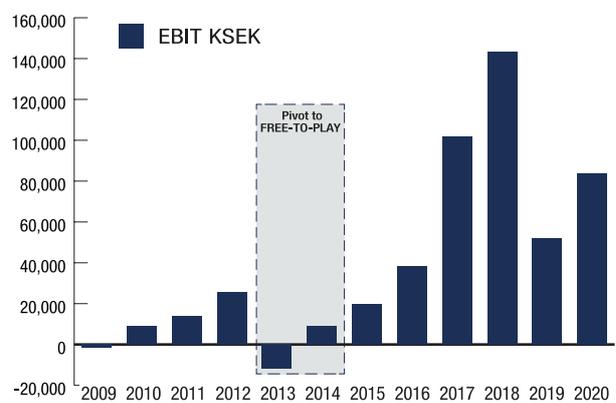
We released Jewels of Rome a year ago and it has steadily gained traction. It made up just shy of 20 percent of G5's revenue during the quarter. Hidden City, as well as other older games like Mahjong Journey and The Secret Society remained stable during the course of the quarter and benefited slightly from the lockdowns and increased downloads.

We kept busy launching games during the period. We released Jewels of the Wild West, Jewels of Egypt, and Match Town Makeover globally during the quarter, and these titles have already performed well, growing month over month, contributing to our strong growth during the second quarter. In addition, we have released two new titles during the quarter, both still in soft launch. We increased the number of third-party advertisements served in our games, but advertising revenue remains well under one percent of the group's revenue, is not available in most of our games, and will be further increased

REVENUE KSEK



EBIT KSEK





going forward through gradual deployment in more games and fine-tuning of monetization.

G5 also reached a new record profitability during the quarter. Adjusting for FX we achieved a record EBIT of SEK 54 million and an EBIT margin of 14.2 percent. Reported EBIT margin expanded to 11.9 percent from 6.3 percent a year earlier. Such profitability was achieved even while we were efficiently deploying more marketing capital every month of the quarter, after optimizing our marketing spend in the first quarter.

Our operating cash flow was SEK 36 million during the second quarter, despite being impacted by tax payments in Malta (SEK -51 million), of which a large part was expected to be repaid later this year or at the start of 2021. To mitigate this temporary effect on our cash position we took a temporary loan facility. Now it turned out to be unnecessary as we got the repayment already in July. Also the dividend (SEK 21.9 million) was paid in June and we purchased 320,850 G5 shares (3.56 percent of shares outstanding) from the market during the quarter, returning extra SEK 49 million to shareholders. Of these, 178,000 shares are in the process of being expunged and 142,850 are held in treasury, effectively reducing the number of shares available in the market to 8.7 million, down from over 9 million at the beginning of the quarter. Buybacks continued in July.

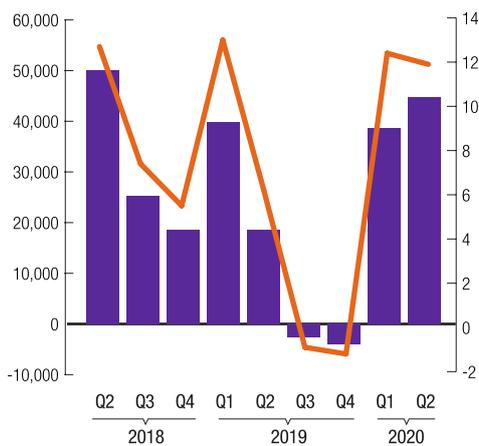
I'LL TAKE A MOMENT TO TALK ABOUT THE SECOND HALF OF 2020

As a leading European game developer with offices in Ukraine and Russia, we have access to the best and most competitive talent in these regions. This puts us in a fantastic position to capitalize on the growth of the mobile games market. Our team has made substantial progress expanding and diversifying G5's game portfolio, a trend we expect to continue during the rest of the year. This was all done while working from home because of the virus. I want to give a quick thanks to everybody at G5 for pulling together and working so hard.

G5 released four games so far this year and expect to release at least two more in the coming months. We expect our own games, specifically the new generation of own games (those released in 2019 and 2020) to continue growing in absolute terms and as a percentage of the group's total revenue.

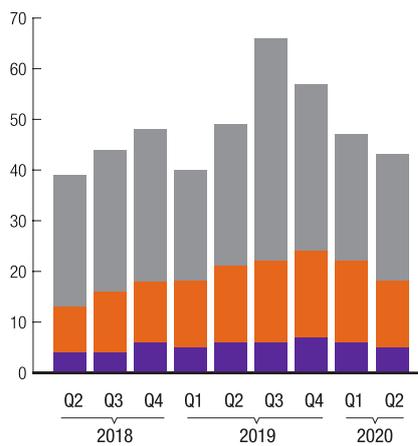
We have a strong history when looking at past success in creating and publishing games. The Secret Society has achieved over USD 130 million in sales with 30 million downloads and Hidden City reached USD 330 million in sales and 70 million downloads. With the new generation of games, we are aiming at even greater success.

EBIT (KSEK) | EBIT-MARGIN (%)



■ EBIT, KSEK
— EBIT margin

COSTS IN % OF REVENUE



■ Sales and marketing
■ Research and development
■ Administration



We have now released enough new games to power our future growth for many quarters to come and offset a possible slowdown in the older part of the portfolio. The increasing sales of the new generation of own games and the fact that they make up a growing share of the revenue are two key factors that will drive our margins to new levels. While we generate a substantial percentage of our monthly revenue from the match-3 games market, we are still a relatively small player in such a large segment, leaving us an exceptionally big opportunity.

We are much happier with our marketing work compared to a year earlier, and there is still plenty of room for continued improvement. Going forward, the marketing expenses can build up or decrease given the opportunities we see for growth. Unlike previous years though, we do not expect the marketing spend to vary dramatically between quarters.

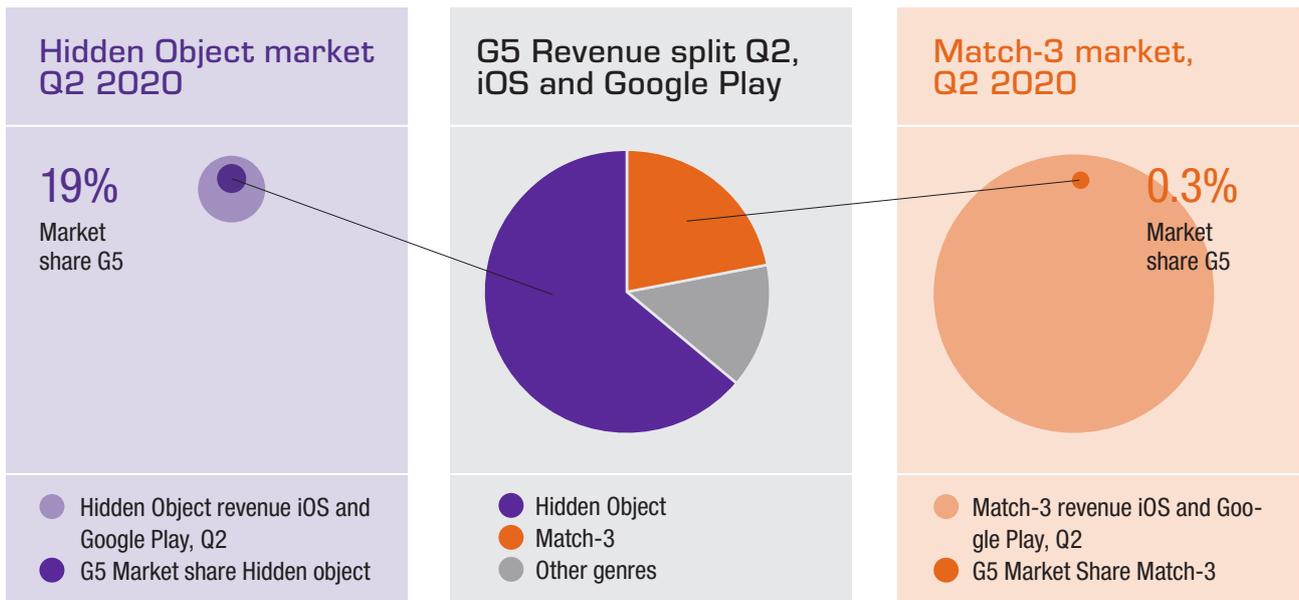
We remain committed to our strategy of organic growth based on the development of a portfolio of games tailored for the tastes of our core audience of casual players. We have consistently held to this strategy over the years, and we are glad to see the exceptional results it is starting to deliver. Organic growth remains the cornerstone of our strategy and having a strong balance sheet also puts us in an advantageous position to consider M&A opportunities as they present themselves.

This is an exciting time for G5.

August 13th, 2020

Vlad Suglobov
CEO, co-founder

MARKET SHARE HIDDEN OBJECT VS. MATCH-3 (Q2 2020), IOS AND GOOGLE PLAY



“The Market for Match-3 games is very large, much larger than that of Hidden Object games, and therefore the potential positive impact for the company can be outstanding. Match-3 games already generate a substantial percent of the company’s revenue”

Source: Market data, Sensortower processed by G5. G5 Revenue based on actual sales data.



APRIL-JUNE

REVENUE AND GROSS PROFIT

Revenue amounted to SEK 376.3 M [297.3]. Revenue increased by 27 percent compared to the same period in 2019.

Cost of revenue increased by 18 percent to SEK 159.9 M [135.3]. Cost of revenue includes commission to the distributors (Apple App Store, Google Play, Amazon App-store, etc.). All relevant parties charge up to 30 percent of gross revenue. Cost of revenue also includes royalties payable to external developers which increased by 10 percent compared to the same period in 2019 as deductible costs for the licensed games decreased compared to last year.

Gross margin for the period was 57 percent (55) and increased primarily as the share of revenue from own games has increased. Gross profit for the quarter increased by 34 percent compared to the second quarter in 2019 and was SEK 216.4 M [162.1].

OPERATIONAL COSTS

Costs for research and development were SEK 50.7 M [43.6] during the period. The increase in costs for research and development is primarily driven by an increase in amortizations, development on non-capitalizable projects and increased staffing. The rubel and hryvnia decreased in March and has been on the same level during the second quarter, impacting the R&D costs positively for the quarter.

Sales and marketing increased to SEK 93.8 M [82.3].

Sales and marketing is primarily affected by the costs for user acquisition. During the quarter the cost for user acquisition was SEK 82.3 M [75.4]. Cost for user acquisition as a percentage of sales was 22 percent, compared to 25 percent in the same period in 2019. Sales and marketing, excluding user acquisition, increased to SEK 11.5 M [6.8], compared to the same quarter in 2019 the costs have been impacted by a reclassification between user acquisition and other sales & marketing but also increased staffing.

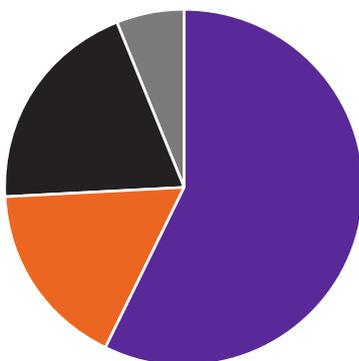
General and administrative costs amounted to SEK 17.8 M [18.2]. Other operating income amounted to SEK -8.4 M [0.9] and other operating expenses amounted to SEK -0.9 M [-0.2]. Together they amounted to SEK 9.3 M [0.6], primarily driven by currency effects on operational assets and liabilities.

EBIT

Depreciation and amortization have increased due to the increased size of the game portfolio and amounted to SEK 31.2 M [28.2]. Capitalization of intangible assets amounted to SEK 30.0 M [27.8]. Write-downs during the quarter amounted to SEK 0.4 M [0.4]. Net effect of capitalization and amortization, net capitalization, on intangible assets amounted to SEK 2.9 M [3.2].

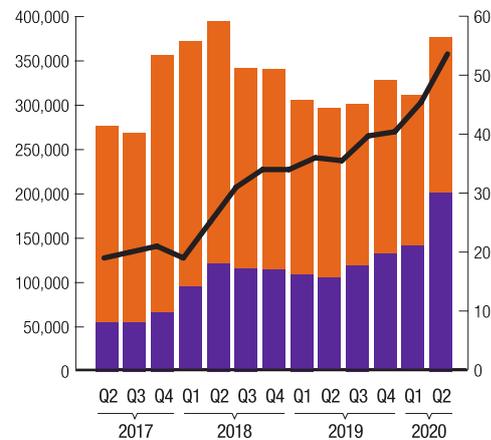
Earnings before interest and taxes (EBIT) amounted to SEK 44.8 M [18.7], corresponding to an EBIT margin of 11.9 percent (6.3). Adjusted for currency effects accounted on other operating income and expense the EBIT was SEK 54.1 M [18,0], corresponding to an EBIT margin of 14.4 (6.1) percent, an increase of 200 % compared to last year.

REVENUE BREAKDOWN BY GEOGRAPHY SECOND QUARTER 2020



- North America 58%
- Asia 17%
- Europe 20%
- Rest of World 6%

OWN/LICENSED REVENUE (KSEK) SHARE OWN GAMES (%)



- Own games, KSEK
- 3rd party games, KSEK
- Own games, %

NET PROFIT

Net profit was marginally affected by financial items. Tax affected the result with SEK -5.3 M (-1.9).

Net profit amounted to SEK 39.3 M (16.9) which equals an earnings per share, before and after dilution, of SEK 4.43 (1.88).

OPERATIONAL METRICS

In the quarter the average Monthly Active Users (MAU) increased by 13 percent compared to 2019, also Daily Active Users (DAU) increased 7 percent compared to 2019. Monthly Unique Users (MUU) increased 3 percent compared to 2019.

Average Monthly Unique Payers (MUP) increased with 3 percent compared to 2019 and their average monthly spend, Monthly Average Gross Revenue Per Paying User (MAGRPPU) increased with 23 percent compared to the same period in 2019.

F2P	Q2 '20	Q2 '19	CHANGE
Average MAU (mn)	7.1	6.3	13%
Average MUP (thousands)	227.6	221.7	3%
Average MUU (mn)	5.6	5.4	3%
Average MAGRPPU (USD)	57.4	46.5	23%
Average DAU (mn)	1.8	1.7	7%

For detailed definitions of the operational metrics see the glossary on page 16 of the report.

RELEASES DURING THE QUARTER

The company released Jewels of the Wild West, Jewels of Egypt and Match Town Makeover globally. In addition, Hawaii Match 3 Mania and Homicide Squad LA were released and are in soft launch.

JANUARY-JUNE

REVENUE AND GROSS PROFIT

Revenue increased with 14 per cent compared to the same period in 2019. Revenue amounted to SEK 688.3 M (603.4).

The group's cost of revenue was SEK 295.2 M (279.1). Gross profit amounted to SEK 393.1 M (324.3), an increase of 21 percent compared to the same period in 2019. Gross margin was 57 per cent (54).

OPERATING COSTS

Operating costs increased with 16 per cent compared to the same period in 2019. User acquisition increased to SEK 150.7 M (135.2). Excluding costs for user acquisition the operating costs amounted to SEK 158.8 M (130.6). The operational costs were impacted by depreciation and amortization of SEK 63.6 M (56.0) and write-downs of SEK 0.4 M (1.8).

Other operating income and costs impacted the period positively with SEK 0.6 M (1.2), primarily attributed to exchange rate differences on operational assets and liabilities related to balance sheet items in the parent company.

EBIT

EBIT was SEK 83.5 M (58.6) and the EBIT-margin was 12 percent (10) for the period.

NET PROFIT

Net profit was marginally affected by financial items. Tax affected the result with SEK -10.5 M (-5.8) corresponding to an effective tax rate of 13 percent (10).

Net profit amounted to SEK 72.8 M (52.8) which is corresponding to earnings per share before dilution of SEK 8.14 (5.87).

CASH FLOW

During the second quarter, the group had an operating cash flow before changes in working capital of SEK 45.9 M (20.4) of which tax payments amounted to SEK -52.1 M (-29.2). Taxes paid in Malta amounted to SEK -50.3 M (-28.4) in the quarter, the majority of which will be repaid. As the company expected the repayment to be made in late 2019/early 2020, a short term loan was taken with Swedbank to cover the deficit in the cash position. The tax refund was though repaid already in July. Changes in working capital impacted the cash flow with SEK -10.1 M (21.2). Capitalized development expenses impacted the cash flow negatively with SEK -53.5 M (-25.9).

Cash flow before financing activities amounted to SEK -18.3 M (12.4). Financing activities were impacted by the short term loan taken with Swedbank amounting to SEK -41.8 M, dividends SEK -21.9 M (-22.5) and buy backs SEK -49.5 M (0.0). The cash flow for the period amounted to SEK -50.6 M (-15.4).

For the interim period Jan-Jun cash flow before changes in working capital amounted to SEK 116.3 M (88.2). Cash flow for the interim period amounted to SEK -20.5 M (-15.9).

Available cash on June 30, 2020 amounted to SEK 131.3 M (125.0).

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 217.3 M (211.6). 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	JUN 30 2020	JUN 30 2019
Released games	147.8	152.8
Not released games	69.5	58.8
Net value of games portfolio	217.3	211.6

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 384.2 M (387.2), which equals SEK 43.4 per share (43.1) and the equity/asset ratio is 65 percent (66).

Cash on hand amounted to SEK 131.3 M (125.0).

During the quarter the company took up a short term loan facility amounting to SEK (41.8) M (0). Other long-term debt and other short term debt is solely related to IFRS16 accounting of lease contracts.

PARENT COMPANY

The parent company revenue increased in line with the group. The parent company is the counterpart for all application stores where G5 sells its products. The costs consist mainly of payments to one of the subsidiaries in Malta, that holds the rights for the games in the portfolio and is also where the senior management overseeing the games, licensing, 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.

COVID-19

COVID-19 will have a significant impact on the world economy. The full economic implications of the virus is not known, but it is obvious that the economic consequences will be severe. Depending on the length and depth of the economic impact from the pandemic G5 can be impacted. G5 is not insulated from the global economy but the board believes that gaming in general, and gaming with electronic distribution in particular, can see increased engagement as people have more time to play games which also can be seen in the beginning of the pandemic where downloads of G5's games has increased. The long-term effects from the pandemic, positive or negative, can not be quantified at this moment.

The risks are described in greater detail in the 2019 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 except the ongoing transactions highlighted in the annual report 2019.

UPCOMING REPORT DATES

Interim report Jan-Sep 2020	Nov 5, 2020
Year-end report 2020	February 11, 2021

TELECONFERENCE

On August 13th, 2020 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:

<http://www.g5e.com/corporate/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 August 13th, 2020

Petter Nylander
Chairman of the Board

Johanna Fagrell Köhler
Board member

Stefan Lundborg
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 August 13th, 2020 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	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jul-Jun 19/20	2019
Net turnover	376,324	297,347	688,280	603,404	1,317,915	1,233,039
Cost of revenue	-159,944	-135,277	-295,224	-279,136	-548,032	-533,044
Gross profit	216,379	162,070	393,056	324,268	769,883	699,995
Research and Development expenses	-50,710	-43,553	-100,082	-83,850	-201,479	-184,147
Sales and Marketing expenses	-93,756	-82,272	-173,178	-148,391	-414,258	-389,471
General and Administrative expenses	-17,809	-18,200	-36,891	-34,669	-76,330	-74,108
Other operating income	-8,435	876	1,936	1,684	1,079	827
Other operating expenses	-906	-230	-1,303	-489	-2,095	-1,280
Operating result	44,764	18,692	83,537	58,553	76,801	51,817
Financial income	45	349	233	632	704	1,103
Financial expenses	-239	-303	-521	-623	-1,111	-1,212
Operating result after financial items	44,571	18,737	83,248	58,562	76,394	51,707
Taxes	-5,310	-1,855	-10,469	-5,794	-11,354	-6,679
Net result for the period	39,261	16,882	72,779	52,767	65,040	45,028
Attributed to:						
Parent company's shareholders	39,261	16,882	72,779	52,767	65,040	45,028
Earnings per share						
Weighted average number of shares before dilution (thousands)	8,858	8,984	8,940	8,984	8,972	8,993
Weighted average number of shares after dilution (thousands)	8,858	9,019	8,940	9,065	8,972	9,062
Earnings per share (SEK), before dilution	4.43	1.88	8.14	5.87	7.25	5.01
Earnings per share (SEK), after dilution	4.43	1.87	8.14	5.82	7.25	4.97

STATEMENT OF COMPREHENSIVE INCOME – GROUP

KSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jul-Jun 19/20	2019
Net result for the period	39,261	16,882	72,779	52,767	65,040	45,028
Items that later can be reversed in profit						
Foreign currency translation differences	-12,875	1,435	-2,006	10,754	2,791	15,551
Total other comprehensive income for the period	-12,875	1,435	-2,006	10,754	2,791	15,551
Total comprehensive income for the period	26,386	18,317	70,773	63,521	67,831	60,579
Attributed to:						
Parent company's shareholders	26,386	18,317	70,773	63,521	67,831	60,579

BALANCE SHEET – GROUP

KSEK	Jun 30 2020	Jun 30 2019	Dec 31 2019
Fixed assets			
Intangible fixed assets			
Capitalized development expenses (Note 2)	217,317	211,579	211,419
Goodwill	-	-	-
	217,317	211,579	211,419
Tangible fixed assets			
Equipment ¹	24,905	32,124	31,412
	24,905	32,124	31,412
Deferred tax receivable	54,275	48,026	37,526
Total non-current assets	296,497	291,729	280,357
Current assets (Note 3, 5)			
Accounts receivable	32	0	1,463
Tax receivable	4,241	44,443	2,548
Other receivables	4,495	8,704	9,684
Prepaid expenses and accrued income	150,376	118,027	101,983
Cash and cash equivalents	131,289	125,030	152,268
Total current assets	290,433	296,204	267,946
TOTAL ASSETS	586,930	587,934	548,303
Equity	384,173	387,195	385,607
Deferred tax liabilities	12	12	12
Long-term liabilities ¹	1,712	8,202	4,150
Total non-current liabilities	1,724	8,214	4,162
Current liabilities (Note 5)			
Short-term liabilities ¹ (Note 4)	52,271	8,195	10,490
Accounts payable	33,749	39,990	26,546
Other liabilities	15,330	6,603	1,026
Tax liabilities	31,607	69,423	55,524
Accrued expenses	68,076	68,320	64,947
Total current liabilities	201,033	192,530	158,534
TOTAL EQUITY AND LIABILITIES	586,930	587,939	548,304

¹ The right-of-use assets and the corresponding lease liabilities are included in the property, plant and equipment and long- and short-term borrowings respectively as of 1 January 2019.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - GROUP

KSEK	Share capital	Other capital contribution	Other reserves	Profit/loss brought forward	Shareholders' equity
Shareholders' equity 2019-01-01	898	48,448	10,312	287,836	347,494
Net result for the year				52,767	52,767
Total other comprehensive income			10,754		10,754
Total comprehensive income for the year			10,754	52,767	63,521
Transitional effect IFRS16			-466		-466
Dividend				-22,486	-22,486
Share issue - Class C	26				26
Share repurchase - Class C			-26		-26
Premiums paid on exercised/issued warrants					0
Repurchase of warrant		-47			-47
IFRS2 - Employee share schemes			-795		-795
Total transactions with the owners recognized directly in equity	26	-47	-1,287	-22,486	-23,794
Shareholders' equity as of 2019-06-30	924	48,401	19,779	318,117	387,221
Shareholders' equity 2020-01-01	928	50,615	23,660	310,404	385,607
Net result for the year				72,779	72,779
Total other comprehensive income			-2,006		-2,006
Total comprehensive income for the year			-2,006	72,779	70,773
Dividend			-21,869		-21,869
Premiums paid on exercised/issued warrants			252		252
Repurchase of shares			-49,486		-49,486
IFRS2 - Employee share schemes			-1,104		-1,104
Total transactions with the owners recognized directly in equity		0	-72,207	0	-72,207
Shareholders' equity as of 2020-06-30	928	50,615	-50,553	383,183	384,173

CASH FLOW STATEMENT – GROUP

KSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jul-Jun 19/20	2019
Cash flow from operating activities						
Profit after financial items	44,571	18,738	83,248	58,562	76,393	51,707
Adjusting items not included in cash flow	53,360	30,871	85,775	60,030	151,656	125,911
	97,931	49,609	169,023	118,592	228,049	177,618
Taxes paid	-52,071	-29,236	-52,754	-30,396	-15,779	6,579
Cash flow before changes in working capital	45,860	20,373	116,269	88,196	212,270	184,197
Cash flow from changes in working capital						
Change in operating receivables	-10,559	11,358	-41,207	-17,509	-24,093	-421
Change in operating liabilities	429	9,857	25,208	3,746	6,365	-15,097
Cash flow from operating activities	35,730	41,588	100,270	74,433	194,542	168,679
Investing activities						
Investment in fixed assets	-520	-3,268	-1,067	-5,516	-3,961	-8,410
Investment in intangible assets	0	-27	0	-1,861	-20	-1,881
Capitalized development expenses	-53,521	-25,936	-84,452	-55,143	-143,475	-114,166
Cash flow from investing activities	-54,041	-29,231	-85,519	-62,520	-147,456	-124,457
Financing activities						
Lease payments, IFRS16	-2,989	-5,250	-5,978	-5,250	-11,188	-10,460
Short term loan	41,800	-	41,800	-	41,800	-
Dividend	-21,869	-22,486	-21,869	-22,486	-21,869	-22,460
Share issuance - C class	-	26	-	26	-	26
Repurchase shares - C class	-	-26	-	-26	-	-26
Repurchase ordinary shares	-49,486	-	-49,486	-	-49,486	-
Premiums warrant program	252	-	252	-	4,025	3,773
Repurchase of issued warrants	-	-	-	-47	-1,555	-1,602
Cash flow from financing activities	-32,292	-27,736	-35,281	-27,783	-38,273	-30,749
CASH FLOW	-50,603	-15,379	-20,530	-15,870	8,813	13,473
Cash at the beginning of the period	185,746	138,437	152,268	138,531	125,030	138,531
Cash flow	-50,603	-15,379	-20,530	-15,870	8,813	13,473
Exchange rate differences	-3,854	1,972	-449	2,369	-2,554	264
CASH AT THE END OF THE PERIOD	131,289	125,030	131,289	125,030	131,289	152,268

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 2019. None of the new and changed standards from IASB, applicable from 1st of January 2019, has had any material effect on the Financial Statements. For detailed information on the accounting principles, see Annual Report 2019.

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 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jul-Jun 19/20	2019
At the beginning of the period	231,606	209,066	211,419	198,083	209,066	198,083
Investments	30,039	27,797	84,452	57,004	117,771	116,047
Write-downs	-409	-423	-1,789	-1,789	-6,090	-7,455
Amortization	-27,144	-24,550	-75,571	-48,381	-107,214	-102,962
<i>Net change during the period</i>	<i>2,486</i>	<i>2,824</i>	<i>7,092</i>	<i>6,834</i>	<i>4,467</i>	<i>5,630</i>
Currency exchange differences	-16,775	-311	-1,194	6,661	18,073	7,705
At the end of the period	217,317	211,579	217,317	211,579	231,606	211,419

NOTE 3 – OTHER RECEIVABLES

Other receivables include SEK 1.2 M (0) 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	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jul-Jun 19/20	2019
Net turnover	376,324	297,347	688,280	603,404	1,317,915	1,233,039
Cost of revenue	-292,044	-217,057	-513,088	-457,448	-882,626	-826,986
Gross profit	84,280	80,290	175,192	145,956	435,289	406,053
Research and development expenses	-29	-28	-59	-55	-115	-112
Sales and Marketing expenses	-3,023	-11,253	-11,101	-20,114	-45,783	-54,796
General and administrative expenses	-92,161	-76,207	-164,704	-136,035	-374,816	-346,146
Other operating income	-14,084	-769	1,613,003	2,922,860	-299	1,010
Other operating expenses	5,553	1,595	-1,732	-1,506	-990	-764
Operating result	-19,465	-6,373	-791	-8,831	13,286	5,246
Financial income	4,882	332	4,982	65,338	5,289	65,644
Financial expenses	0	0	0	0	0	0
Operating result after financial items	-14,583	-6,042	4,191	56,507	18,575	70,891
Taxes	4,158	1,325	178	1,805	-2,994	-1,367
Net result for the period	-10,425	-4,717	4,368	58,311	15,581	69,524

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

KSEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jul-Jun 19/20	2019
Net result for the period	-10,425	-4,717	4,368	58,311	15,581	69,524
Items that later can be reversed in profit						
Foreign currency translation differences	-	-	-	-	-	-
Total other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-10,425	-4,717	4,368	58,311	15,581	69,524

BALANCE SHEET – PARENT COMPANY

KSEK	Jun 30 2020	Jun 30 2019	Dec 31 2019
Fixed assets			
Tangible fixed assets			
Tangible fixed assets	41	-	-
Financial fixed assets			
Shares in group companies	70	70	70
Deferred tax assets	-	-	
Receivables from group companies	-	-	
	70	70	70
Current assets			
Account receivables	32	0	1,463
Receivables from group companies	37,110	76,274	76,647
Tax receivables	3,063	4,263	1,385
Other receivables	454	6,389	5,635
Prepaid expenses and accrued income	146,674	115,003	96,750
Cash and cash equivalents	108,754	102,472	98,203
Total current assets	296,087	304,400	280,083
TOTAL ASSETS	296,198	304,470	280,153
Restricted equity			
Share capital	928	924	928
Non-restricted equity			
Share premium reserve	50,554	48,387	50,554
Profit/Loss carried forward	60,760	47,857	47,909
Net result for the period	-10,425	58,311	69,524
Total equity	101,817	155,479	168,915
Current liabilities			
Short term liabilities (Note 4)	41,800	0	0
Accounts payable	1,088	144	211
Tax Liability	0	0	0
Liability to group companies	148,213	143,296	102,295
Other liability	860	323	300
Accrued expenses	2,420	5,227	8,432
Total current liabilities	152,581	148,991	111,238
TOTAL EQUITY AND LIABILITIES	254,398	304,470	280,153

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 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 (MAU) 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 mobile games for both smartphones and tablets 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 Jewels of Rome®, Hidden City® Mahjong Journey®, Homicide Squad®, Survivors: The Quest®, The Secret Society®, and Pirates & Pearls(tm). G5 Entertainment AB (publ) is listed on Nasdaq Stockholm since 2014.