



# Stillfront Group AB (publ)

Company Description  
December 2015

 Pareto Securities

# Important information

This company description (the “**Company Description**”) has been produced by Stillfront Group AB (“**Stillfront**” or the “**Company**”) as an information only document for the purpose of providing certain information in conjunction with a listing (the “**Listing**”) of the Company’s shares on Nasdaq First North. The “**Group**” refers to Stillfront Group and its subsidiaries.

The distribution of this Company Description in certain jurisdictions is restricted by law. No action has been taken by the Company or any other person to permit a public offering in any jurisdiction. Persons into whose possession this Company Description may come are required to inform themselves about and to observe such restrictions. This Company Description may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorised or is unlawful. This Company Description does not constitute an offer to sell or a solicitation of an offer to buy any shares in the Company.

This document is not a prospectus and it has not been approved or reviewed by any governmental authority or stock exchange in any jurisdiction.

The shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or under any of the relevant securities laws of any state or other jurisdiction of the United States of America. The shares may not be offered or sold in the United States, except pursuant to an exemption from the Securities Act or in a transaction not subject to the registration requirements of the Securities Act.

In this Company Description, the terms “we”, “our” and “us” all refer to Stillfront Group.

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Neither the delivery of this Company Description nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for Stillfront’s development and profitability and statements preceded by “expects”, “estimates”, “forecasts” or similar expressions, are forward-looking statements. These statements are based on current decisions and plans and currently known factors. They involve risks and uncertainties which may cause the actual results to materially differ from the results currently expected for Stillfront.

This Company Description is governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any conflict or dispute arising out of or in connection with this Company Description.

Investing in the Company involves a high degree of risk. For a discussion of certain of the risk factors that should be considered in connection with an investment in the company, please see the section “Risk Factors”.

First North is an alternative marketplace operated by an exchange within the Nasdaq OMX group. Companies on First North are not subject to the same rules as companies on the regulated main market. Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in a company on First North may therefore be higher than investing in a company on the main market. All companies with shares traded on First North have a Certified Adviser who monitors that the rules are followed. The exchange approves the application for admission to trading.

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## Summary of the listing

**Total number of shares:**  
5,006,583 shares

**ISIN code:**  
SE0007704788

**Preliminary first day of trading:**  
8 December 2015

**Exchange:**  
Nasdaq First North

**Ticker:**  
SF

## Financial Calendar

<b>Annual report 2015:</b>	25 February 2016
<b>Annual General Meeting:</b>	18 May 2016
<b>Interim report January–March 2016:</b>	18 May 2016
<b>Interim report January–June 2016:</b>	26 August 2016
<b>Interim report January–September 2016:</b>	9 November 2016
<b>Annual report 2016:</b>	23 February 2017

## Risk factors

Any offering of securities will only be made by means of this Company Description. Investors should not invest in any securities of the Company except on the basis of information contained in this Company Description. A possible investment in the Company is associated with a number of risks. Investors should carefully analyse the specific risk factors described below as well as all other information in the Company Description prior to deciding whether to make an investment in the Company or not. The Company deems the below described risks as the most significant risks for potential investors. However, the risks are not described in priority or in any other particular order. In the event that any of the following risks materialise, the Group's business, financial condition, and results of operations could be materially adversely affected. In such circumstances, the trading price of the shares could decline and investors could lose part or all of their investment in the shares. In addition, the risks described below are not the only risks to which the Group is subject. Stillfront may be unaware of certain risks or believe certain risks to be immaterial that later prove to be material. There can be no guarantees or assurances that the objectives of the Company can be reached and that an investment in the shares in turn will generate a positive return for the investor.

### Risks related to the Group and its business

#### **Stillfront Group must develop new games and enhance existing games so that the players will continue to play Stillfront Group's games and make purchases of virtual items within the games.**

Stillfront Group's continued growth will inter alia depend on the ability to regularly develop new games and enhance existing games in ways that improve the gaming experience for both paying and non-paying players while encouraging the purchase of virtual items within games. In the event the current game development model ceases to be effective so that a game IP that is popular with VIPs fails to be successful when adapted for mobile and social platforms, current development costs would increase and operating results would suffer. It is possible that only a small number of games, if any, become successful and generate significant purchases of virtual items.

Stillfront Group's ability to successfully develop new games and enhance existing games and their ability to achieve commercial success are subject to a number of challenges, including: the need to continually anticipate and respond to changes in the game industry, particularly in the mobile and social platforms; the ability to compete successfully against a large and growing number of industry participants; the ability to develop and launch new game IP and games on time and on budget; the ability to develop new game formats that drive engagement and monetization; the ability to adapt to changing player preferences; the ability to enhance existing games by adding features and functionality that will encourage continued engagement with the game; the ability to hire and retain skilled personnel as we seek to expand our development capabilities; the ability to achieve a positive return on the advertising investments and continue to experience success with organic viral growth; and the need to minimize and quickly resolve bugs or outages.

If Stillfront Group is unable to develop new and enhance existing games that generate meaningful revenue, our business and financial results could be harmed.

#### **Stillfront Group has a relatively short history and has as of yet not on a continuous basis made substantial revenues**

The Group was founded in 2010 through the merger of a number of smaller gaming companies. Currently, Stillfront operates through four near-autonomous subsidiaries: Bytro Labs in Germany, Coldwood Interactive in Sweden, Power Challenge in the UK and Sweden, and DOG Productions Limited in Malta. Although some of the games included in the Group's portfolio have a relatively long history the Group as a whole has a relatively short history. The Group's third party relations with inter alia customers have been established relatively recently which may make it difficult to evaluate these relations and any effects on the Group's future prospects. Although the Group has performed strongly financially in 2015 with organic sales growth and

increased EBITDA-margin the Group has as of yet not on a continuous basis been able to show substantial revenues. There is a risk that the Group will not make revenues in the future which could entail a need for further capitalisation and thereto related consequences and risks.

### **A limited number of games currently generate a majority of the Group's revenue**

The Group has a wide array of games in its portfolio. However, a limited number of games currently generate a majority of the Group's revenue. If the gross bookings of the Group's top games are lower than anticipated and the Group is unable to broaden its portfolio of games or increase gross bookings from those games, the Group will not be able to maintain or grow its revenue and the financial results could be adversely affected.

### **Adverse or negative perceptions and publicity surrounding the gaming industry could lead to increased gaming regulation and lack of trust and adoption of online payment systems and other transactions systems, respectively, could adversely affect the Group's business, financial condition and results of operations**

The online gaming industry is exposed to publicity relating to gaming behaviour, gaming by minors and risks related to online gaming. Adverse or negative perceptions and other concerns regarding the gaming industry, even if not directly connected to the Company's business, could have a material and adverse effect on the Group. For example, if a perception develops that the online gaming market is failing to address public concerns, the resulting political pressure and public sentiment may result in increased regulation of the online market, and such regulation could have a material adverse effect on the Group's business, financial condition and results of operations. Part of the Group's business relies on the trust and adoption of online payment and other transaction systems by its customers' end users. Historically, end users have been reluctant to adopt internet payment methods as a secure and trusted means of transferring fund, and although end users have become more willing to make online payments and other transfers over the internet, end users may cease to adopt online payments and other transfers as a trusted, reliable and secure type of transaction. To the extent that there is slower acceptance by potential end users, the Group's growth strategy and expectations could be adversely impacted, which could have a material adverse effect on the Group's business, financial condition and results of operations.

### **If the Company fails to properly manage growth, the business could suffer**

The Company has been growing rapidly which increases the demand for management and operational control, information and reporting systems as well as financial control. To achieve the Company's revenue and growth goals, the Company must successfully manage business opportunities, revenue streams, product and service quality and operations, and increase capacity and infrastructure as required by customer demand across the jurisdictions in which the Company operates. This also requires that the Group is successful in finding qualified personnel. The Company may explore new and diversified revenue generating strategies, and the increasing business complexity of operations may place additional requirements on the Company's systems, controls, procedures and management, which may strain the Company's ability to successfully manage future growth. The Company may fail to successfully implement revenue or cost strategies. These problems could result in delays in fulfilling customer demands and increased expenses for the Company. Any such delay or increased expenses could have a material adverse effect on the Group's business, financial condition and results of operations. Future growth will also impose significant added responsibilities on management, including the need to identify, recruit, train and integrate additional employees. The Company may fail to successfully manage such developments and growth in the future. If the Company is unable to effectively manage its growth, or is unsuccessful in adapting to changes and increased requirements resulting from expansion, there could be an adverse effect on the Group's growth, which could have a material adverse effect on the Group's business, financial condition and results of operations.

### **The Group's business may be adversely affected by competition from other online gaming developers and console developers**

The Group operates in a highly competitive industry. Competition may very well intensify as either new online game developers, publishers and operators enter into the business or current competitors expand their

offerings. Online gaming products and services are also sensitive to consumer trends and the improvement and expansion of product offerings by the Group's competitors may attract customers away from the Group's products and reduce the Group's market share.

Failure to compete effectively may result in a loss of customers and an inability to attract new customers.

Increased competition can also lead to lower margins and pressure from customers in respect of the fees charged by the Group. In addition, certain competitors may offer a more attractive range of online games or ancillary products and services than the Group does, which can lead to pressure from customers to develop or offer similar products and services, and may result in the loss of such customers or increased development costs associated with developing a specific type of product or service. This could have a material adverse effect on the Group's business, financial condition and results of operations.

### **The Group must be innovative and adapt to technological advances and consumer preferences and demands**

The Group's success is dependent on its ability to successfully innovate, develop and release new games. In addition, the online gaming industry is driven by the preferences and demands of end users, and gaming developers, publishers and operators must continuously offer new products and services in order to attract and retain a broad range of end users. In an industry characterised by the rapid emergence and development of new products, services, technologies and end user practices, it is imperative that the Group updates its existing products, services and proprietary technology. Widespread adoption of new internet technology and higher standards could require the Group to commit significant funding to replace, upgrade, modify or adapt its existing supply, which could negatively impact the Group's business, financial condition and results of operations.

### **The Group is dependent on certain key individuals and employees and the loss of such persons, or difficulties in attracting new employees, may negatively impact the Group's business and ability to implement current and future strategies**

The Group's business is dependent on certain key individuals, senior executives and persons with specialist competence, some of whom are the founders of Group Companies. These key persons have established good relationships with market participants and have a good understanding of the environment in which the Group operates. Accordingly, these key persons are central to the successful development of the Group's business. If any of these key persons terminate their relationships with the Group, or materially change or reduce their roles within the Group, the Group may not be able to replace them or their services on a timely basis with other professionals capable of making comparable contributions to the Group's business. In order to keep key individuals and employees the Stillfront Group may encounter increased costs for remuneration to these individuals in terms of bonuses and other incentives. Furthermore, the Group's ability to compete effectively in the markets in which it operates depends upon its ability to retain and motivate its existing workforce.

### **The Group has made and may make acquisitions that prove unsuccessful or strain or divert the Group's resources**

Stillfront has grown its business by way of making acquisitions of small online game developing companies which entails lingering risks in terms of legal, marketing and financial risks associated with the target companies as well as failure to properly integrate the acquired companies into the Group. The transactions may also make the historical financial data difficult to compare from year to year. Furthermore, these circumstances may also make it difficult to evaluate Stillfront's future prospects and financial results. Historically Stillfront has issued warrants or contractually undertaken to issue warrants as consideration to sellers of some of the target companies on terms that to a certain extent are ambiguous in terms of dilution consequences. The exercise of such warrants may result in shareholders being diluted to a larger extent than predicted. The Company's acquisition strategy that inter alia involves acquiring target companies and deferring the payment of part of the purchase prices based on future performances of the target companies may result in larger dilution of the shareholding in the Company than predicted at the time of the acquisition. Furthermore, the true future value of a target company may prove to be difficult to correctly evaluate at the

time of the acquisition. The Group intends to continue to grow its business by continuing to make acquisitions to support future growth and profitability. Successful growth through acquisitions is dependent upon the Group's ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favourable terms, and completing such acquisitions and integrating the target companies or businesses into the Group. If the Group makes acquisitions, it may not be able to generate expected margins or cash flows, or realise the anticipated benefits of such acquisitions, including growth or expected synergies. The Group's assessment of and assumptions regarding acquisition targets may prove to be incorrect, and actual developments may differ significantly from expectations. The Group may not be able to integrate acquisitions successfully and such integration may require more investment than anticipated, and the Group could incur or assume unknown or unanticipated liabilities or contingencies with respect to customers, employees or other parties. The process of integrating acquired targets may also be disruptive to the Group's operations, as a result of, among other things, unforeseen legal issues, difficulties in realising operating synergies or a failure to maintain the quality of services that have historically been provided which could cause the Group's results of operations to decline. Furthermore, any acquisition may divert management's attention from day to day business and may result in the incurrence of additional debt. Should any of the above occur in connection with an acquisition, there could be a material adverse effect on the Group's business, financial condition and results of operations.

### **The Group may be unable to protect its intellectual property rights and could be at risk of infringing third party intellectual property rights**

The Group's ability to grow its business successfully depends, amongst other things, on its ability to protect, register and enforce its intellectual property rights. The Group also faces the risk that the use and exploitation of its intellectual property rights, including, in particular, rights relating to its software, may infringe the intellectual property rights of a third party. The costs incurred in bringing or defending any infringement actions may be substantial, regardless of the merits of the claim, and an unsuccessful outcome for the Group may result in royalties or damages being payable and/or the Group being required to cease using any infringing intellectual property or embodiments of any such intellectual property. Should the Group not be able to effectively protect its intellectual property rights, or should an infringement claim be brought against the Group, it could have a material adverse effect on the Group's business, financial condition and results of operations. The Group is also dependent on know-how and trade secrets, and the Group strives to protect such information by, for example, maintaining confidentiality agreements with employees, consultants and partners. However it is not possible to ensure total protection against unauthorised distribution of information and competitors and others may gain access to such information, which may lead to the value of such information diminishing or competitors gaining an advantage, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

### **Stillfront Group uses open source software in its games that may subject the Group's software code to general release or require the Group to re-engineer such code, which may cause harm to the business.**

The Group uses open source software in its game development. Some open source software licenses require developers who distribute open source software as part of their software to publicly disclose all or part of the source code to such software or make available any derivative works of the open source code on unfavorable terms or at no cost. The terms of various open source licenses have not been interpreted by courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on the Group's ability to market the games. While the Group monitors its use of open source software and try to ensure that none is used in a manner that would require the Group to disclose its source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur and the Group may be required to release its proprietary source code, pay damages for breach of contract, re-engineer its games, discontinue distribution in the event reengineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from the Group's game development efforts, any of which could harm the Group's reputation, result in player losses, increase the costs or otherwise adversely affect the business and operating results.

### **The Group and its customers are vulnerable to hacking, viruses, malicious acts and other cybercrime**

Online gaming business is subject to the risk of being adversely affected by activities such as system intrusions, virus spreading and other forms of cybercrime. Such activities can disrupt internet sites, cause system failures, business disruptions and may damage the computer equipment of the Group, its customers or end users. The impact of any such activities, or the Company's inability to successfully protect the Group from such attacks, could have a material adverse effect on the Group's business, financial condition and results of operations.

### **The Stillfront Group is subject to laws and regulations in several different jurisdictions and changes to, or failure to comply with, applicable laws and regulations may negatively affect the Group's business**

While the Group's business currently does not require any specific licenses and certifications, gaming laws are constantly reviewed and changed by the regulators in the applicable countries. It cannot be ruled out that the Group may become subject to such laws, directly or indirectly which could have a material adverse effect on the Group's business, financial condition and results of operations.

Although the Group takes reasonable actions to prevent minors from playing the Group's online games it cannot be ruled out that some of the consumers playing the games offered by the Group are minors which entail certain risks. Should any of these events occur, the impact could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is inter alia subject to data protection and privacy laws. Compliance with all such laws and regulations is complex and expensive. The Group's non-compliance or deemed non-compliance with any of these other laws and regulatory requirements could result in serious financial and other penalties for the Group. Any failure by the Group to comply with these other laws and regulatory requirements could have a material adverse effect on the Group's business, financial condition and results of operations.

### **The Group's business is dependent on the security, integrity and operational performance of the systems, products and services that it offers**

The Group's ability to provide its software depends upon the integrity, reliability and operational performance of its systems. The functioning of the IT systems within the Group's businesses, or that of its suppliers, contractors or partners, could be disrupted for reasons beyond its control, including accidental damage, disruptions to the supply of utilities or services, extreme weather events, safety issues, system failures, workforce actions or environmental contaminations. Furthermore, there may be technological challenges in rolling out new products and services. Any such disruption or event may lead to customer claims against the Group or otherwise negatively impact the Group's ability to sell products and services to its customers, and therefore could have a material adverse effect on the Group's business, financial condition and results of operations.

### **The Group's failure to successfully maintain and enhance its brands could have a material and adverse effect on the Group's business, financial condition and results of operations**

The Group's success is dependent in part on the strength of the brands of the products offered. The Group believes that it is well on its way to establish trusted and recognised brands and a reputation in the online gaming market, and that the Group's brands represent competitive advantages in the development of new and existing customer relationships. The future success of the Group will depend on the Group's ability to maintain and enhance the strength of the brands. The Group's efforts may fail. If the Group is unable to maintain or enhance the strength of the Group's brands, then the Group's ability to retain or expand its customer base may be impaired, and it could have a material adverse effect on the Group's business, financial condition and results of operations.

## **Disputes and the risk of litigation**

The Group is exposed to the risk of litigation, disputes and claims resulting from the agreements entered into as well as its business operations in general. Except as set forth in this Company Description, the Group has not received any indication that any disputes with its customers, suppliers or any other parties are imminent. The Group's view is that it has fulfilled its obligations but it can not be excluded that counterparties have another view. In the future, the Group may become involved in commercial disputes as well as legal and arbitration disputes, with public authorities or private parties, which involve substantial claims for damages or other sanctions. Such disputes could be time consuming and, in the event of a negative outcome of any material proceeding, whether based on a judgment or a settled agreement, the Group could be obligated to make substantial payments or accept other sanctions. In addition, the costs related to litigation and arbitration proceedings may be significant. Any of these events could have a material adverse effect on the Group's business, financial condition and results of operations.

## **Changes to taxation or the interpretation or application of tax laws could have an adverse effect on the Group's business, financial condition and results of operations**

Stillfront primarily operates its business through subsidiaries that are active in the geographic markets in which it operates and have customers on a global scale. The business, including intra-group transactions, is conducted in accordance with Stillfront's interpretation of applicable laws, tax treaties and other regulations concerning taxes and the practice of tax authorities in the relevant countries. The Company has obtained advice from independent tax advisors to a certain extent in this respect, but there is a risk that tax authorities in relevant countries may issue decisions that deviate from the Group's interpretation and advice from independent tax advisors. In addition, the Stillfront's interpretation of applicable laws, tax treaties, regulations and administrative practice may be incorrect and such rules may change, possibly with retroactive effect. Regulatory or legislative changes, or decisions by tax authorities, may impair the present, future or previous tax position of the Group, which could have a material adverse effect on the Group's business, financial condition and results of operations.

## **Currency fluctuation risks**

Currency fluctuations may impact the Group's financial performance. The Group's accounts are maintained in SEK, EUR, GBP and USD, while revenues from the Group's customer agreements are partially in different local currencies, including GBP and USD. The exchange rates between the local currencies and SEK have fluctuated significantly and may in the future fluctuate significantly. While foreign exchange risk and exposure to currency fluctuations have not historically had a material impact on the Group's business, financial condition or results of operations, the Company does not hedge its exposure to currency fluctuations, and as a consequence fluctuations in exchange rates and currencies could have a significant effect on the cash flows of the Company, which could impact the Company's financial results in ways unrelated to its operations and/or have a material adverse effect on the Group's business, financial condition and results of operations.

## **Any financial objectives included in this presentation/Company Description may differ materially from the Group's actual results and investors should not place undue reliance on them**

Any objectives set forth in this presentation/Company Description are the Group's expectations for the medium to long term. Any such objectives included in this presentation/Company Description are based upon a number of assumptions, which are inherently subject to significant business, operational, economic and other risks, many of which are outside of the Group's control. Accordingly, such assumptions may change or may not materialise at all. In addition, unanticipated events may adversely affect the actual results that the Group achieves in future periods whether or not its assumptions otherwise prove to be correct. As a result, the Group's actual results may vary materially from these objectives and investors should not place undue reliance on them.

## **Risks related to the shares and the Listing**

### **Nasdaq First North is not a regulated market, may be subject to disruptions and carries a higher degree of risk than an investment in a company listed on a regulated market**

The shares are planned to be traded on Nasdaq First North. Nasdaq First North is an MTF which is an alternative marketplace, operated by Nasdaq Stockholm. Companies whose shares are traded on Nasdaq First North are covered by a less extensive regulatory framework than companies that are traded on main market of Nasdaq Stockholm. Nasdaq First North is not a regulated market and is not obligated to implement rules or procedures that comply with existing EU-directives and requirements, including directives and requirements regarding listings, disclosure and offerings. Shareholders may suffer actual or perceived prejudice to the extent the Company takes advantage of the increased flexibility that is allowed through a listing on Nasdaq First North. It is possible that the market for the shares will be subject to disruptions, and any such disruption may have a negative effect on investors, regardless of the Group's prospects and financial performance. An investment in the Company's shares therefore carries a higher degree of risk than an investment in a company listed on a regulated market, such as the main market of Nasdaq Stockholm. Although the shares are planned to be listed on Nasdaq First North, it is possible that the shares will not remain listed or that future success and liquidity in the market will not be achieved. Although no assurances can be made as to the liquidity of the shares as a result of admission to trading on Nasdaq First North, failure to be approved for listing or delisting of the shares from Nasdaq First North may have a material effect on an investor's ability to resell the shares in the secondary market.

### **There may not be an active and liquid market for the shares and the price of the shares may be volatile**

A prospective investor should be aware that an investment in the Company's shares is associated with a high degree of risk, and that the price of the shares may not develop favourably. Prior to the Listing, there has been no public market for the shares. Following the listing, an active or liquid trading market in the Company's shares may not develop or be sustained. If such market fails to develop or be sustained, it could have a negative impact on the liquidity and price of the shares, and could increase the price volatility of the shares. Investors may not be in a position to sell their shares quickly or at the market price if there is no active trading in the Company's shares. The share prices of publicly-traded companies can be highly volatile and, after the Listing, the price of the shares could fluctuate substantially due to various factors, some of which could be specific to the Group and its operations, and some of which could be related to the industry in which the Group operates or equity markets generally. As a result of these and other factors, the shares may trade at prices significantly below the Offer Price. The market price of the shares may decline, and the shares may trade at prices significantly below the Offer Price, regardless of the Group's actual operating performance, and there can be no assurances as to the liquidity of any market of the shares, an investor's ability to sell their shares or the prices at which investors would be able to sell their shares.

### **Certain shareholders may continue to exercise considerable influence over the Company and its operations, and the interests of these shareholders may conflict with those of other shareholders**

Upon completion of the Listing, the five largest shareholders will, directly and indirectly, control more than 30% of the shares (approximately 42%) and the votes in the Company. Accordingly, these shareholders will continue to retain a controlling interest in the Company and will consequently have the power to control the outcome of many matters to be decided by vote at a shareholders' meeting. Such matters include the issuance of additional shares or other equity related securities, which may dilute holders of the Company's shares, and the payment of any future dividends. These shareholders may also be able to exercise control over the Company's Board of Directors through their representation on the Board of Directors, thus influencing its direction of the Group's operations and other affairs. Furthermore, several of the individuals who hold management positions within the Group are affiliated with or otherwise dependent in relation to these shareholders, who thereby will be able to direct the day to day operations and strategy of the Company. The interests of these shareholders

may differ significantly from or compete with the Company's interests or those of other shareholders and it is possible that these shareholders may exercise influence over the Company in a manner that is not in the best interests of all shareholders. For example, there could also be a conflict between the interests of these shareholders on the one hand, and the interests of the Company or its other shareholders on the other hand, with respect to dividend resolution or other fundamental corporate matters. The concentration of share ownership could delay, postpone or prevent a change of control in the Company, and impact mergers, consolidations, acquisitions or other forms of combinations, as well as distributions of profit, which may or may not be desired by other investors. Such conflicts could have a material adverse effect on the Group's business, financial condition and results of operations.

### **Future offerings of debt or equity securities by the Company may adversely affect the market price of the shares and lead to substantial dilution of existing shareholders**

In the future, the Company may seek to raise capital through offerings of debt securities (potentially including convertible debt securities) or additional equity securities. An issuance of additional equity securities or securities with rights to convert into equity could reduce the market price of the shares and would dilute the economic and voting rights of existing shareholders if made without granting subscription rights to existing shareholders. Because the timing and nature of any future offering will depend on market conditions at the time of such an offering, the Company cannot predict or estimate the amount, timing or nature of any future offering. Thus, holders of the shares bear the risk of any future offerings reducing the market price of the shares and/or diluting their shareholdings in the Company.

### **Future sales of shares after the Listing may affect the market price of the shares**

In connection with the Listing, certain shareholders have agreed to a lock-up arrangement with Pareto Securities. In addition, certain members of the Group's management have agreed to a lock-up arrangement with Pareto. A lockup arrangement is an undertaking, with certain exceptions, not to sell shares for a certain period. Although the lock-up arrangements restrict the ability of certain shareholders and Group management to sell the shares during a specified time period, subject to certain termination events with respect to the restrictions, Pareto Securities may, in its sole discretion and at any time, waive the restrictions on sales of the shares during this time period. When these lock-up arrangements expire, or if they are waived or terminated by Pareto Securities, the shares that are subject to the lock-up arrangements will be available for sale in the public market or otherwise. Sales of substantial amounts of shares following the Listing, regardless of whether such sales are done by the sale of shares in the market or by way of a subsequent issuance of shares, or the perception that any such sales could occur, could adversely affect the market price of the shares and may make it more difficult for holders to sell their shares at a time and price that they deem appropriate.

### **The Company's ability to pay dividends in the future may be constrained and depends on several factors**

If declared by a shareholders' meeting, holders of the shares will be entitled to receive future dividends. Swedish law limits the ability of the Board of Directors and the Company to propose and declare dividends to certain funds legally available for that purpose. In addition, the Company's operations are conducted almost entirely through the Subsidiaries and the Company's ability to generate cash to meet its obligations or to make future dividends, if any, is highly dependent on the earnings and the receipt of funds from Subsidiaries via dividends or intercompany loans. As the amount of future dividend payments the Company may make, if any, will depend upon future earnings, financial condition, cash flows, working capital requirements, the receipt of funds from Subsidiaries and other factors, it cannot be predicted whether a dividend will be proposed or declared in any given year.

### **Certain non-Swedish shareholders may be unable to exercise their preferential rights**

Under Swedish law, holders of shares will have certain preferential rights in respect of certain issues of shares, unless those rights are disapplied by a resolution of the shareholders at a general meeting or the shares are issued on the basis of an authorisation to the Board of Directors under which it may disapply the preferential rights. Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by

shareholders in such jurisdictions in any future issue of the shares carried out on a preferential basis in a rights offer. Shareholders in the United States as well as certain other countries may not be able to exercise their preferential rights to participate in a rights offer or a buy-back offer, as the case may be, including in connection with an offering below market value, unless the Company' decides to comply with local requirements, and in the case of the United States, unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from registration requirements is available. In such cases, shareholders resident in such non-Swedish jurisdictions may experience a dilution of their holding of shares, possibly without such dilution being offset by any compensation received in exchange for subscription rights. It is not possible to predict whether local requirements will be complied with or that any registration statement would be filed in the United States so as to enable the exercise of such holders' preferential rights or participation in any rights offer or buy-back offer.

# Background and reasons

Stillfront is an independent creator, publisher and distributor of digital games – with a vision to become one of Europe’s leading indie game creators and publishers.

The Group was founded in 2010 through the merger of a number of smaller gaming companies. Currently, Stillfront operates through four near-autonomous subsidiaries: Bytro Labs in Germany, Coldwood Interactive in Sweden, Power Challenge in the UK and Sweden, and DOG Productions Limited in Malta. The Group’s games are distributed globally, however main markets include Sweden, the United Kingdom, Germany, the United States and South America.

The Group’s portfolio includes games across multiple platforms. Unravel, developed by Coldwood in collaboration with Electronic Arts, won 20+ awards at E3 and gamescom and is expected to be released in the first six months of 2016. Supremacy 1914 and Call of War are high-immersion war strategy games developed by Bytro Labs. Call of War was launched in May 2015 and is Stillfront’s most successful launch to date. ManagerZone is a sports management strategy game launched in 2001. Gladiators Online is an action management strategy game launched on Steam in Q4 2015.

The Company has performed strongly financially in 2015 with organic sales growth of 63% in YTD Sep-15 compared to YTD Sep-14 and an Underlying EBITDA margin in YTD Sep-15 of 23%, 13 percentage points up from YTD Sep-14. The strong financial development is mainly attributable to increased revenue in Coldwood and the successful launch of Call of War, on the back of Stillfront’s scalable business model.

The Board of Directors believes Stillfront has established an excellent position for capitalizing on its scalable business model by accelerating its growth strategy and sees the Listing as the logical next step to further support its strategy and development of its business. The Listing would, among other things, benefit Stillfront in its efforts to recruit and retain top talent, execute on its growth strategy and contribute to increased recognition and brand awareness of Stillfront Group.

Stillfront intends to use the SEK 75m in gross proceeds from the executed equity issue in connection with the Listing for accelerating its business strategy mainly by developing and releasing new games, increasing marketing spend, making selective acquisitions, increasing ownership of intellectual property in its subsidiary Coldwood, acquiring the remaining 49% of its subsidiary Bytro Labs and for general corporate purposes. See section “Use of proceeds and IPO rationale” for additional information.

*In other respects, reference is made to the full particulars of the Company Description, which has been prepared by the Board of Directors of Stillfront in connection with the application for listing of Stillfront’s shares on Nasdaq First North.*

*We declare that, to the best of our knowledge, the information provided in the Company Description is accurate and that, to the best of our knowledge, the Company Description is not subject to any omissions that may serve to distort the picture the Company Description is to provide, and that all relevant information in the minutes of board meetings, auditors’ records and other internal documents is included in the Company Description.*

Stockholm, 4 December 2015

**Stillfront Group AB (publ)**

**Board of Directors**

# Investment highlights (1 of 2)

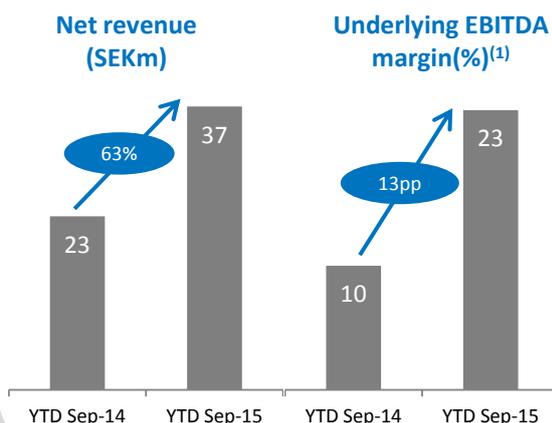
## Attractive market



## Well-diversified portfolio



## Strong current financials



## Unravel awards

20+ awards at E3 and winner of best Strategy Game 2015 at gamescom



## Attractive ownership structure and experienced board

- Key people or specialist investors own a considerable share of Stillfront
- Extensive and complementary industry experience within the board of directors

## Key people: Experienced and incentivized

- 200+ years of joint industry experience
- Considerable ownership

## Effective marketing

- Daily monitoring of marketing fROI allows for responsive marketing which in turn drives group ROI and sales
- Case in point: 34–63% marketing fROI on Call of War campaigns prompted a swift increase in Call of War’s marketing spend which in turn further fuelled Call of War sales

Source: Newzoo’s annual “Global Games Market Report” and The Entertainment Software Association (ESA)’s “2015 Essential Facts About the Computer and Video Game Industry”. Financial figures derived from Stillfront’s Annual report 2014, reviewed quarterly report Q3 2015 and unaudited management accounts | (1) Underlying EBITDA excludes expenses considered by management as “expensed investments”. These adjustments have not been audited or reviewed. See the Financials section for a breakdown of these expensed investments and EBITDA in accordance with Swedish GAAP

# Investment highlights (2 of 2)

## Derisked and scalable business model...

### Scalable

- Low marginal cost of producing and distributing digital content
- Scalable development with game engines

### Derisked

- Portfolio strategy reduces risk and stabilizes revenue growth...
- ... while capturing inter-game synergies



## ... now well-positioned...

### Proven

- Strong current financials
- Increasing MAU with high retention
- Traction with new and long-lived cash cow games

### Promising near-term pipeline

- Call of War recently released
- New Dorado game engine and game (Gladiators Online)
- ManagerZone engine improvements and monetizing features

### Coldwood position

- Well-renowned studio with good momentum, receiving great response in pre-marketing of Unravel
- Solid track record with collaboration with Sony and EA



## ... for accelerating growth strategy

### Organic growth

- New game engines
- New games
- Increased marketing

### Acquisition strategy

- Target smaller gaming companies – add value by guiding creativity through professional structure

### IP at Coldwood

- Increased IP ownership gradually – initially by building a new title with a parallel team

# Market overview

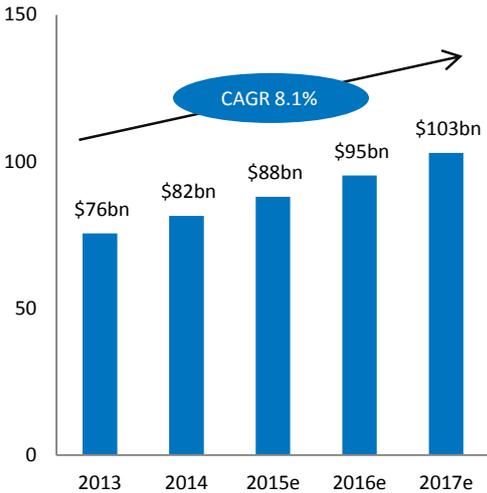
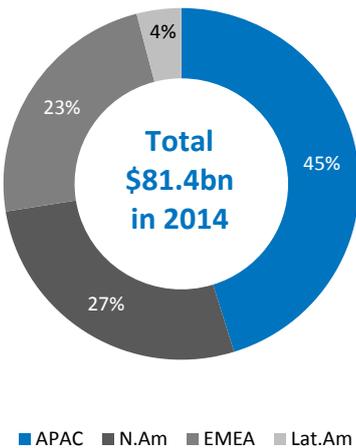
The information about market growth, trends, size, and Stillfront’s market position compared to its competitors as specified in this Company Description, is Stillfront’s overall assessment based on both internal and external sources. The sources on which Stillfront has based its assessment comprise, among many other things, information derived from industry associations such as The Entertainment Software Association (ESA) and independent research institutes such as Newzoo and Superdata. Readers should note that macroeconomic forecasts and sentiments change. Stillfront has strived to use the latest available information from relevant sources. Certain information has been obtained from various external sources and such information has been accurately reproduced in this Company Description. Although Stillfront regards these sources as reliable, no independent verification has been carried out and thus, it cannot be guaranteed that this information is accurate or complete. Certain statistics in this Company Description have been compiled by Stillfront, in some cases on the basis of various assumptions. In view of this, the reader’s attention is drawn in particular to the fact that market statistics presented in this Company Description are uncertain and that no guarantee can be given regarding the accuracy of these. However, as far as Stillfront is aware and can confirm by comparing this with other information published by the third parties from which the information has been obtained, no material information has been omitted in such a way that would render the reproduced information erroneous or misleading.

## Overview

Despite its relatively young age, the global games industry is one of the largest entertainment industries today. Following the high degree of technology inherent in games, there is no shortage of innovation in the industry. With the rapid introduction of new technology, all parts of the industry value chain develop new ways to meet, and to a certain level create, consumer demand.

## Market size and growth

The global games market is large and growing at a rapid pace. Newzoo estimates the global games market at \$82bn in 2014. The Asia Pacific (APAC) region is the largest at \$37bn followed by North America, Europe, the Middle East and Africa (EMEA) and Latin America at \$22bn, \$19bn and \$3bn respectively.<sup>1</sup> In addition, Newzoo estimates the global games market to grow at CAGR 8.1% between 2013 and 2017, reaching a total market size in excess of \$100bn by 2017.



<sup>1</sup> Newzoo Global Games Market Webinar (2014)

Industry growth is mainly driven by growth in mobile games as consumers increasingly play games on more accessible devices.<sup>2</sup> Newzoo estimates that mobile games (tablet and mobile) will constitute approximately 34% of total global games revenue in 2017.<sup>3</sup> With a CAGR of 19% between 2013 and 2017, total revenue from mobile games will reach \$35bn.<sup>4</sup>

Revenue from console games are expected to continue to grow – even though sales of traditional physical video games are slowing – as digital distribution of console games and subscription services are increasing.<sup>5</sup>

## Market segments

### Segmentation by platform

#### *PC/Console segment*

PC/Console games are traditional video games played either on a computer or a console such as Sony's PlayStation or Microsoft's Xbox.

PC/Console games have traditionally been sold as physical copies through retailers. Recently, however, distribution has moved towards digitalization where consumers download the games via online channels such as PlayStation Network, Xbox Live Marketplace and Valve's Steam for PC. This trend thus reduces the power of the traditional retailer store's role in the value chain and makes it easier for independent game developers to come closer to the potential customers.

The shift to digital has also introduced the concept of DLC (downloadable content) which allows consumers to purchase add-ons to the purchased game. This allows the game developer to continually update the content of the game and provides an additional source of revenue for developers and publishers (in contrast to the one-time sale of a video game without subsequent add-on selling).

PC/Console games are often more advanced than mobile or browser games in terms of the gaming experience they provide. This is reflected in that the amount of man-hours and other investments required to develop a PC/Console game is significantly higher than for other types of games such as mobile or browser games. Consequently, there is a substantial financial risk inherent in developing PC/Console games, which is often too high for many small and/or non-diversified developers to take on. Thus many smaller independent studios, such as Stillfront's subsidiary Coldwood, have historically collaborated with larger publishers such as EA or Sony to shift away most of the risk and to receive help in marketing and distribution.

#### *Mobile segment*

Mobile games are developed for smartphones and tablets.

Mobile games are often so called "casual games" with a simplistic gaming character, short playing times at each playing occasion and low degree of player involvement. For example, casual games are often played while commuting or in between meetings.

Due to the simplistic character and low degree of player involvement, mobile games tend to have short life cycles. This, in turn, requires developers to maintain a large portfolio of games and to continually release new titles as turnover of games is high, with a few notable exceptions such as Candy Crush and Angry Birds, which have been able to achieve exceptional user metrics.

Typically, mobile games are fast and easy to develop, require only a few investments and are easily distributed e.g. through Apple's App Store. This implies that barriers to entry are low for mobile games which has allowed for substantial competition between developers, making it difficult to achieve and maintain attractive profitability for the average developer. However, there are some success stories that have been highly

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<sup>2</sup> SuperData Global Games Market Report (2015)

<sup>3</sup> Newzoo Global Games Market Webinar (2014)

<sup>4</sup> Newzoo Global Games Market Webinar (2014)

<sup>5</sup> [http://www.huffingtonpost.com/2014/12/30/digital-video-games\\_n\\_6396586.html](http://www.huffingtonpost.com/2014/12/30/digital-video-games_n_6396586.html)

profitable, such as Swedish King and Finnish Rovio, which started as small independent studios, publishing and distributing their games directly through e.g. Apple's app store.

### ***Online/Browser games segment***

Online/Browser games are games played directly through an internet browser. These games do not have to be downloaded or purchased in physical copies, and can therefore be consumed anywhere with access to internet.

Historically, browser games have been of a simple gaming character similarly to mobile games. This segment is however moving towards more advanced games as consumer demand for high quality content is increasing, and with level of depth and quality of content in games increasing – so is the games' lifetime.

Browser games are often so called "free-to-play" games, meaning that no payment is required when starting to play the game. However, payment is often required to unlock certain parts of the game or to add specific advantages. In this way, games with a longer life cycle can provide the developer with longer-term revenue streams.

## **Revenue models**

The revenue models have developed and new ones have been introduced during the last decades as games have become more of a digital good than before. The following revenue models can also be combined with each other.

### ***One-off revenue***

In this segment, a one-time cost is charged at the time of the purchase. Both console and PC games fall under this category.

### ***Free-to-play***

"Free-to-play" means that no payment is required when starting the game. However, payments are often required to unlock certain parts of the game or to add specific advantages.

### ***Downloadable content***

Downloadable content is additional content created for an already released video game. Downloadable content can be added both to games that have an initial one-off cost and to games that are free-to-play. This requires a digital distribution which also makes the content very scalable, as the additional cost besides developing the extra content is effectively zero.

### ***Subscription***

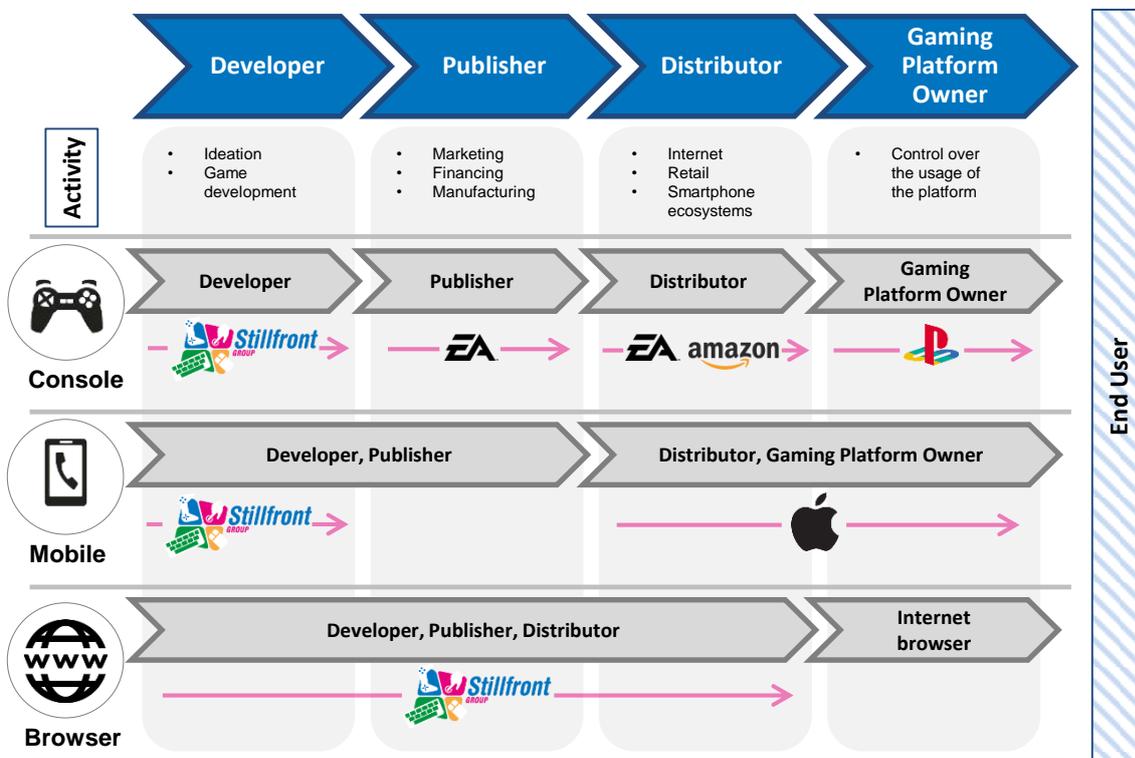
In this segment, the player subscribes for the game and pays a recurring fee.

### ***Advertising revenue***

The game provider can also receive revenue from advertisers instead of from the players. Games that can be accessed through social media websites such as Facebook are often sponsored by advertisers.

## Industry Value chain

Depending on the type of game being developed, the industry value chain varies in its composition. For example, in the mobile games segment, a small developer often takes its games directly to Apple’s or Google’s app store, surpassing publishers. In the case of PC games and online browser games, a developer can self-publish and distribute their games directly online, without the need of publishers, distributors or platform owners via digital distribution channels such as Steam. Note that the value chains below are based on Stillfront’s view of the market and are thus only examples of typical value chains given the respective platforms. The companies mentioned are examples of players and are only for illustrative purposes.



### Stillfront’s position in the industry value chain

Stillfront’s different subsidiaries are part of different industry value chains as their games differ in character.

Coldwood is currently positioned as a traditional independent game developer, with ideation, creation and game development on contract for different large publishers, currently EA Games. In contrast, Bytro, Dorado, and Power Challenge develop, publish and distribute their games directly to the end consumer through a web browser, or through Steam in Dorado’s case. In this way, neither Bytro nor Power Challenge is dependent on a game publisher, distributor or platform owner. Some services are however outsourced for the browser games, such as marketing and advertising. Mobile game developers often publish their own games on platforms such as Apple’s App Store and Google Play, however in Bytro’s case with Panzerwars (which is one of the long-tail games with very small income streams), the publishing has been outsourced to a German company named Xyrality.

### Developers

Game developers create game content, design the game and write the software code underlying the finished game and can be divided into four different categories: independent (“indie”), or first-, second- or third-party developers. First and second party developers were more common a couple of years ago when the gaming industry was more focused around on a few numbers of game consoles and PC.

A first-party developer is a part of a platform owner and manufacturer, such as Nintendo and Xbox, and develops games exclusively for this platform, often under the platform’s name. Sony’s Polyphony Digital is one example of a first-party developer.

Second-party developers are game developers that are connected to a console manufacturer, but who are more autonomous than first-party developers. They can be independently owned studios that take development contracts from the platform owners and produce exclusively to the specific platform. They can also be partially or wholly owned subsidiaries to the platform owners, still producing exclusively to one specific platform. Insomniac Games is an example of an independent studio that previously developed games solely for Sony’s PlayStation platforms.

Third-party developers are platform independent and are either a games publisher as well, or develop the games for one or several games publishers. Ubisoft is one example of a third-party developer.

Independent game developers are financially and contractually independent, thus not owned or tied to a specific games publisher or platform owner. Indie game developers can both develop games for a large game publisher or self-publish their games. When collaborating with a game publisher, the publisher often assumes the intellectual property to the game while compensating the independent game developer with a contracting fee during game development and royalties on each sold copy of the game. Thus, both the risk and the upside for the independent game developer are reduced by collaborating with a publisher. This is often a suitable strategy for smaller independent game developers.

**Publishers**

A game publisher publishes video games that they have either developed internally or have had developed by a video game developer.

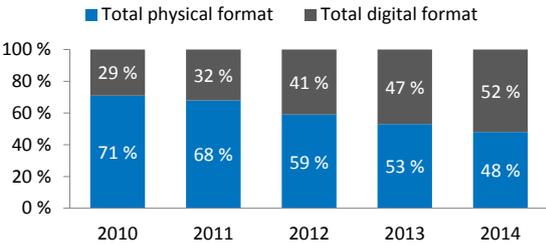
Usually the publisher provides financing for the development of the game, while also being responsible for the market research, pricing of the game, and all aspects of marketing and advertising. In addition, the publisher supervises the development process, tests and adjusts the game as it is being developed and manufactures the product in the case of physical distribution.

Since the publisher often provides the financing and thus bears the financial risk of the project, it also retains a significant part of the IP ownership in the case of outsourced development.

**Distributors**

Distributors are usually game vendors, supermarkets and internet vendors.

Distribution via digital channels is becoming more common as gamers seem to prefer digitally distributed games more than ever. However, even though digital distribution is growing in popularity and physical video game sales is dropping<sup>6</sup>, physical distribution still accounts for a large portion of the distribution channels.



Above graph shows the trend in digital versus physical distribution model of games for the U.S. market. Digital format sales include subscriptions, digital full games, digital add-on content, mobile apps and social network gaming.<sup>7</sup>

<sup>6</sup> [http://www.huffingtonpost.com/2014/12/30/digital-video-games\\_n\\_6396586.html](http://www.huffingtonpost.com/2014/12/30/digital-video-games_n_6396586.html)

<sup>7</sup> The ESA report: Essential facts about the computer and video game industry (2015); The NPD Group/Games Market Dynamics: U.S. Digital format sales include subscriptions, digital full games, digital add-on content, mobile apps and social network gaming

## Platform owners

The platform owner is at the end of the industry value chain, and manufactures and owns the ultimate media that consumers use to consume the games. In the case of console games, there are essentially three large platform owners dominating the market: Microsoft's Xbox, Sony's PlayStation, and Nintendo, players that also cover the rest of the value chain via their own in-house game development. For computer games however, the end of the value chain is a bit different, with digital distribution platforms that is the closest thing to platform owners. Valve's Steam for example, which can also be considered as more of a distributor, is an internet-based digital distribution platform that provides games and multiplayer functionalities for Windows, Mac, and Linux based computers.

For console games, the platform owner controls the usage of the platform and in order for games to be played on the platform actors in the lower end of the value chain need an approval and a license to release the game on a given platform.

## Certain market trends and dynamics

### *Strong market growth*

Global games market estimated at \$100bn in 2017, corresponding to a CAGR of 8.1% from 2013 to 2017. Industry growth is mainly driven by growth in tablet and mobile games as consumers increasingly play games on more accessible devices.

### *Content is king*

Low-quality casual games face harder competition than the mid- to hard-core games sector. Typically, casual games are fast and easy to develop, require only a few investments and are easily distributed e.g. through Apple's App Store. This implies that barriers to entry are low for casual mobile games which has allowed for substantial competition between developers, making it difficult to achieve and maintain attractive profitability for the average developer.<sup>8</sup> The increasing number of games available has thus become an entry barrier in itself, making it harder to stand out in the crowd of games, increasing need for content quality.

### *More advanced browser games*

Stillfront's strong position is enhanced as browser games evolve to more advanced products which increases barriers to entry. Historically, browser games have been of a simple gaming character similarly to mobile games. However, this segment is moving towards more advanced games as consumer demand for high quality content is increasing. Greater content quality and more advanced games provide consumers with a longer gaming experience, leading to longer life-time-value of each user for the game developer.

### *Increased digital distribution*

Digitally distributed gaming is growing, favouring Stillfront's digital distribution model. Distribution of games can be physical, but with increased demand of completely digital products, distribution via digital channels is becoming more common.<sup>9</sup>

### *Growth in free-to-play*

Free-to-play revenue model grows in prevalence and importance. Free-to-play massive multiplayer online games (MMOG) for PC are leading growth for PC games in general with a CAGR of 19.4% for 2012-2016.<sup>10</sup>

### *Industry consolidation*

A substantial industry consolidation trend has been visible in recent years with high levels of mergers and acquisition volumes globally.<sup>11</sup> One factor possibly fuelling this trend is heightening barriers to entry in the

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<sup>8</sup> Video Games Intelligence (VGI), "2014 insight in Mobile Games"

<sup>9</sup> [http://www.huffingtonpost.com/2014/12/30/digital-video-games\\_n\\_6396586.html](http://www.huffingtonpost.com/2014/12/30/digital-video-games_n_6396586.html)

<sup>10</sup> Newzoo "Global Games Market Webinar (2014)"

<sup>11</sup> <http://venturebeat.com/2014/04/02/the-year-of-the-deal-game-industry-already-has-more-than-5b-in-mergers-and-acquisitions-in-2014/>

mobile and browser game space as customer acquisition costs rises and consumer demand for high quality content increases.<sup>12</sup>

### ***Non-cyclical market***

The gaming market in general is relatively non-cyclical as the underlying demand for video games is relatively unaffected by the general business cycle. However, different game platforms can be cyclical in terms of popularity as games can be very dependent on current trends and new platform releases.

### ***Mobile and tablet games growth***

With a CAGR of 19% between 2013 and 2017, mobile and tablet games is one of the strongest growing sectors.<sup>13</sup> This incredible growth has attracted a lot of interest, resulting in a constant inflow of new game developers and new game titles. The mobile and tablet games segment has thus become very competitive, making Stillfront a bit cautious about a possible move into the segment.

## **Industry competition**

The competitive landscape differs for the different gaming products, but in general, with recent rapid industry growth, the gaming market remains extremely competitive. The industry is growing fast, constantly evolving and the potential for success for newcomers remains immense. The effects of industry characteristics such as quickly developing technology, intense competition and volatile consumer habits are that no competitive edge is long-term sustainable and the top position is thus always being fought over.

Game consumers in general are not very brand-focused and do not develop long-term bonds with certain gaming companies compared to other more brand-focused industries such as luxury car or clothing industries. Game developers have to be constantly creative and prior successes have relatively small effect on the future of the company as traditional video game revenue lifetime is rather finite.

The gaming industry is in all regards global and Stillfront's subsidiaries thus compete with game developers from all over the world.

### **Console/PC games**

Before technology and quality developed to current levels, video game development budgets were significantly lower, and it was viable for game developers to start from scratch and develop their own games with very little funding. Video games could be developed by smaller teams and took a few months to produce. In a market with little competition, games often spread virally and marketing costs were limited. These two factors resulted in large possible profit margins for the game industry.

As the industry has grown rapidly to become one of the highest grossing entertainment industries of all, the competition and thus the need and drive for innovation and demand for higher quality content have increased. Improvements in gaming technology and the increasing demand for higher quality content quickly led to a need for larger development teams and longer development cycles. The increased competition then fuelled marketing and advertising costs, leading to escalating video game budgets in general. The large game budgets, coupled with a hit-driven market, could also be seen as factors that increase the risk for the party bearing the costs of developing a video game.

However, compared to other gaming sectors such as mobile and tablet games, the competitive landscape is still somewhat more restricted. The increase in budgets and higher demand for quality content, as well as shorter game life cycles, have become barriers to entry in the console and PC game sector, making it virtually impossible for individual hobbyists and smaller teams developing games to compete effectively in this sector, with many small developers going out of business as a result.

Key competitors for Coldwood include a wide array of independent high quality studios. In the Nordics, Avalanche Studios, Starbreeze and Paradox are good examples. Large studios belonging to the large publishers,

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<sup>12</sup> <http://news.investors.com/technology-click/111214-726156-king-glu-lead-mobile-game-industry.htm>

<sup>13</sup> Newzoo Global Games Market Webinar (2014)

i.e. non independent, also constitutes one category of competitors as they, along with Coldwood, want a cut of the publishers' budgets. However, the large publishers such as EA, Sony, and Microsoft are more seen as potential partners rather than competitors.

### **Mobile and tablet games**

Mobile games are often so called casual games with a low degree of player involvement and a lower degree of game depth. The mobile game market is booming and still developing, resulting in a constant significant inflow of new game developers and new game titles. Approximately 1,500 game app applications are submitted each day to Apple's App Store and the total number of existing game apps is over 445,000.<sup>14</sup> It is estimated that even more game developers will continue to enter the market and a wider range of games will be introduced as the industry continues to evolve.

The barriers to entry for mobile games in terms of development costs are lower compared to mid and high quality console and PC games. However, the significant changes in seamless distribution models and increased competition means that tens of thousands of games are fighting for consumer attention, and consumer marketing has become the key differentiation and greatest cost and barrier to entry.

Competition in the mobile games industry is very wide and includes game giants such as Zynga, EA mobile, Blizzard and Gameloft, but also more focused mobile casual games developers such as Gamevil, Rovio, and King. However, as the development entry barriers are low, competition can also come from individuals or small networks of people developing games for a hobby. With digital distribution platforms such as Apple's App Store and Google Play, the step for a really small first-time developer to create a huge hit is not as large as in the PC game sector.

### **Browser games**

As the browser game industry has developed and evolved from being mostly simplistic casual games, a low-barrier industry similar to mobile games, to moving towards more advanced games, the barriers to entry have increased slightly and the competitive landscape has thus become narrower. There will of course still be casual browser games with lower barriers to entry, but mid-to hard-core browser games are increasing in popularity, changing the competitive landscape in that quality content and high game immersion is becoming more important.

This development is also fuelled by the increasing user acquisition cost in the browser space, and cost per new account is higher than ever. As it gets more expensive to buy traffic and users, games need to become more immersive and have longer game cycles in order for marketing to pay off. Long game cycles and high immersion will thus increase chances to get positive return on marketing investments.

Stillfront considers all browser games to be competitors in the sense that they all contribute to rising marketing costs, leading to rising user acquisition costs for Stillfront. Direct key competitors for Bytro include companies such as InnoGames, Wargaming, Plarium, and Paradox Interactive (develops PC games) as they also create multiplayer online war strategy games with similar features. Direct competitors for Power Challenge include companies such as CAT Games, What If Sports, Northworks, and Sports Interactive (develops PC games).

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<sup>14</sup> <http://www.pocketgamer.biz/metrics/app-store/app-count/>, 2015-11-10

# History

2010

The Company merged with a number of companies and started the process of founding the Group. The companies include Gameraock AB, VoiPLAY AB, Stillfront AB, Verrano AB and Coldwood Interactive AB through Coldwood Holding AB.

2012

The founding process was finalized and Stillfront Group was created and started to operate under the operational structure it has today.

In November, Stillfront acquired 100% of the shares in Power Challenge Holding Ltd, which contributed with two additional game titles to Stillfront's games portfolio, ManagerZone and Power Soccer.

Minority interests were acquired in Entertainment Products of Scandinavia AB (EPOS) in January and Vexercice AB in August.

2013

In December, Stillfront acquired 51% of Bytro Labs GmbH and entered into an agreement to acquire the remaining 49% by 2016. The addition of Bytro further expanded Stillfront's games portfolio with titles such as Supremacy 1914, PanzerWars and Industry Tycoon. With the acquisition of Bytro, Stillfront assumed the group structure it has today.

2014

Bytro's game Thirty Kingdoms was released in June.

In April, Stillfront, through Stillfront Online Games AB, acquired all of the shares in DOG Holdings Ltd and indirectly its subsidiary DOG Productions Ltd.

2015

In January, Coldwood entered into a partnership with EA regarding the development of Unravel.

Gladiators Online, the first game on Dorado's new action management engine was released in May.

Bytro's game Call of War was released in May and is Stillfront most successful game release to date.

Stillfront Group raised SEK 75m in an equity private placement in December (the "Offering"). The Offering comprised 1,923,000 newly issued and 23,320 existing shares at a price of SEK 39 per share (the "Offering Price").

# Business overview

## Introduction

Stillfront is an independent creator, publisher and distributor of digital games – with a vision to become one of Europe’s leading indie game developers and publishers.

Stillfront operates through four near-autonomous subsidiaries: Bytro Labs in Germany, Coldwood Interactive in Sweden, Power Challenge in the UK and Sweden, and DOG Productions Limited in Malta. The Group’s games are distributed globally, although main markets include Sweden, the United Kingdom, Germany, the United States and South America.

- **Bytro Labs** develops and publishes mobile and browser-based war strategy games, earning revenue through a free-to-play model with in game purchase options.
- **Coldwood** is a game studio currently developing games on a contractual basis and has a long history of console games.
- **Power Challenge** develops and publishes mobile and browser-based social sports management games, earning revenue through a free-to-play model with in game purchase options.
- **Dorado** developed and published a browser-based action management game, earning revenue through a free-to-play model with in game purchase options.

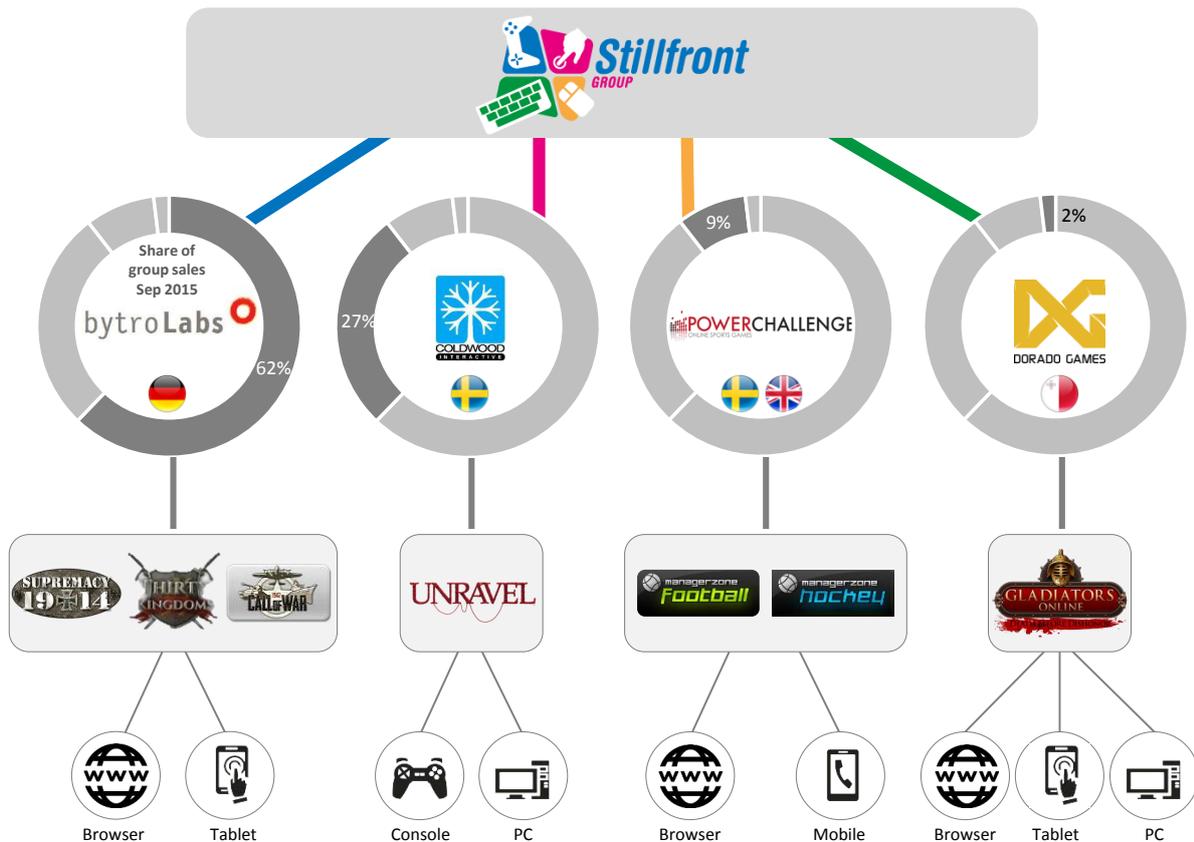
The Group has a well-diversified games portfolio across a range of genres and platforms. Selected games include; *Unravel*, a puzzle-platform console/PC game; *Supremacy 1914* and *Call of War*, two browser-based World War strategy games; *ManagerZone*, a mobile and browser-based sports management game; *Gladiators Online*, a browser-based action management game, released in November 2015.

Stillfront’s strategy is based on three pillars. The first is called PLEX and summarizes the internal operational strategy: portfolio of games, long life-cycle games, game engines for scalability and cross (X) platform development. The second pillar focuses on growth, by capitalizing on pillar one through an organic and acquisition growth strategy, the Group may increase profitability. The last pillar states an increased IP ownership in the subsidiary Coldwood going forward, in order to increase upside potential from sales.

The Company has performed strongly financially in 2015 with organic sales growth of 63% in YTD Sep-15 compared to YTD Sep-14 and an Underlying EBITDA margin in YTD Sep-15 of 23%, 13 percentage points up from YTD Sep-14. The strong financial development is mainly attributable to increased revenue in Coldwood and the successful launch of *Call of War*, on the back of Stillfront’s scalable business model.

## Group overview

The Group comprises four operational subsidiaries with seven games (excluding long-tail games) across multiple platforms.



Source: Stillfront's unaudited management accounts

## Four near-autonomous subsidiaries under professional group management

Stillfront's organizational set-up is with a lean, professional group management – mainly comprising the Group CEO and CFO – over four near-autonomous subsidiaries. The objective with this organizational set-up is to provide a professional structure to guide creativity in the entrepreneurial game-developing subsidiaries and to obtain inter-subsidiary synergies.

- Professional structure:** Stillfront seeks to professionalize decision making relating to investments and operations in order to improve resource allocation. For example, the risk-to-reward of different investment opportunities are weighed against each other to select the most beneficial investment for the Group at each point in time and an unsentimental group management should be in a better position to shut down a mediocre pet project than the entrepreneur who created it. In addition, group management may also leverage its industry networks throughout the Group.
- Guided creativity:** While Group management applies a professional framework to improve resource allocation across the Group, it leaves the entrepreneurs and game developers free to originate, conceptualize and develop games. By removing some administrative tasks such as accounting and raising capital, more time is actually freed up for the entrepreneurs and game developers to be creative and focus on creating excellent content.
- Synergies:** *Cost synergies* e.g. with centralized overhead functions and marketing procurement. *Cross-promotion synergies* between games and between subsidiaries. *Knowledge-sharing synergies* with e.g. Bytro Labs' strong marketing skills and tools.

## Coldwood Interactive

**HQ:** Umeå, Sweden

**Founded:** 2003

**Joined Stillfront Group:** 2010

**Share of Group revenues (Sep-15):** 27%

**Platform:** Console, PC

**Current games:** Unravel

**Previous/Long-tail games:** Skiracing 2005, Skiracing 2006, Freak-out, Ski-Doo X Racing, Ski-Doo Challenge, The Fight, Move Fitness



Coldwood is an independent game studio with a long track record of console games. Among other games, Coldwood developed The Fight and Move Fitness for Sony Entertainment, which were included in Sony's "Sony Playstation Essentials". The Fight sold over 650,000 copies.

Most recently, Coldwood entered into a partnership with Electronic Arts (EA), regarding the development of Unravel. Even though the game



Selection of Coldwood's previous games

is still under development, it has received exceptional response from consumers and industry experts.



The main character in Unravel - Yarny

## Bytro Labs

**HQ:** Hamburg, Germany

**Founded:** 2009

**Joined Stillfront Group:** 2013

**Share of Group revenue (Sep-15):** 62%

**Platform:** Browser

**Current games:** Supremacy 1914, Thirty Kingdoms, Call of War

**Previous/Long-tail games:** Industry Tycoon, PanzerWars



Bytro develops and publishes mobile and browser-based online games. The focus lies in war strategy games, themed after e.g. WWI and WWII.

The main markets for Bytro's games are the United States and Germany, collectively representing approximately 60% of Bytro's revenues.

Throughout the years, Bytro has won a number of awards. Supremacy 1914 was named "Browser Game of the Year" in 2009 and "Favorite Strategy Game" in 2010. The three founders were also named

"Founders of the Month" in 2010 along with Bytro receiving praise for "Favorite Company". In

November 2012, Bytro was awarded the "Technology Fast 50 Rising Stars"-award by Deloitte, as one of the fastest growing technology start-ups. Most recently in 2013, Bytro received the award "MMO of the Year".



Selection of Bytro's awards

## Power Challenge



**HQ:** Cambridge, UK

**Founded:** 2001

**Joined Stillfront Group:** 2012

**Share of Group revenues (Sep-15):** 9%

**Platform:** Browser, mobile

**Current games:** ManagerZone Football, ManagerZone Hockey

**Previous/Long-tail games:** Power Soccer

Power Challenge is a global developer and publisher of online social sports games. Power Challenge began its operations in Sweden in 2001, launching the game ManagerZone, a football management game. The game gained recognition in 2005 as the first ever web-based football management game to feature a 3D game client.



## Dorado Games

**HQ:** Malta

**Founded:** 2007

**Joined Stillfront Group:** 2014

**Share of Group revenue (Sep-15):** 2%

**Platform:** Browser, PC, and tablet (the tablet is an early beta version yet to be fully released)

**Current games:** Gladiators Online

**Previous/Long-tail games<sup>(1)</sup>:** Playzeek, Wanted, Fast and Furious, Terminator, Pirates, Hollywoodland



Dorado designs, develops and markets global online games with a focus on mid-core users. Collectively, the founders (Nick Porsche and Simon Dotschuweit) have worked on more than 60+ titles across all platforms. Nick's latest success being the critically acclaimed Battlestar Galactica Online with over 17 million users, which was developed for Bigpoint in collaboration with Universal Studios.

The company's current game Gladiators Online, was released on the digital distribution platform Steam in November 2015.



(1) Long-tail games developed by Stillfront Online Games, now under management by Dorado Games

# Games portfolio

## Overview/introduction

The Group has seven main games in its portfolio listed below. In addition to these seven games, the Group has some minor titles and other long-tail games from which revenue are small yet recurring. These include: The Fight, Move fitness, Power Soccer, Industry Tycoon and Panzer Wars. Share of group revenue correspond to September 2015.

**COLDWOOD INTERACTIVE** Release: H1 2016



**UNRAVEL**

27% of group revenue (Coldwood)

- ▶ Winner of 20+ awards at E3 and gamescom

**bytroLabs** Release: Q3 2015



**CALL OF WAR**

34% of group revenue

- ▶ Most successful launch to date

**bytroLabs** Release: 2009



**SUPREMACY 1914**

27% of group revenue

- ▶ Still growing since launch in 2009

**bytroLabs** Release: Q3 2014



**THIRT KINGDOMS**

1% of group revenue

- ▶ Decent launch but marketing spend shifted to Call of War with superior marketing fROI

**POWERCHALLENGE** Release: Q3 2001



**managerzone Football**

9% of group revenue

- ▶ 14-year life-cycle – still ongoing

**POWERCHALLENGE** Release: Q2 2003



**managerzone Hockey**

**DORADO GAMES** Release: Q2 2015



**GLADIATORS ONLINE**

2% of group revenue

- ▶ New action management game launched on new engine
- ▶ Steam release in Q4 2015

## Long tail games



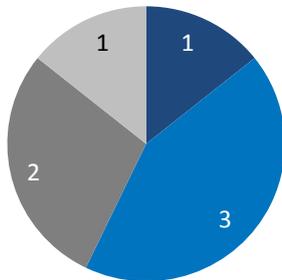
**THE FIGHT**, **INDUSTRY TYCOON**, **PANZER WARS**, **MOVE FITNESS**

1% of group revenue

Source: Stillfront's unaudited management accounts

## Game type

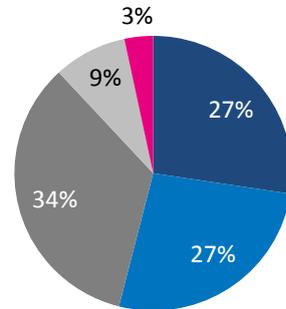
No. of games



■ Puzzle/Strategy      ■ War strategy  
■ Sports management      ■ Action management

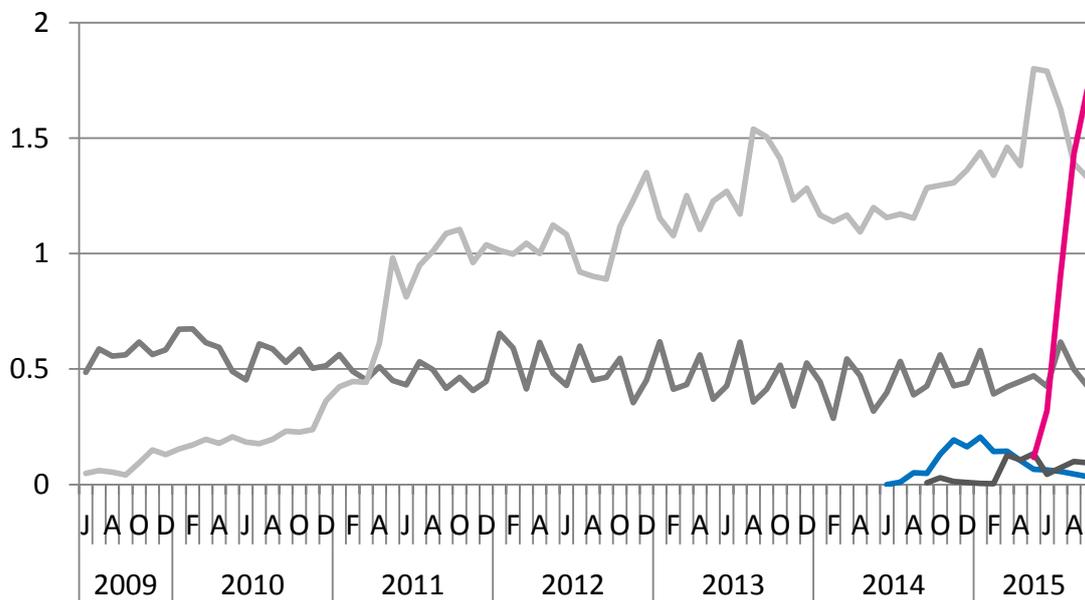
## Revenue distribution

Share of group revenue (September 2015)



■ Coldwood games      ■ Supremacy 1914      ■ Call of War  
■ ManagerZone      ■ Other (<5%)

## Revenue per month



Source: Stillfront's unaudited management accounts. Sales for Supremacy 1914 and ManagerZone are translated from EUR and GBP respectively. Exchange rate from last day of corresponding month. | (1) The beta version of Gladiators Online was released in 2014, generating minor revenue. Official game release in May 2015

## Unravel

**Subsidiary:** Coldwood

**Type:** Single player puzzle/strategy platform

**Launch:** H1 2016

**Platform:** Console and PC



The player follows a character named Yarny through a physics-based platform, solving puzzles and collecting checkpoints to get forward.

The owner and publisher of Unravel is Electronic Arts (EA). Coldwood is contracted to develop the game, earning a fixed contractual fee in addition to a royalty agreement on future sales. The game is currently in the final stages of development, due to be released H1 2016. It will be sold online and available for download through EA's Origin store, among other distribution channels.

Coldwood unveiled Unravel at The Electronics Entertainment Expo, E3, the world's most important trade show for the video game industry in Los Angeles in June. The game gained a very good reception and was one of the most critically acclaimed games at the show. Unravel was named "Best Strategy Game 2015" at gamescom, the global video games trade fair in Cologne.



## Supremacy 1914

**Subsidiary:** Bytro Labs  
**Type:** Multiplayer war strategy game  
**Launch:** Q2 2009  
**Platform:** Browser



Supremacy 1914 is a war strategy game themed after the First World War. The game is easily accessible through any internet browser and can be played by up to 32 players as rivals or in alliances, together trying to conquer Europe.

It was released in 2009 by Bytro and applies a free-to-play revenue model with in-game purchase. The game has been growing since the initial release in 2009 and will have its most successful year in 2015.



## Call of War

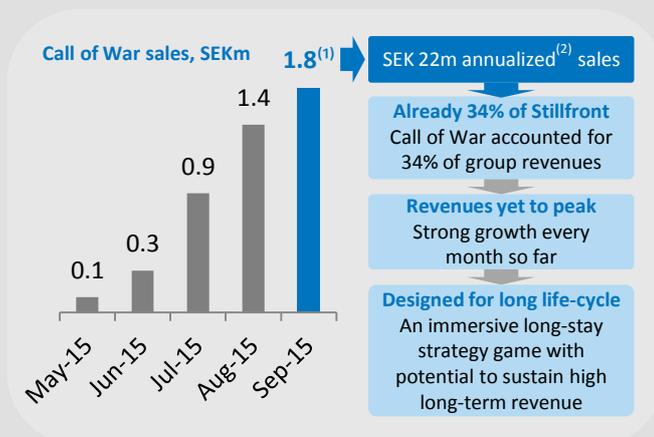
**Subsidiary:** Bytro Labs  
**Type:** Multiplayer war strategy game  
**Launch:** Q2 2015  
**Platform:** Browser



Call of War is a war strategy game themed after the Second World War.

Like Supremacy 1914, the story is situated in Europe, although now three decades later. It is the third game developed on Bytro's game engine and thus similar to its predecessors both in gameplay and revenue model (free-to-play).

It was released in May 2015 and is Bytro's most successful release yet, already grossed SEK 4.5m and has over 120,000 monthly active users as of September 2015.



Source: Stillfront's reviewed Q3 report and unaudited management accounts

(1) September sales amounted to SEK 1.8m according to Stillfront's reviewed Q3 report but 1.7m according to Stillfront's unaudited management accounts, the difference is primarily due to exchange rate differences actual sales date and settlement date

(2) Calculated as September 2015 revenue multiplied by 12 (SEK 1.8 million x 12 months = SEK 22 million)

## Gladiators Online

**Subsidiary:** Dorado Games  
**Type:** Multiplayer action management  
**Launch:** Q2 2015  
**Platform:** Browser



Gladiators Online is a browser-based multiplayer action-management game where the player manages a team of gladiators with the goal of becoming the most prestigious owner of gladiators in the Roman Empire. The game is the first to be developed on Dorado's new game engine which features a unique action-management gameplay.

The game was released in May 2015. During the first months following the release, the game experienced some technical issues with a browser plugin, hindering players from accessing the game. The game was re-launched on the digital distribution platform Steam in November 2015. The revenue model is a free-to-play game that offers a range of in-game purchase options and premium subscriptions.

## ManagerZone Football & Hockey

**Subsidiary:** Power Challenge  
**Type:** Multiplayer sports management  
**Launch:** Q3 2001 (Football) & Q2 2003 (Hockey)  
**Platform:** Browser and mobile app<sup>(1)</sup>



The ManagerZone-series is an app and browser-based multiplayer sports management game series. The two current titles are ManagerZone Football and ManagerZone Hockey, developed and owned by Power Challenge. The players own and manage their virtual sports teams, playing through the rankings against one another in order to become the winner of the best leagues.

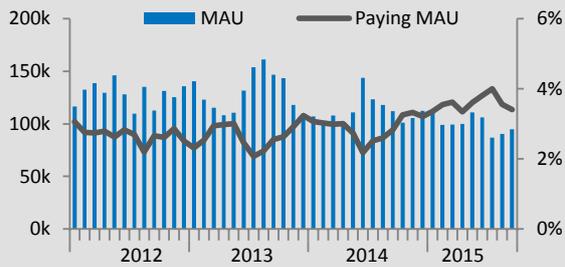
ManagerZone Football was the first game in the series, released in 2001. ManagerZone Hockey was released two years later in 2003. The geographical distribution of the player base is diverse, with active users in more than 80 countries, however main markets are Sweden, Argentina and Brazil.

The revenue model is, like the Group's other online games, free-to-play with in-game purchase options. The Company is looking to expand the game series with additional sports going forward. The two current games in the series are built on the same engine and are similar in gameplay. Thus, only small add-on investment is required in order to expand the series.

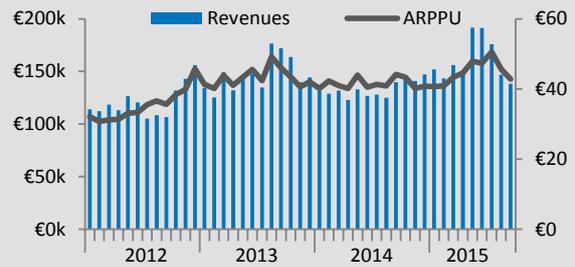
(1) Mobile app only available for ManagerZone Football

## Key performance indicators

### Supremacy 1914

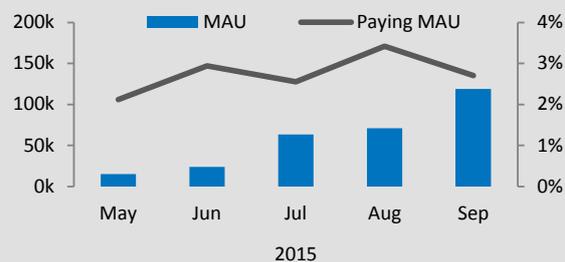


- Relatively stable MAU since 2012
- Paying users comprise approximately 3–4% of MAU

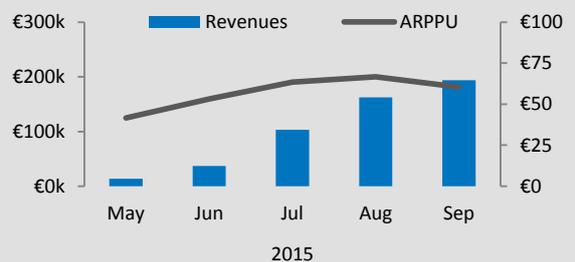


- Average per cent of Paying MAU is 24% higher today, than during 2014
- High average revenues per paying user (ARPPU), €40+ since 2013

### Call of War

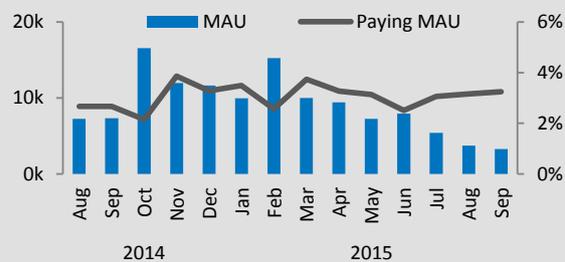


- Strong MAU development since release in May. MAU grew by 67% in September
- Paying users comprise approx. 2–4% of MAU

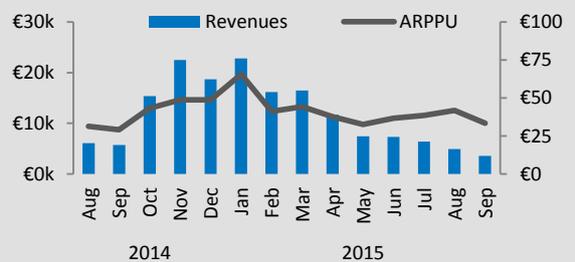


- Strong revenue growth since release. Revenues grew by 19% in September alone
- High ARPPU of €40-60

### Thirty Kingdoms

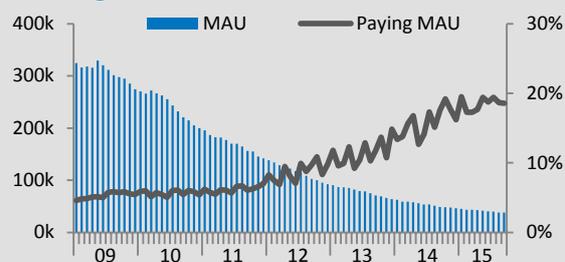


- Decent release in August 2014, however decreasing MAU due to marketing spend prioritized to Call of War, which showed higher return on marketing investments

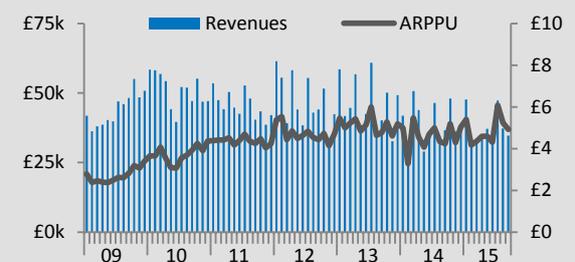


- ARPPU and % paying MAU are both in line with Bytro's other games

### ManagerZone



- Declining MAU due to decreasing marketing activity for ManagerZone. Stillfront believes that there is an opportunity to grow with increased marketing

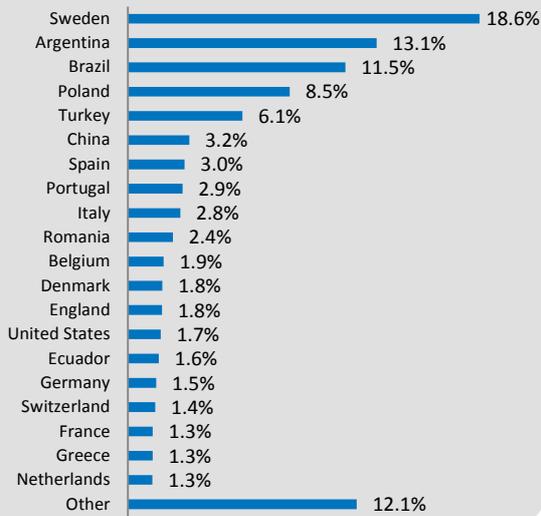


- Revenues have remained stable as paying users have stayed. Today paying users comprise just below 19% of MAU

Source: Stillfront's unaudited management accounts and IT system | Note: "Paying MAU" relate paying MAUs in month X to MAUs in months X. Relating MAUs who have paid at any time to MAUs in months X would be substantially higher

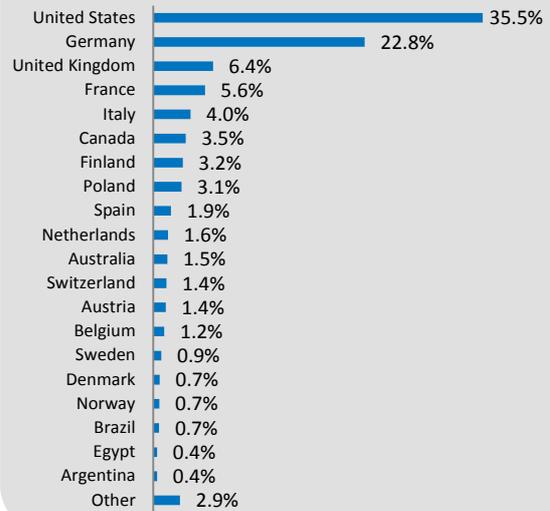
## Geographically diversified player base

### Revenue by country: Power Challenge (YTD Aug-15)



Main markets for Power Challenge are Sweden, Argentina and Brazil. Power Challenge has paying users in more than 80 countries.

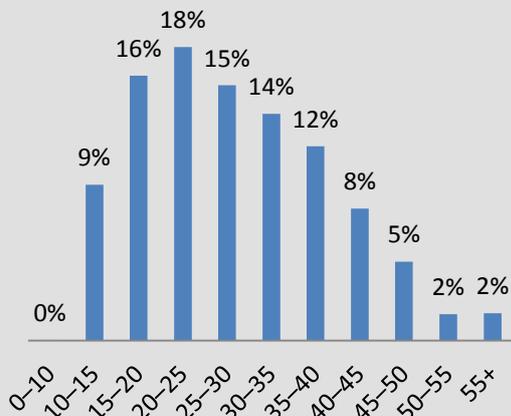
### Revenue by country: Bytro (YTD Aug-15)



The main markets for Bytro's games are the United States and Germany, collectively representing approximately 60% of Bytro's revenue.

## Disperse age distribution

### Age breakdown: Supremacy 1914



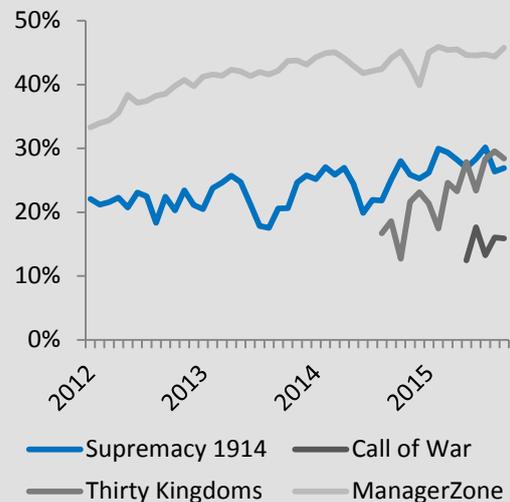
Source: Bytro, Facebook users

The age distribution for Supremacy 1914 is disperse. The core players are between 15-30 years of age. The average lies between 25-30 years, mainly due to the upwards skew.

Source: Stillfront's IT system

## A large share of MAUs are active daily

### Stickiness (DAU/MAU)



A large share of Stillfront's users is active on a daily basis. The stickiness (DAU/MAU-ratio) amounts to 27%, 28% and 46% for Supremacy 1914, Thirty Kingdoms and ManagerZone, respectively.

Call of War was recently released in May 2015, accordingly the high user acquisition temporarily lowers the stickiness. This tendency can be seen for Thirty Kingdoms, displaying a lower stickiness after release, increasing as the game matures.

## Business model

The Group's current subsidiaries apply two different business models:

### 1) Proprietary development and publishing (Bytro, Power Challenge, Dorado)

Game development is internally financed, which enables retained IP ownership and large upside potential. The upfront investment risk is mitigated with the use of game engines, as the investment per game becomes smaller for every new game released on the same game engine (See section "PLEX – Engines for scalability and risk reduction"). The revenue model is free to play with monetizing through in-game purchases.

### 2) Partnership development and publishing (Coldwood)

Development and publishing is made in collaboration with a global publisher such as Sony or EA, who obtains the IP ownership of the game but finances the development, marketing and distribution. The absence of upfront investment in development, marketing and distribution reduces the Group's risk while the loss of IP ownership limits the upside. The revenue model is contracting fees with royalty participation on sold copies.

The below table summarizes the features of the two business models.

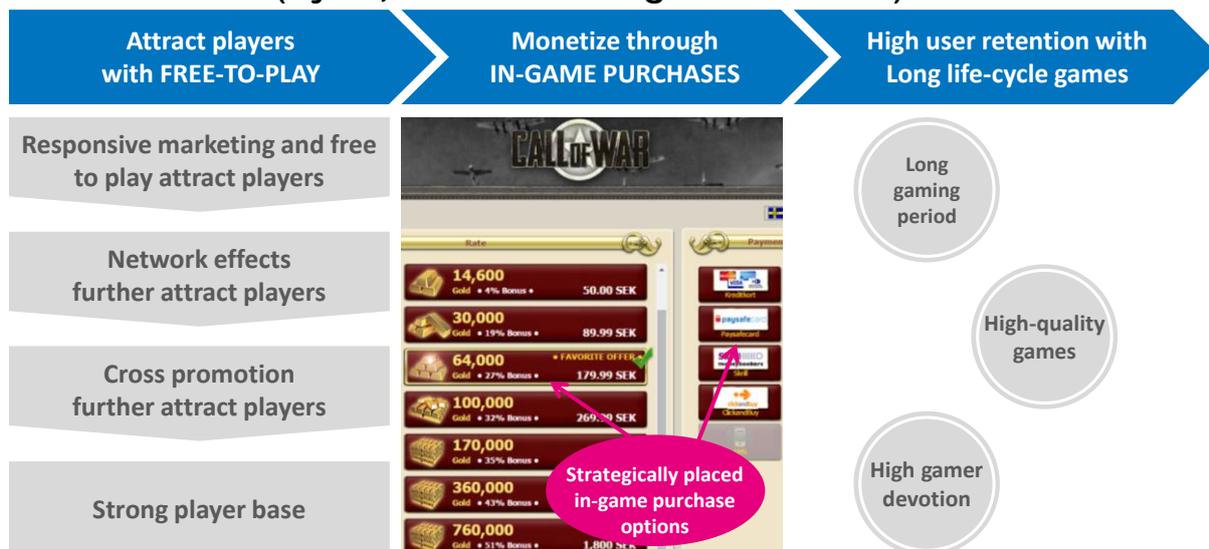
Business model	Proprietary development and publishing			Partnership development and publishing
Subsidiary				
Ideation	Internal			Internal
Development	Mainly internal	Mainly internal	Mainly external	Mainly internal
Development financing and IP	Internal financing – full IP ownership			Financing by partner (global publisher) – no IP ownership
Revenue model	Free to play <sup>(1)</sup>			Contracting fee with royalty participation <sup>(2)</sup>
Marketing responsibility	Mainly internal <sup>(3)</sup>	Mainly internal	Mainly internal	Partner (global publisher) <sup>(2)</sup>

(1) See section "Revenue model (Bytro, Power Challenge and Dorado)"

(2) See section "Revenue model and marketing strategy at Coldwood"

(3) See section "Marketing strategy at Bytro"

## Revenue model (Bytro, Power Challenge and Dorado)



The free to play revenue model is used for all games by Bytro, ManagerZone and Dorado. Stillfront's use of the free to play model is illustrated above and explained below.

- 1) Attract players...:** Players are attracted to play for free through marketing campaigns mostly on social and niche media such as Facebook and the History channel. Network effects with user referrals from the social multi-player gameplay and cross promotion further attracts players resulting in a strong player base.
- 2) ...monetize on player base through in-game purchases:** The player base is then monetized on through a range of different in-game purchase options. Attention is devoted to optimizing the monetization strategy as several factors can have material impact on the total revenue generated. Such factors may include the positioning, frequency and timing of purchase options appearing on the screen, the characteristics of an item being purchased and the simplicity of the payment process.
- 3) High user retention with long life-cycle games:** In order to maximize Group revenue, games are designed to include certain features and game dynamics that stimulate long-term play. This will in turn generate high consumer devotion and retain the player base over a long period of time, ultimately translating into stable recurring revenue. For more information, see section *"PLEX – Long life-cycle games for recurring revenue"*.

## Marketing strategy at Bytro

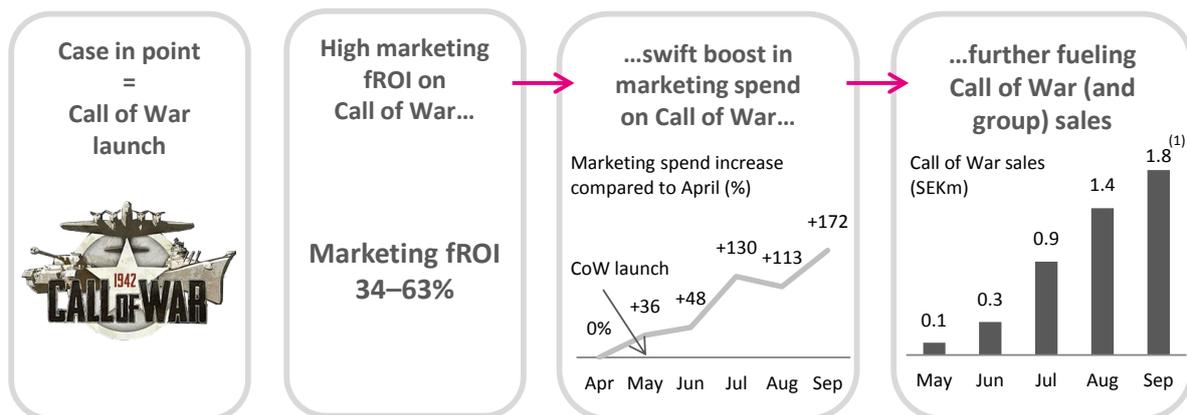
The marketing strategy described on this page is currently employed most consistently and capably at Bytro Labs, but management’s aim is to apply it more consistently at other subsidiaries going forward.

*Daily monitoring of marketing fROI<sup>15</sup> allows for responsive marketing – drives group ROI and sales...*



As illustrated above, Bytro monitors marketing fROI daily which allows for responsiveness in its marketing strategy and ultimately increases the Group’s total ROI and sales. By continuously monitoring, measuring and evaluating marketing and campaign data, Stillfront can adjust its marketing spends accordingly. For example if a campaign gains a lot of traction and its marketing fROI is higher than for another campaign, Bytro shifts the allocation of resources towards the more successful campaign. This increases the effectiveness of each currency unit spent on marketing, thus optimizing the Group’s combined ROI on marketing spending and drives total sales more effectively.

*...with the successful launch of Call of War as case in point*



Source: Stillfront’s reviewed Q3 report, unaudited management accounts and IT system

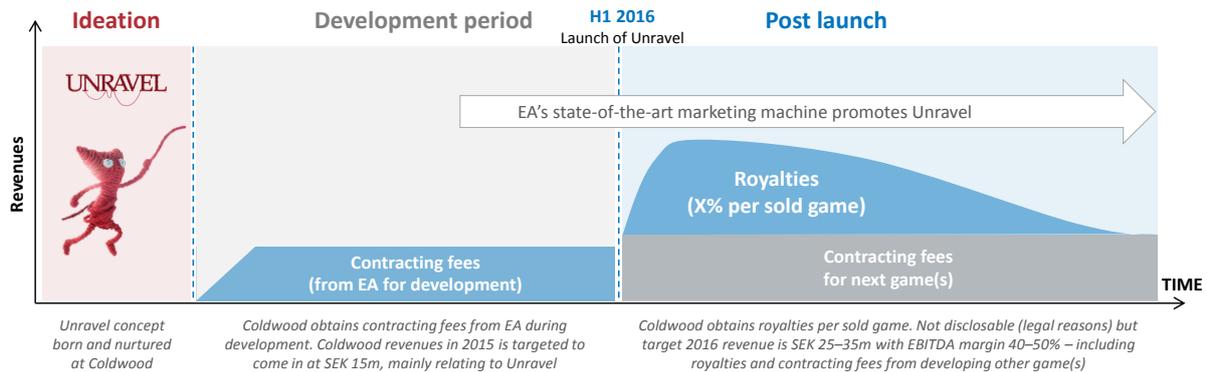
(1) September sales amounted to SEK 1.8m according to Stillfront’s reviewed Q3 report but 1.7m according to Stillfront’s unaudited management accounts, the difference is primarily due to exchange rate differences actual sales date and settlement date

The above flow chart illustrated how Bytro’s marketing strategy worked to further fuel the successful Call of War launch. The initial Call of War marketing campaigns received strong marketing fROI. In response, management swiftly increased marketing spend on Call of War (and shifted marketing spend on Thirty Kingdoms, with lower marketing fROI, to Call of War). As a consequence, the successful Call of War launch was further fuelled with strong sales growth.

<sup>15</sup> marketing fROI = forecasted return on marketing investment = (“forecasted customer lifetime value” – “acquisition cost per user”) / “acquisition cost per user”

## Revenue model at Coldwood

Coldwood earns a fixed contracting fee for game/IP development services with an addition of royalties on sales.



- **Ideation:** In the *ideation* stage, Coldwood conceptualizes the game and packages it to be sold as a concept to a publisher such as EA or Sony Entertainment.
- **Development period – contracting fees:** Coldwood is contracted to develop the game and obtains contracting fees from the publisher during development. Coldwood revenue in 2015 is targeted to come in at SEK 15m, mainly relating to Unravel.
- **Post launch – royalties:** Coldwood receives royalties on each sold copy of the game after its release.

As the IP and development costs are owned by a third party, no up-front investments are required and the Company is not the bearer of the principal risk. This is consequently reflected in the expected revenue, where the Company generally loses the potential for any significant upside. However, profitability of a project is not solely contingent on large future royalty claims. Today, Coldwood devotes the majority of its resources to this project and earns a sizeable margin on the development fees after costs. Going forward, Coldwood has a revenue target of SEK 25–35m and EBITDA margin 40–50% in 2016.



Source: Stillfront's unaudited management accounts

## Marketing strategy at Coldwood

Today, Coldwood does not invest in marketing as this is assumed by the publisher, who coordinates all marketing and promotional efforts. However, Coldwood is marketed as the creators and developers of all games they develop and enjoys media exposure, even though they do not assume any marketing costs. This becomes extra valuable when e.g. EA, as a state-of-the-art marketing machine, promotes Coldwood in connection with game releases.

### ***Case in point – Successful pre-launch marketing of Unravel***

As part of EA's marketing of Unravel, Coldwood's creative director, Martin Sahlin, unveiled Unravel together with EA at The Electronics Entertainment Expo, E3, one of the world's most important trade shows for the video game industry in Los Angeles in June. Unravel was also exposed at gamescom, the global video games trade fair in Cologne in August, and was named "Best Strategy Game 2015".

# Business strategy – 3 pillars

Stillfront’s business strategy comprises three pillars.

1

- P** Portfolio of games
- L** Long life cycle games
- E** Engines for scalability
- X** X (cross) platform

Improve risk/reward

PLEX is Stillfront’s internal operational strategy of having a portfolio of long life-cycle games across multiple platforms built with game engines.

2



Grow to higher profitability

Stillfront has a clear growth strategy in order to fully capitalize on its scalable business model. The growth strategy includes both organic growth and growth through selective acquisitions.

3



More IP ownership in Coldwood

A clear aim in Coldwood is to gradually increase its IP ownership to balance its current model of “contracting fee with royalty participation”. This strategy has been previously successfully implemented in the industry by several successful peers.

Each component of Stillfront’s business strategy is described further separately in the following sections.

## PLEX – Portfolio strategy

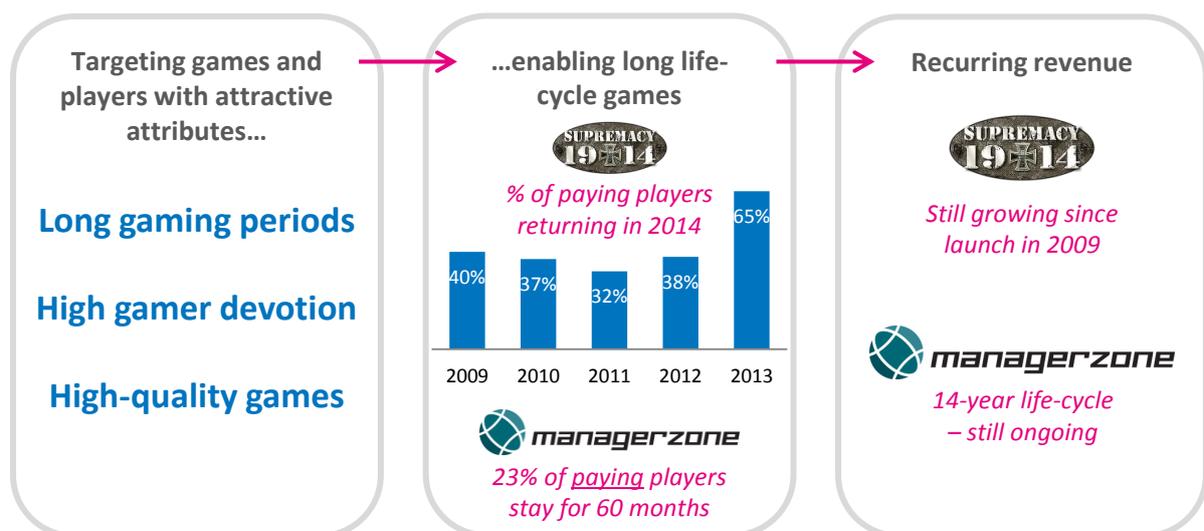
Stillfront has a strategy of managing a growing portfolio of games as compared to a pulse strategy of placing a single large bet on one game. The main benefits of a portfolio approach are:

- **Revenue grows steadily:** Group/aggregate revenue grows more steadily and is more predictable with a portfolio of games with different life-cycles and in different phases of their respective life-cycle, than only having one or very few games.
- **“Ongoing” upside potential:** Each new release has a potential of becoming a blockbuster game and thus carries with it some upside potential.
- **Risk is reduced:** Total risk of the Group is reduced by diversifying the risk of individual games with a portfolio approach. Also, by identifying similar features of successful games and similar features of mediocre games, Stillfront may increase the probability of releasing successful games.
- **Inter-game synergies:** Synergies include cross-promotion and “code recycling” i.e. using some programming code from prior and current games in new games.

Given the high margin on games, also modestly successful products are profitable which limits the downside of the strategy. It is easier to kill less profitable “pet projects/games” for group management with a portfolio of games rather than for the entrepreneurial game developer with only one game.

## PLEX – Long life-cycle games for recurring revenue

Stillfront aims to create a certain type of game and attract a certain kind of player, translating into long life-cycle games with recurring revenue for years.



Source: Stillfront

- **Targeting games and players with attractive attributes:** By developing high-quality games with social and challenging gameplay, a high level of player devotion and involvement can be achieved. In addition, a gaming round of Stillfront’s games lasts for weeks or months rather than hours or days, increasing chances of in-game purchases.
- **Enabling long life-cycle games:** Aforementioned attributes translate into games with long life cycles and a high level of returning players. For example, 40% of paying Supremacy 1914 players came back to play the game in 2014 and 23% of paying ManagerZone players stay for 60 months.
- **Recurring revenue for years:** Aforementioned ultimately translates into a fairly stable stream of recurring revenue. For example, YTD Sep-15 sales of Supremacy 1914 will be higher than any prior equivalent period since the game’s inception back in 2009, over six years ago. ManagerZone has had fairly stable revenue of around SEK 6m per annum the last 6 years, over a decade after its release in 2001.

**PLEX – Engines for scalability and risk reduction**

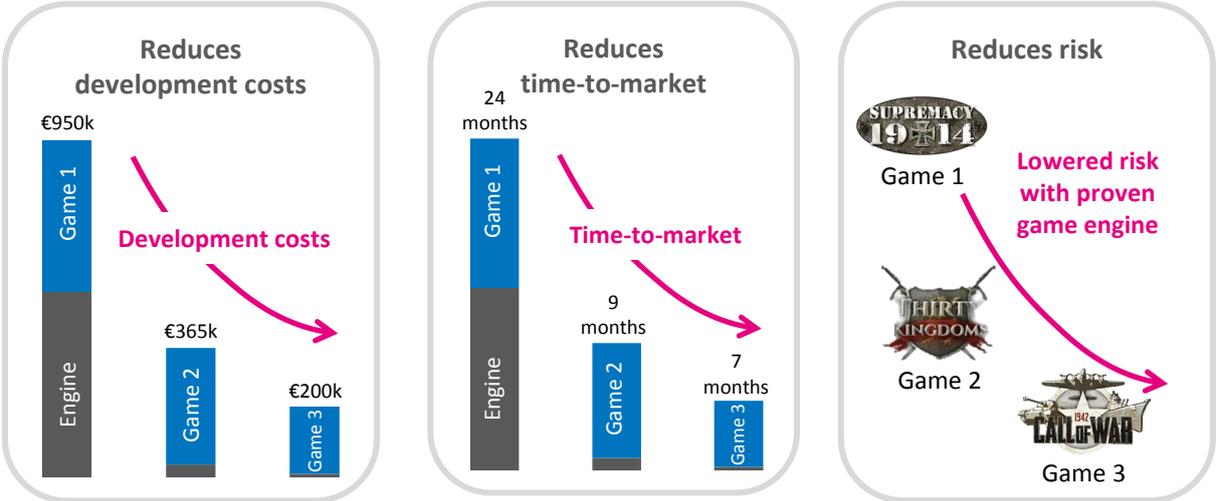
All of Stillfront’s subsidiaries use “game engines” in their game development.

**What is a game engine?**

A game engine is a software framework designed for the creation and development of video games. Developers use them to more efficiently create games for consoles, mobile devices and personal computers.

**Benefits of using game engines**

By using game engines, Stillfront reduces the development costs, time to market and risk of games development.



Development cost and time-to-market is significantly reduced with each new game on an established game engine as less programming and underlying engine development is needed. Development cost for Supremacy 1914 (including developing the SUP engine) was €950,000, €365,000 for Thirty Kingdoms, and €200,000 for Call of War. Time-to-market for Supremacy 1914 (including developing the SUP engine) was 24 months, 9 months for Thirty Kingdoms, and 7 months for Call of War.

Title risk is significantly reduced with each new game on an established game engine 1) as the game engine dynamics has been proven with prior games and 2) as a consequence of the mentioned reduced development cost and time to market

Source: Stillfront’s unaudited management accounts and IT-systems

**Stillfront’s current game engines**

Game engine	Subsidiary	Current games	Future games?
War strategy	Bytro	Supremacy 1914 Thirty Kingdoms Call of War	One game in development Several game concepts contemplated
Sports management	Power Challenge	ManagerZone Football ManagerZone Hockey	Several game concepts contemplated
Action management	Dorado	Gladiators Online	Several game concepts contemplated

Bytro has one (war strategy) game engine on which it developed its current games Supremacy 1914, Thirty Kingdoms and Call of War. Bytro is currently developing a new game based on the SUP engine, due to be released in the first half of 2016, and concepts for several subsequent games exists on the SUP engine.

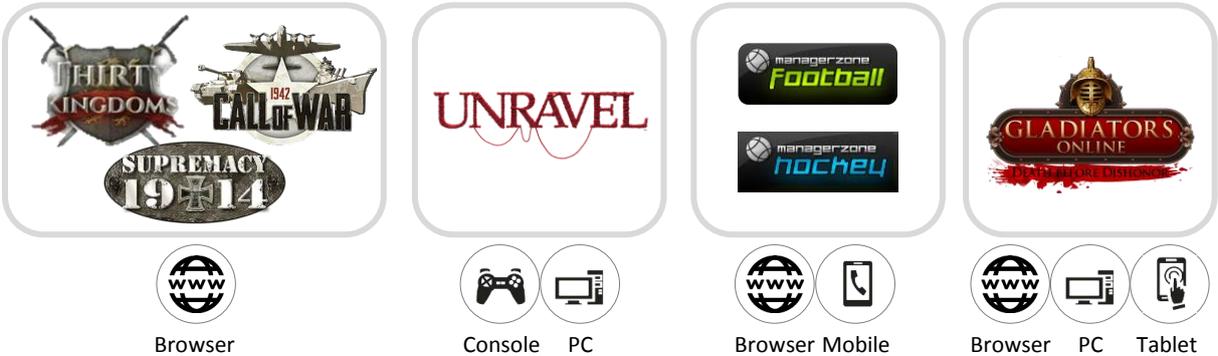
Power Challenge has one (sports management) game engine on which it has developed its current games ManagerZone Football and ManagerZone Hockey. Other sports can be added to the ManagerZone series, building on the existing engine.

Dorado has recently finished the development of its first game engine (action management). The game Gladiators Online is also the first game built on this engine and was released on Steam in November 2015.

**PLEX – Cross-platform: No platform bets – focus on creating excellent content**

Stillfront applies a cross-platform development strategy in order to reduce the platform risk and which management believes has several additional benefits:

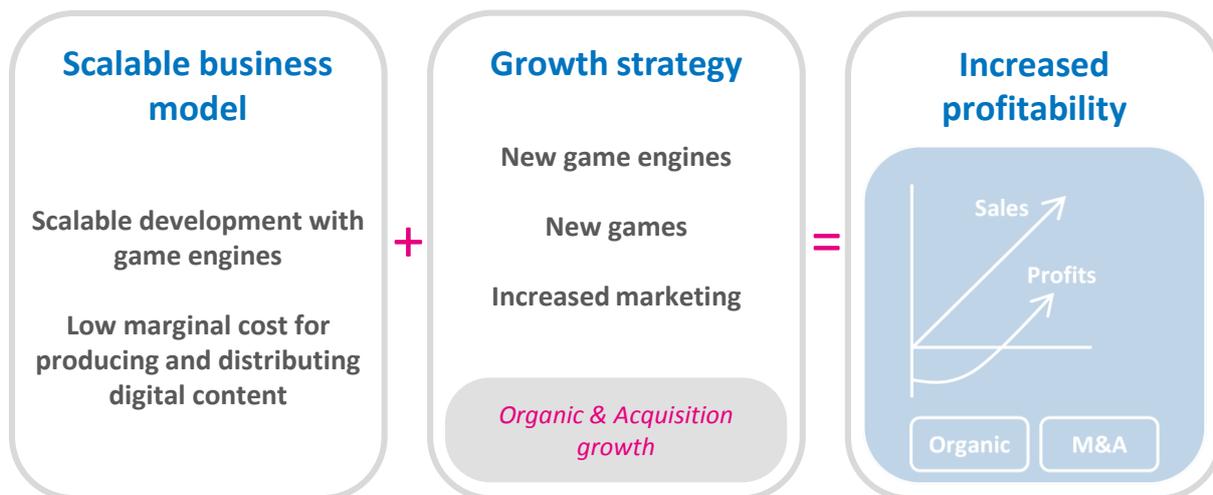
- **Focus on creating excellent content:** By initially separating the platform choice from game development, allows the Group to focus efforts on creating high-quality content and not making any platform commitments. This allows for late stage decisions regarding platform publishing in order to stay responsive to market trends.
- **Engines enable cross-platform scalability:** A single game can cost-efficiently be released across multiple platforms. Core game structure and features are developed on the engines whereas only minor additions are needed to adapt the code for specific platform use. This effectively lowers the cost of having the option of platform choice.
- **Know-how over all platforms:** Today, Stillfront can develop games across all platforms including PC, browser, console, tablet and mobile devices. Leveraging on game engine compatibility, Stillfront can cherry-pick platform(s) most suited for each game.



The choice of platform affects the associated publishing costs. A browser game would mainly be subject to marketing and payment provider costs while mobile games would be subject to significant distribution costs e.g. distribution through Apple App Store. However, even though some platforms are associated with higher publishing costs, it may be compensated for by for example extra exposure gained in the Apple App Store. These aspects are also taken into account by management when deciding upon platform.

## Growth strategy

Stillfront has a clear growth strategy in order to fully capitalize on its scalable business model. This growth strategy is to be obtained both organically and through selective acquisitions.



### ***A scalable business model and growth strategy should lead to increased profit margins***

Since Stillfront's inception, management has had a clear growth strategy both organically and through acquisitions as indicated by the Groups 31% CAGR of net revenue from 2012 to 2014. The growth strategy is applied by Stillfront as its business model is scalable and growth should thus increase profit margins – as indicated in YTD Sep-15 with 63% organic net revenue growth compared to YTD Sep-14 and a 15 percentage point increase in Underlying EBITDA margin from year end 2014.

The two key scalable features of Stillfront's business model are:

- **The marginal cost for producing and distributing digital content is low**
- **Scalable development with game engines:** Development costs for a new game decrease significantly with each game produced on an existing engine (see *"PLEX – Engines for scalability and risk reduction"*).

### ***Stillfront's growth strategy***

The main paths to growth are to develop new engines, new games on existing and new engines, and to increase marketing spend.

- **New engines:** New engines can be obtained by acquisition or in-house development, of which the latter is often a more time demanding process, e.g. the development of Bytro's war strategy including the first game took 24 months whereas an acquisition can be completed in a couple of months and can include several new game engines.
- **New games:** New games can be obtained by acquisition or in-house development. In the former case, it is often part of a new subsidiary acquisition and can include several new games.
- **Increased marketing:** Includes increased spending on TV commercials, online marketing campaigns on Facebook and Google marketing.

For additional information, see section *"Use of proceeds"* and *"Acquisition strategy"* below.

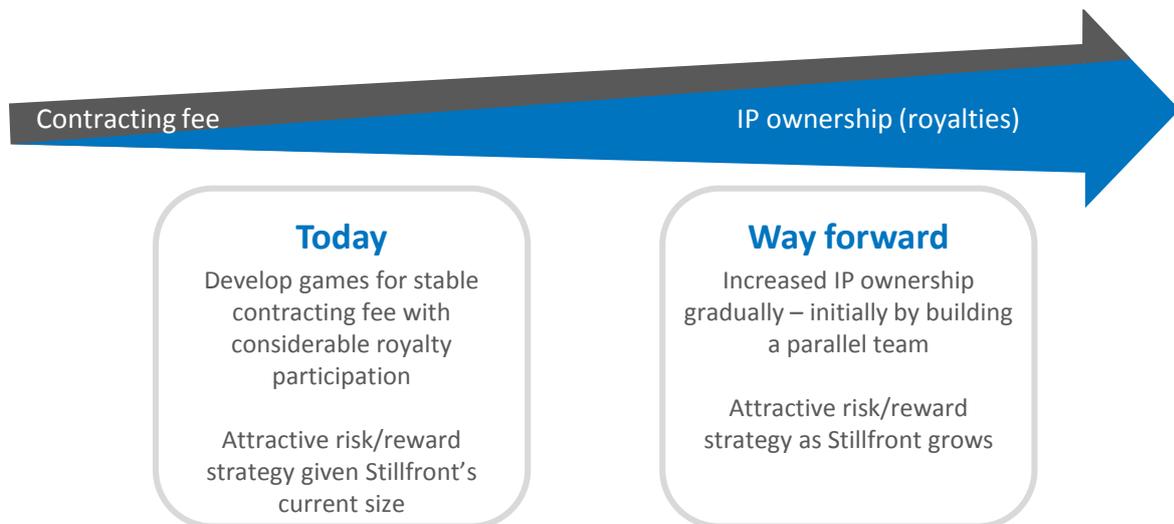
### ***Acquisition strategy***

A part of Stillfront's growth strategy is to selectively acquire suitable gaming companies.

- **Target companies:** A typical target company is a focused gaming company that fits well within the Group, run by devoted founder(s) and/or entrepreneurs who are eager to continue to develop the business under near autonomy. The target company should have released some games successfully already with sales of SEK 5–15m, and embrace the Group's PLEX strategy and its future role to operate within this framework.
- **Acquisition rationale:** Management's view is that Stillfront has the opportunity to add value to potential target companies, as defined above, with its group structure with near-autonomous subsidiaries under professional group management bringing professional structure, guided creativity and synergies (See "*Business overview – Four near-autonomous subsidiaries under professional group management*")
- **Structure:** Deal structuring is focused on 1) only attracting companies with founders who are eager to continue developing the company after the transaction rather than exiting, and 2) creating strong incentives for the founders to continue creating equity value after the transaction. This is sought to be accomplished by substantially paying with Stillfront equity (although a non-trivial cash component is also often used) and by letting price partly depend on an earn-out component.
- **Targets ahead:** 1–3 acquisitions over the next few years contingent on speed of finding perfect-fit targets with willing sellers at attractive price.

## Increased IP ownership in Coldwood

Historically, the Coldwood team has developed games for contracting fees with royalty participation on sold games. Going forward, Stillfront's clear aim is to gradually increase its IP ownership in Coldwood's games as it grows and can absorb a higher risk level. This strategy has previously been embarked on successfully by peers.



### ***Historically: Contracting fees with royalty participation***

Historically, the Coldwood team has developed games in collaboration with global publishers such as Sony and EA. The global publisher assumes the development, marketing and distribution costs while obtaining all rights to the game. Thus, the publisher assumes most of the risk but also most of the upside potential. Coldwood is compensated for developing the game with a contracting fee and often also royalties based on sales.

This model has been sensible for Coldwood to apply in the past given its limited financial resources to take on large up-front investments and absorb a high risk level.

### ***Strategy ahead: Gradually increase IP ownership***

Going forward, Stillfront's clear aim is to gradually increase its IP ownership in Coldwood's games. In practice, a second team will be created in Coldwood to develop a new game where Stillfront assumes the development, marketing and distribution costs but also retains the rights and upside potential. This can be done in collaboration with marketing and distribution partners if needed. To mitigate the increased risk of assuming up-front investments, the second team will operate in parallel with the first team which continues to develop games for contracting fees and royalty participation.

Coldwood has a concept book of approximately 20 games, of which two are on the short list of being selected as the first game Coldwood would develop fully independently.

Management deems that Coldwood is well-positioned to make this strategic shift now due to the team's strong track record with SEK 600–1,000m<sup>16</sup> in gross sales from prior games, the pre-launch marketing success with Unravel and the strengthened cash position as a result of the Offering.

Management estimates the cost of setting up a parallel team and developing a parallel title at SEK 10–20m depending, among other things, on the scope of the first parallel title.

Timing is dependent on speed of recruitment of top talent and the scope of the first parallel title.

<sup>16</sup> SEK 600–1,000m relates to gross sales and is a Company estimate assuming an average gross price to consumer of SEK 300–500 per game

## Key people, Board and owners

### Key people

	Name	Position	Industry Experience	Lock-up
	Jörgen Larsson	CEO & Director	 20	✓
	Sten Wranne	CFO	 25	✓
	Christopher Holmberg	CEO	 16	✓
	Jakob Marklund	Lead Programmer / CTO	 17	✓
	Leif Holm	Senior developer	 20	✓
	Håkan Dalsfelt	Senior developer	 16	✓
	Martin Sahlin	Creative director	 10	
	Dick Adolfsson	Senior developer	 14	✓
	Felix Faber	MD Operations and Publishing	 7	✓
	Tobias Kringe	MD Product	 7	✓
	Christopher Lörken	MD Technology	 7	✓
	Patrick Armstrong	CEO	 12	✓
	Andreas Spante	CTO	 8	✓
	Andreas Karlsson	Senior developer	 17	✓
	Nick Porsche	MD Malta / Game Director MD / Tech Director	 14	
	Simon Dotschuweit		 10	✓
Source: Stillfront, November 2015			<b>220</b>	

### Top shareholders

Shareholder	Ownership	Specialist investor	Key-people
Acacia Asset management AĒ	12%	✓	
Swedbank Robur Fonder	9%		
FKL Holding GmbH (Bytro)	9%		✓
Niclas Eriksson family	7%		
IQ Capital Fund I.L.P.	6%	✓	
Silverbeam AB	5%		
Fyrmax Ltd. (25% CFO owned)	5%		✓
IdeCap AB (100% CEO owned)	4%		✓
Lundström family	4%		
Strömberg Förrvaltnings AB	2%		
Other	37%		
<b>Total</b>	<b>100%</b>		

### Experienced board

Per Skyttvall Acacia (chairman)	Acacia Board member. Extensive industry experience includes CEO at Zenterio, Dreampark and CEO & Country Manager of Ericsson in Slovenia.
Max Bautin IQ Capital	Managing partner and co-founder of IQ Capital. Extensive relevant experience includes CFO of a subsidiary of Millicom between 1997 and 1999.
Alexander Bricca Independent	CFO at Viaplay. Extensive experience within digital media and online business as CFO, investment manager and business lawyer.
Jörgen Larsson CEO Stillfront	CEO and founder of Stillfront. 20+ years in the industry including extensive industry network and business building track record.
Fredrik Åhlberg Independent	SVP Studios at King Digital Entertainment between 2012 and 2015. Extensive experience in TMT sector as Head of Expansion in Europe at eBay for 3 years.

### Active specialist owners own 18%

## ACACIA

Represented by:  
Per Skyttvall, board chairman  
Stockholm-based active investor in innovative, fast growing and scalable Swedish companies

## IQ CAPITAL PARTNERS

Represented by:  
Max Bautin, board member  
IQ Capital is a UK based specialist investor providing early growth capital to innovative, fast-growing TMT companies

## **Vision, and financial and operational targets**

*The financial targets in this section consist of forward-looking statements and are based upon a number of assumptions. Such statements are no assurance for actual future results, and the Group's actual results may differ materially from these forward-looking statements due to a variety of factors, of which certain are outside of the Group's control. In addition, unanticipated events may adversely affect the actual results that the Group achieves in future periods whether or not the assumptions prove to be correct. See section "Important information – Forward-looking statements" and "Risk Factors".*

### **Vision**

Stillfront's vision is to become one of Europe's leading indie game creators and publishers.

### **Operational and financial targets**

#### ***Growth***

Stillfront's target is to achieve net revenue of more than SEK 300m by 2020, including both organic and acquired growth.

#### ***Margin***

Stillfront's target is to achieve an Underlying EBITDA margin in the medium term of 25–30%.

#### ***New games***

Stillfront's target is to release 2–4 new games in 2016, 4–6 new games per year in 2017 and 2018, and 5–7 new games per year in 2019 and 2020.

# Use of proceeds and IPO rationale

## Use of proceeds for accelerating business strategy implementation

Stillfront Group raised SEK 75m in an equity private placement in December 2015. The proceeds from the equity issue will be used according to the below.

Stillfront has a flexible use of proceeds strategy as investment opportunities ahead may depend on, among other things, attractiveness of marketing fROI, speed of recruitment of top talent and finding perfect-fit acquisition targets.

SEK 15–35m

### New games and marketing spending

Indicatively, 2–4 new games on Bytro's SUP engine, 1–2 new games on ManagerZone engine and 1–2 games on Dorado engine. Marketing of new games and increased marketing of existing games. Investments dependent on attractiveness of marketing fROI and performance of launched games.

SEK 15–35m

### 1–3 acquisitions

Cash component of 1–3 acquisitions with sales of SEK 5–15m each over the next few years. Contingent on speed of finding perfect-fit targets with willing sellers at attractive price.

SEK 10–20m

### Increased IP ownership in Coldwood

Gradually increase IP ownership in Coldwood. Initially by building a parallel team to allow for developing two titles in parallel. Timing dependent on speed of recruitment of top talent and scope of first parallel title.

SEK 12m  
(€1.3m)

### Acquiring remaining 49% of Bytro Labs

The cash-component for the remaining 49% of Bytro Labs to be acquired during 2016. Already-set contract with earnout so final price will depend on Bytro's sales and EBITDA in 2015. The contract also includes an equity component of SEK 8–12m where Stillfront's share is valued at SEK 28/share.

SEK 10–15m

### General corporate purposes

General corporate purposes including SEK 8–9m estimated transaction costs and SEK 3.3m repayment of shareholder loan to Acacia.

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SEK 75m

## IPO rationale

In addition to accelerating its growth strategy through the use of proceeds, additional reasons the Company is listing its shares on Nasdaq First North include:

- To diversify and strengthen the ownership structure
- Help attract and retain top talent, as the equity currency becomes more valuable when listed
- Raise brand awareness
- Quality stamp of approval benefiting among other things trading conditions
- Facilitate the acquisition strategy with listed equity capital

# Financial overview

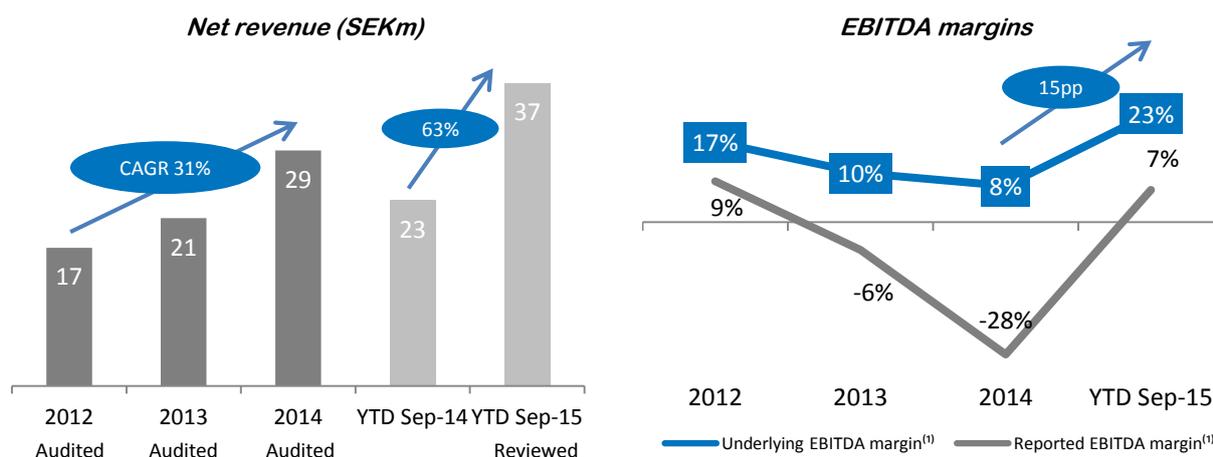
The main financial information presented in this section derives from Stillfront's financial statements prepared in accordance with the Swedish Annual Accounts Act (Sw. årsredovisningslagen (1995:1554)), the recommendations of the Swedish Accounting Standards Board (Sw. Bokföringsnämndens allmänna råd) and FAR SRS ("BFN"). Annual reports for 2012, 2013 and 2014 are audited while interim reports (Q3 2014 and Q3 2015) are unaudited but reviewed. Revenues and expenses broken-down on different business units are derived from Stillfront's un-audited management accounts and can therefore differ slightly from audited statements.

The financial measures Underlying EBITDA and Underlying EBITDA margin exclude items that, considered by the Group's management, relate to investments in games development. Such investments should according to Swedish GAAP be expensed in the period in which they occur. However, it is the Management's opinion that excluding upfront investments in software development from EBITDA will better portray the underlying EBITDA (and margin) of the business' operations. A break-down of items included in Expensed development investments can be found in the section "Expensed development investments" below.

The consolidation of Bytro Labs GmbH ("Bytro") into group accounts was made 1 December 2013.

"-" means that the item is null (whereas "0.0" means that the item has a value but is 0.0 when rounded off to one decimal). "N.a." means that the figure is not available.

## Key financials



Source: Stillfront's audited annual reports and reviewed quarterly report

(1) Reported EBITDA and Underlying EBITDA occur as memo lines in Stillfront's audited annual report for 2014 and reviewed interim report for Q3 2015. Underlying EBITDA excludes expenses considered by management as "expensed investments". These adjustments have not been audited or reviewed

- 63% organic net revenue growth in YTD Sep-15 compared to YTD Sep-14, mainly derived from strong growth in Coldwood and successful launch of Call of War
- 31% CAGR 2012–2014 attributable to both organic and acquisition growth
- 15 percentage point increase in Underlying EBITDA margin in YTD Sep-15...
- ...mainly attributable to the strong sales growth...
- ...as sales growth positively affects Underlying EBITDA margin due to low marginal costs

## Income statement

SEKm	2012 Audited	2013 Audited	2014 Audited	YTD Sep-14	YTD Sep-15 Reviewed
Net revenue	17.1	20.7	29.1	22.9	37.4
Other revenue	0.7	0.1	1.9	1.5	0.6
<b>Total revenue</b>	<b>17.7</b>	<b>20.8</b>	<b>31.0</b>	<b>24.4</b>	<b>38.0</b>
Personnel	-8.0	-12.5	-17.0	-12.8	-13.7
Other external expenses	-8.1	-9.3	-22.1	-16.6	-21.8
Other operating expenses	-0.1	-0.2	—	—	—
<b>Reported EBITDA<sup>(1)</sup></b>	<b>1.5</b>	<b>-1.2</b>	<b>-8.2</b>	<b>-4.9</b>	<b>2.6</b>
<i>Add back expensed investments<sup>(1)</sup></i>	<i>1.4</i>	<i>3.4</i>	<i>10.4</i>	<i>7.3</i>	<i>6.1</i>
<b>Underlying EBITDA<sup>(1)</sup></b>	<b>2.9</b>	<b>2.2</b>	<b>2.3</b>	<b>2.3</b>	<b>8.6</b>
Depreciation & amortization	-52.1	-17.3	-15.0	-6.2	-5.6
<b>EBIT</b>	<b>-50.6</b>	<b>-18.6</b>	<b>-23.1</b>	<b>-11.1</b>	<b>-3.0</b>
Net income from fin. fixed assets	—	—	-0.6	—	—
Interest income	0.0	0.2	0.1	0.0	0.1
Interest expenses	-0.6	-0.1	-0.1	-0.1	-0.2
<b>EBT</b>	<b>-51.1</b>	<b>-18.5</b>	<b>-23.8</b>	<b>-11.2</b>	<b>-3.2</b>
Tax	0.0	-0.1	—	—	-0.9
<b>NI</b>	<b>-51.1</b>	<b>-18.6</b>	<b>-23.8</b>	<b>-11.2</b>	<b>-4.0</b>
Net revenue growth, YoY	n.a.	21.4%	40.4%	n.a.	63.2%
Underlying EBITDA margin	17.1%	10.5%	7.8%	10.2%	23.1%
Reported EBITDA margin	8.7%	neg.	neg.	neg.	6.9%

(1) Reported EBITDA and Underlying EBITDA occur as memo lines in Stillfront's audited annual report for 2014 and reviewed interim report for Q3 2015. Underlying EBITDA excludes expenses considered by management as "expensed investments". These adjustments have not been audited or reviewed

## Revenue

Net revenue for YTD Sep-15 amounted to SEK 37.4m, an increase of 63% compared to the same period 2014. The increase is mainly due to increased contracting fees in Coldwood regarding the development of Unravel and the launch of the new game Call of War.

Net revenue for 2014 amounted to SEK 29.1m, an increase of 40% compared to 2013, mainly due to the consolidation of Bytro into group accounts (December 2013).

### Revenue by subsidiary

The table portrays Total revenues per subsidiary including game sales, advertising revenue, royalties and other revenues.

SEKm	2012	2013	2014	YTD Sep-14	YTD Sep-15
Coldwood	15.0	14.6	7.3	7.3	12.3
Bytro	0.0	1.5	15.9	11.5	18.6
Power Challenge	6.1	6.5	5.9	4.4	4.3
Dorado	1.9	0.1	0.1	0.0	0.7
<b>Total revenue</b>	<b>23.0</b>	<b>22.7</b>	<b>29.2</b>	<b>23.2</b>	<b>36.0</b>

Source: Stillfront's unaudited management accounts

**Coldwood:** Revenue for YTD Sep-15 amounted to SEK 12.3m, an increase of 69% compared to the same period 2014. The increase is mainly due to increased contracting fees for Unravel.

In 2014, revenue amounted to SEK 7.3m, a decrease of SEK 7.3m compared to 2013, due to the unexpected termination of a contracting arrangement.

**Bytro:** Revenue for YTD Sep-15 amounted to SEK 18.6m, an increase of 62% compared to the same period 2014. The increase is mainly due to the successful release of Call of War and continued growth of Supremacy 1914.

In 2014, revenue amounted to SEK 15.9m, an increase of SEK 14.4m compared to 2013 mainly due to consolidated accounts only include revenue from December during 2013.

**Power Challenge:** Revenue has remained stable throughout the reported periods, amounting to approximately SEK 6m per year, and is derived mainly from ManagerZone.

**Dorado:** Revenue for YTD Sep-15 amounted to SEK 0.7m and mainly relate to sales from Gladiators Online. The game was released on Steam in November 2015, after which the management expects sales to increase.

**Revenue by game title, Coldwood & other revenue**

SEKm	2012	2013	2014	YTD Sep-14	YTD Sep-15
Coldwood <sup>(1)</sup>	15.0	14.6	7.3	7.3	12.3
Thirty Kingdoms	0.0	0.0	0.6	0.1	0.9
Gladiator	0.0	0.0	0.1	0.0	0.7
Manager Zone/Power Soccer	5.3	6.0	5.9	4.4	4.3
Supremacy 1914	0.0	1.5	13.5	9.8	12.9
Topia, PanzerWars, Industry Tyc	0.0	0.0	1.5	1.2	0.4
Call of War	0.0	0.0	0.0	0.0	4.5
Other revenue <sup>(2)</sup>	1.8	0.0	0.3	0.3	0.0
<b>Total revenue</b>	<b>23.0</b>	<b>22.7</b>	<b>29.2</b>	<b>23.2</b>	<b>36.0</b>

(1) Contracting fees, royalties and other income from Coldwood

(2) Revenue from advertising, royalties, playzeek.com and other products

**ManagerZone/Power Soccer:** Revenue has remained stable throughout the reported periods, amounting to approximately SEK 6m per year. The majority is derived from ManagerZone, while Power Soccer contributes with minor long-tail revenue.

## High revenue visibility of all main games and in Coldwood



- High revenue visibility of ManagerZone
- High revenue visibility of Supremacy 1914 in the last few years
- Call of War sales peak is difficult to predict given the strong growth so far but management expects stable and visible revenues eventually – similar to sistergame Supremacy 1914  
Revenues in Coldwood (mostly contracting fees) have been fairly stable around SEK 13–15m per year except for the exception year 2014
- To the fairly stable contracting fee will be added royalties from mainly Unravel going forward, and management targets sales of SEK 25–35m in 2016

## Expenses

**Personnel expenses:** Amounted to SEK 13.7m for the period YTD Sep-15, an increase of 7% compared to the same period 2014. The slight increase is mainly due to increased number of employees in Bytro during 2015.

The increase in 2014 compared to 2013 is mainly due to the consolidation of Bytro into group accounts.

**Other external expenses:** Amounted to SEK 21.8m for the period YTD Sep-15, an increase of 31% compared to the same period 2014. The increase is mainly due to sub-contractors developing Gladiators Online, increased user acquisition costs and agent costs.

The increase in 2014 compared to 2013 is mainly due to the consolidation of Bytro into group accounts.

**Consolidation of Bytro, December 2013:** Bytro contributed SEK 14.1m to the Group's Total expenses in 2014, an increase of SEK 13.0m compared to 2013, when only December was displayed in Group accounts.

### Expensed development investments

SEKm	2013	2014	YTD Sep-14	YTD Sep-15
ManagerZone	-1.4	-2.6	-2.0	-1.2
Call of War & Thirty Kingdoms	0.0	-3.2	-2.6	-2.1
Corporate improvements	-1.0	-1.0	0.0	-0.2
Gladiators Online	-1.1	-2.8	-2.6	-2.6
<b>Total expenses</b>	<b>-3.5</b>	<b>-9.6</b>	<b>-7.3</b>	<b>-6.1</b>

Source: Stillfront's unaudited management accounts

**ManagerZone:** Investments made in MangerZone during YTD Sep-15 and 2014 relate to the development of a mobile app for current games and the upgrading of the game engine to improve scalability.

**Call of War & Thirty Kingdoms:** Investments made during YTD Sep-15 mainly relate to the development of Call of War, while investments made during 2014 relate to the development of Thirty Kingdoms. The development of each title includes improvements to Bytro's game engine "SUP".

**Corporate improvements:** Mainly related to establishment of management structure and the restructuring and winding up of obsolete legal entities in 2014 and 2013.

**Gladiators Online:** Investments relate to the development of Dorado's action management game engine and the game Gladiators Online.

## Profitability

Underlying EBITDA margin YTD Sep-15 amounted to 23%, an increase of 13 percentage points compared to the same period 2014.

Reported EBITDA margin YTD Sep-15 amounted to 7%, an increase from the negative margin in 2014 and 2013.

## Depreciation & amortization

The table below portrays the breakdown of Depreciation & amortization from the Income Statement. The majority relates to amortization and write-downs of Goodwill and Capitalized development investments. The Capitalized development investments are attributable to the acquisitions of Power Challenge and Bytro, as Stillfront Group otherwise expenses all development investments in line with the Swedish GAAP.

SEKm	2012 Audited	2013 Audited	2014 Audited
<b>Goodwill</b>			
Amortization	-5.4	-3.2	-6.3
Write-down	-40.8	—	-5.8
Adjustment of purchase analysis	—	—	0.4
<b>Capitalized development investments</b>			
Amortization	-4.8	-6.3	-2.7
Write-down	—	-6.0	—
Translation adjustment	—	0.1	0.3
<b>Concessions, patents, licenses, trademarks</b>			
Amortization	-0.9	-0.8	—
Write-down	—	-1.0	—
Translation adjustment	—	—	—
<b>Inventory, equipment and installations</b>			
Depreciation	-0.1	-0.2	-0.2
Write-down	—	—	—
Translation adjustment	—	—	0.0
<b>Other long term securities</b>			
Amortization	—	—	—
Write-down	—	—	-0.6
Translation adjustment	—	—	—
<b>Total depreciation &amp; amortization</b>	<b>-52.1</b>	<b>-17.3</b>	<b>-14.9</b>

**Goodwill:** Goodwill amortization amounted to SEK 6.3m in 2014, of which SEK 2.9m relates to Power Challenge and SEK 3.4m relates to Bytro Labs. In 2013, amortization amounted to SEK 3.2m, of which 2.9m relates to Power Challenge and SEK 0.3m relates to Bytro Labs. In 2012, Goodwill amortization amounted to SEK 5.4m, of which SEK 3.0m relates to Stillfront Online Games and SEK 2.4m relates to Coldwood.

In addition, write-downs of Goodwill were made in 2014, amounting to SEK 5.8m, mainly relating to Power Challenge, and in 2012, amounting to SEK 40.8m, of which 22.4m relates to Stillfront Online Games and SEK 18.4m relates to Coldwood.

Prior to the formation of the current structure of Stillfront Group in 2012, Stillfront Online Games AB was a fully owned subsidiary to Stillfront Group. Stillfront Group went through a restructuring in 2010 and 2011, when Stillfront Group subsidiaries were merged (Sv. fusionerade) with Stillfront Online Games.

At the closing of the books of FY2012, the Board deemed that goodwill created in conjunction with the restructuring and acquisitions made no longer reflected the actual value, based on the quick changes to the business conditions in the gaming industry. Thus, the Board resolved to write-down goodwill amounting to 40.8m related to Stillfront Online Games and Coldwood.

Similarly, at the closing of FY2014, the Board evaluated the goodwill and concluded that some of the goodwill had lost its value due to the quick development in the industry, and subsequently resolved to perform a goodwill write-down of 5.8m.

**Capitalized development investments:** The amortization of capitalized investments of SEK 2.7m in 2014 mainly relate to PowerChallenge (SEK 1.8m) and Bytro Labs (SEK 0.9m).

The amortization of capitalized investments of SEK 6.3m in 2013 mainly relate to Stillfront Online Games (SEK 1.3m), Power Challenge (SEK 1.7m) and Stillfront Group (SEK 3.2m). The amortization related to Stillfront Group mainly relates to the capitalized development in the game onGolf.

The amortization of capitalized investments of SEK 4.8m in 2012 mainly relate to Stillfront Online Games (SEK 1.3m), Power Challenge (SEK 0.3m) and Stillfront Group (SEK 3.2m). The amortization related to Stillfront Group mainly relates to the capitalized development in the game onGolf.

The write-down of capitalized development investments amounted to SEK 6.0m in 2013, mainly relate to Stillfront Group and the game onGolf (SEK 3.2m), and Stillfront Online Games and development of Facebook games (SEK 2.8m).

## P&L breakdown by subsidiary

### Bytro

SEKm	2012	2013	2014	YTD Sep-15
Revenues	n.a.	1.5	15.9	18.6
Payment provider costs	n.a.	n.a.	-1.9	-1.2
User acquisition costs	n.a.	n.a.	-6.5	-7.9
Underlying EBITDA	n.a.	0.5	1.8	5.5
<i>Margin</i>	n.a.	30%	11%	29%
Expensed investments	n.a.	—	-3.2	-2.1
Reported EBITDA	n.a.	0.5	-1.3	3.4
<i>Margin</i>	n.a.	30%	neg.	18%

The strong growth in Revenues and underlying EBITDA YTD Sep-15 mainly relates to stronger YTD sales for Supremacy 1914 and the launch of Call of War.

The increase and high level of user acquisition costs in YTD Sep-15 is prompted by high marketing FROI for Bytro's games.

Payment provider costs decreased in YTD Sep-15 as Bytro changed payment providers and mix of payment methods.

### Coldwood

Revenues	15.0	14.6	7.3	12.3
Payment provider costs	n.a.	n.a.	—	—
User acquisition costs	n.a.	n.a.	—	—
Underlying EBITDA	n.a.	5.0	-0.1	4.4
<i>Margin</i>	n.a.	35%	neg.	36%
Expensed investments	n.a.	—	—	—
Reported EBITDA	3.8	5.0	-0.1	4.4
<i>Margin</i>	25%	35%	neg.	36%

The drop in Revenues and the negative Underlying EBITDA margin in 2014 are attributable to a terminated development collaboration with a global publisher executing across-the-board cost-cutting program.

This contract was resumed with a different publisher in 2015, resulting in the increase in Revenues YTD Sep-15.

### Power Challenge

Revenues	6.1	6.5	5.9	4.3
Payment provider costs	n.a.	-0.1	-0.8	-0.4
User acquisition costs	n.a.	n.a.	—	—
Underlying EBITDA	n.a.	0.5	0.6	0.1
<i>Margin</i>	n.a.	8%	10%	2%
Expensed investments	n.a.	-1.6	-2.6	-1.2
Reported EBITDA	-1.6	-1.1	-2.0	-1.1
<i>Margin</i>	<i>neg.</i>	<i>neg.</i>	<i>neg.</i>	<i>neg.</i>

Power Challenge has had stable revenues throughout the reported period around SEK 6m per year.

Expensed investments mainly relate to the development of a mobile app, new monetizing features and game engine improvements.

### Dorado

Revenues	1.9	0.1	0.1	0.7
Payment provider costs	n.a.	-0.1	-0.0	-0.0
User acquisition costs	n.a.	n.a.	—	—
Underlying EBITDA	n.a.	-0.1	-0.4	0.1
<i>Margin</i>	n.a.	<i>neg.</i>	<i>neg.</i>	18%
Expensed investments	n.a.	-1.1	-3.8	-2.8
Reported EBITDA	-0.2	-1.2	-4.2	-2.7
<i>Margin</i>	<i>neg.</i>	<i>neg.</i>	<i>neg.</i>	<i>neg.</i>

Revenues in 2014 and YTD Sep-15 is attributable to the beta release of Dorado's new game Gladiators Online, which was released on Steam in November 2015 (after end of YTD Sep-15 period).

Expensed investments in 2014 and YTD Sep-15 relate to development of Gladiators Online and the new action management game engine, on which the game is built.

Source: Stillfront's unaudited management accounts

## Balance sheet

	31 Dec 2012	31 Dec 2013	31 Dec 2014	30 Sep 2014	30 Sep 2015
SEKm	Audited	Audited	Audited		Reviewed
Capitalized development expenses	13.9	4.4	2.0	n.a.	n.a.
Concessions, patents, licenses & trademarks	1.7	—	—	n.a.	n.a.
Goodwill	14.4	28.0	16.3	n.a.	n.a.
<b>Total intangible fixed assets</b>	<b>30.1</b>	<b>32.4</b>	<b>18.3</b>	<b>26.3</b>	<b>12.8</b>
Inventory, equipment & installations	0.3	0.3	0.2	0.2	0.3
<b>Total tangible fixed assets</b>	<b>0.3</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>
Receivables from group companies	0.2	—	—	n.a.	n.a.
Shares in associated companies	3.9	—	—	n.a.	n.a.
Other non-current securities	0.0	5.9	5.3	n.a.	n.a.
Other non-current receivables	—	0.3	—	n.a.	n.a.
<b>Total financial fixed assets</b>	<b>4.1</b>	<b>6.2</b>	<b>5.3</b>	<b>5.9</b>	<b>5.3</b>
<b>Total fixed assets</b>	<b>34.4</b>	<b>38.9</b>	<b>23.8</b>	<b>32.4</b>	<b>18.4</b>
Prepaid expenses to suppliers	0.0	—	—	n.a.	n.a.
Accounts receivable	0.7	1.0	0.8	n.a.	n.a.
Receivables from group companies	—	—	—	n.a.	n.a.
Tax receivables	0.1	0.1	0.1	n.a.	n.a.
Other receivables	0.3	1.0	0.9	n.a.	n.a.
Prepaid expenses & accrued income	2.2	1.8	0.7	n.a.	n.a.
Cash & cash equivalents	5.1	7.8	4.3	8.3	6.1
<b>Total current assets</b>	<b>8.6</b>	<b>11.7</b>	<b>6.8</b>	<b>10.4</b>	<b>11.7</b>
<b>Total assets</b>	<b>43.0</b>	<b>50.5</b>	<b>30.6</b>	<b>42.8</b>	<b>30.1</b>

SEKm	31 Dec 2012	31 Dec 2013	31 Dec 2014	30 Sep 2014	30 Sep 2015
	Audited	Audited	Audited		Reviewed
Equity	1.3	1.7	2.2	n.a.	n.a.
Equity issue under registration	—	—	—	n.a.	n.a.
Free reserves	83.2	—	—	n.a.	n.a.
Other equity contributions	—	126.7	131.5	n.a.	n.a.
Other equity incl. net income	-51.1	-87.3	-111.7	n.a.	n.a.
<b>Total equity attributable to parent company</b>	<b>33.4</b>	<b>41.2</b>	<b>22.1</b>	n.a.	n.a.
Minority interests	—	2.9	2.2	n.a.	n.a.
<b>Total equity</b>	<b>33.4</b>	<b>44.1</b>	<b>24.3</b>	<b>37.2</b>	<b>19.9</b>
Deferred tax	0.5	0.4	0.4	n.a.	n.a.
<b>Total provisions</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
Other non-current debt	2.9	1.3	0.9	n.a.	n.a.
<b>Total non-current liabilities</b>	<b>2.9</b>	<b>1.3</b>	<b>0.9</b>	<b>1.3</b>	<b>1.9</b>
Accounts payable	2.2	0.5	1.1	n.a.	n.a.
Tax liabilities	0.4	0.6	0.5	n.a.	n.a.
Other current debt	1.4	0.6	1.3	n.a.	n.a.
Accrued expenses and deferred income	2.2	2.9	2.2	n.a.	n.a.
<b>Total current liabilities</b>	<b>6.2</b>	<b>4.7</b>	<b>5.0</b>	<b>3.9</b>	<b>7.9</b>
<b>Total equity &amp; liabilities</b>	<b>43.0</b>	<b>50.5</b>	<b>30.6</b>	<b>42.8</b>	<b>30.1</b>

Goodwill amounted to SEK 28.0m as of 31 December 2013, an increase of SEK 13.6m, attributable to the acquisition of Bytro net of the period's Goodwill amortization.

Shares in associated companies amounted to SEK 3.9m as of 31 December 2012 and relate to holdings in Entertainment Products of Sweden AB and Vexercice AB. These were reclassified to Other non-current securities as of 31 December 2013. The increase of SEK 2m relates to an investment in a fixed income fund.

As per 31 December 2013, Free reserves were reclassified and split into Other equity contributions and Other equity incl. net income in connection with the transition to the "K3" accounting framework, recommended by the Swedish Accounting Standards Board. Other equity contributions are in all material aspects made up of the share premium account. The increase in year-end accounts 2013, in excess of the reclassification effect, is mainly attributable to new issues of SEK 26.0m, net of issue costs. Other equity incl. net income is in all material aspects made up of accumulated losses. The decrease in year-end accounts 2013, in excess of the reclassification effect, is mainly attributable to the year's negative income of SEK 18.7m, including minority interests.

The acquisition of 51% of Bytro resulted in an increase of Minority interests of SEK 2.9m as of 31 December 2013.

The equity private placement in December 2015 raised SEK 75m in cash. An indicative balance sheet for the group after the private placement is displayed below. Gross issue proceeds of SEK 75m are added to the Company's latest reviewed or audited report (Q3 2015). Note that the Company's actual financial position as of the date of the equity private placement in December can differ from the reviewed Q3 report – 30 September 2015.

SEKm	30 Sep 2015 Reviewed	Gross issue proceed <sup>(1)</sup> changes	Q3 pro forma + gross issue proceeds <sup>(1)</sup>
Total intangible fixed assets	12.8		12.8
Total tangible fixed assets	0.3		0.3
Total financial fixed assets	5.3		5.3
<b>Total fixed assets</b>	<b>18.4</b>		<b>18.4</b>
Current assets less cash	5.7		5.7
Cash & cash equivalents	6.1	75.0	81.1
<b>Total current assets</b>	<b>11.7</b>	<b>75.0</b>	<b>86.7</b>
<b>Total assets</b>	<b>30.1</b>	<b>75.0</b>	<b>105.1</b>
<b>Total equity</b>	<b>19.9</b>	<b>75.0</b>	<b>94.9</b>
Total provisions	0.4		0.4
Total non-current liabilities	1.9		1.9
Total current liabilities	7.9		7.9
<b>Total liabilities</b>	<b>10.2</b>		<b>10.2</b>
<b>Total equity &amp; liabilities</b>	<b>30.1</b>	<b>75.0</b>	<b>105.1</b>

(1) Transaction costs has not been deducted from gross issue proceeds

## Cash flow

SEKm	2012 Audited	2013 Audited	2014 Audited	YTD Sep-14	YTD Sep-15 Reviewed
EBT	-51.1	-18.5	-23.8	n.a.	n.a.
Adjustments for non-cash items	52.2	17.3	13.6	n.a.	n.a.
Paid tax	-0.3	-0.6	-0.2	n.a.	n.a.
<b>Cash flow from operations before adjustments of NWC</b>	<b>0.8</b>	<b>-1.7</b>	<b>-10.3</b>	<b>-6.4</b>	<b>1.0</b>
Increase(-)/Decrease(+) of accounts receivable	1.7	1.4	1.6	n.a.	n.a.
Increase(+)/Decrease(-) of accounts payable	-0.7	-2.4	0.5	n.a.	n.a.
<b>Cash flow from operations</b>	<b>1.7</b>	<b>-2.7</b>	<b>-8.2</b>	<b>-4.4</b>	<b>2.2</b>
Investments in subsidiaries	0.7	-5.4	—	n.a.	n.a.
Investments in tangible fixed assets	—	-0.1	-0.1	n.a.	n.a.
Investments in financial fixed assets	-1.8	-2.1	—	n.a.	n.a.
<b>Cash flow from investing activities</b>	<b>-1.1</b>	<b>-7.6</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.1</b>
New issue	0.5	14.5	5.3	n.a.	n.a.
Other equity contributions	—	—	—	n.a.	n.a.
New loans	—	—	—	n.a.	n.a.
Repayments of loans	-0.1	-1.5	-0.4	n.a.	n.a.
<b>Cash flow from financing activities</b>	<b>0.4</b>	<b>12.9</b>	<b>4.8</b>	<b>5.0</b>	<b>-0.3</b>
<b>Net increase(+)/decrease(-) in cash &amp; cash equivalents</b>	<b>1.0</b>	<b>2.7</b>	<b>-3.5</b>	<b>0.5</b>	<b>1.8</b>
Cash & cash equivalents at beginning of period	4.1	5.1	7.8	7.8	4.3
<b>Cash &amp; cash equivalents end of period</b>	<b>5.1</b>	<b>7.8</b>	<b>4.3</b>	<b>8.3</b>	<b>6.1</b>

Cash flow from operations amounted to SEK 2.2m in YTD Sep-15, an increase of SEK 6.6m compared to the same period in 2014. Cash flow from operations in 2014 amounted to negative SEK 8.2m, a decrease compared to the negative cash flow of SEK 2.7m in 2013.

Investments in subsidiaries amounted to SEK 5.4m in 2013, net of cash acquired (SEK 0.9m), mainly relating to the acquisition of Bytro.

New issue amounted to SEK 5.3m in 2014, mainly relating to investments in Gladiators Online and ManagerZone. In 2013, New issue amounted to SEK 14.5m, of which SEK 6.3m of the proceeds was used for the cash payment in the acquisition of Bytro, SEK 3.3m used for game development in Stillfront Online Games, SEK 2.3m for development of a mobile app for ManagerZone, SEK 1.5m used for repaying debt and the remaining SEK 1.1m used for corporate improvements.

Net cash flow amounted to SEK 1.8m in YTD Sep-15, SEK 0.5m in YTD Sep-14, negative in 3.5m in 2014 and SEK 2.7m in 2013.

## Capital structure, indebtedness and other financial information

The tables in this section describe the Company's interest-bearing receivables and liabilities at Group level as of 30 September 2015. See section "Share capital and ownership structure" for further information about the Company's share capital and shares. The tables in this section should be read together with the comments in the financial overview along with the Company's financial statements and accompanying notes which are incorporated in this Company Description by reference.

### Capitalization<sup>17</sup>

SEK	30 September 2015
<b>Current debt</b>	
Guaranteed	—
Secured <sup>(1)</sup>	2.0
Unguaranteed/unsecured	6.7
<b>Total current debt</b>	<b>8.7</b>
<b>Non-current debt</b>	
Guaranteed	—
Secured <sup>(1)</sup>	0.9
Unguaranteed/unsecured	0.3
<b>Total non-current debt</b>	<b>1.1</b>
<b>Shareholders equity</b>	
Share capital	2.2
Other capital	131.5
Reserves	—
Retained earnings including profit for the period	-116.8
<b>Shareholders equity (parent)</b>	<b>16.9</b>
Minority interests	3.0
<b>Total shareholder's equity</b>	<b>19.9</b>

(1) Primary pledges in shares in subsidiaries, chattel mortgage, pledges in customer receivables and leveraged financial customer contracts.

The table to the left summarizes Stillfront's capital structure as of 30 September 2015, i.e. the last reporting date before the Listing. Total shareholder's equity amounted to SEK 19.9m, of which SEK 16.9m is attributable to the parent company and SEK 3.0m to minority shareholders.

Current Secured debt amounted to SEK 2.0m and consists of a junior secured chattel mortgage from Acacia.

Current unsecured debt amounted to SEK 6.7m, attributable to trade and tax payables.

Non-current secured debt amounted to SEK 0.9m and consists of an overdraft facility from SEB of SEK 0.3m. The remaining SEK 0.6m is a loan from Almi Invest.

Non-current unsecured debt amounted to SEK 0.3m and consists of a loan.

<sup>17</sup> In December 2015, the Company raised SEK 75m (before transaction costs) through an equity private placement.

## Net indebtedness

SEK	30 September 2015
A Cash <sup>(1)</sup>	6.1
B Cash equivalents	—
C Trading securities	2.0
<b>D Liquidity A + B + C</b>	<b>8.1</b>
E Current financial receivables	—
F Current bank debt	—
G Current portion of non-current debt	—
H Other current financial debt	2.8
<b>I Other current financial debt F + G + H</b>	<b>2.8</b>
<b>J Net current financial indebtedness I - E - D</b>	<b>-5.3</b>
K Non-current bank loans	0.3
L Bond issued	—
M Issued convertible debentures	—
N Other non-current financial debt	—
<b>Non-current financial indebtedness K + L + M</b>	
<b>O + N</b>	<b>0.3</b>
<b>P Net financial indebtedness J + O</b>	<b>-5.0</b>

(1) In December 2015, the Company raised SEK 75m (before transaction costs) through an equity private placement.

The table to the left summarizes Stillfront's indebtedness as of the 30 September 2015, i.e. the last reporting date before the Listing. Stillfront has cash amounting to SEK 6.1m of which SEK 5.5m belongs to Bytro and is not accessible by the Group according to the acquisition agreement with Bytro.

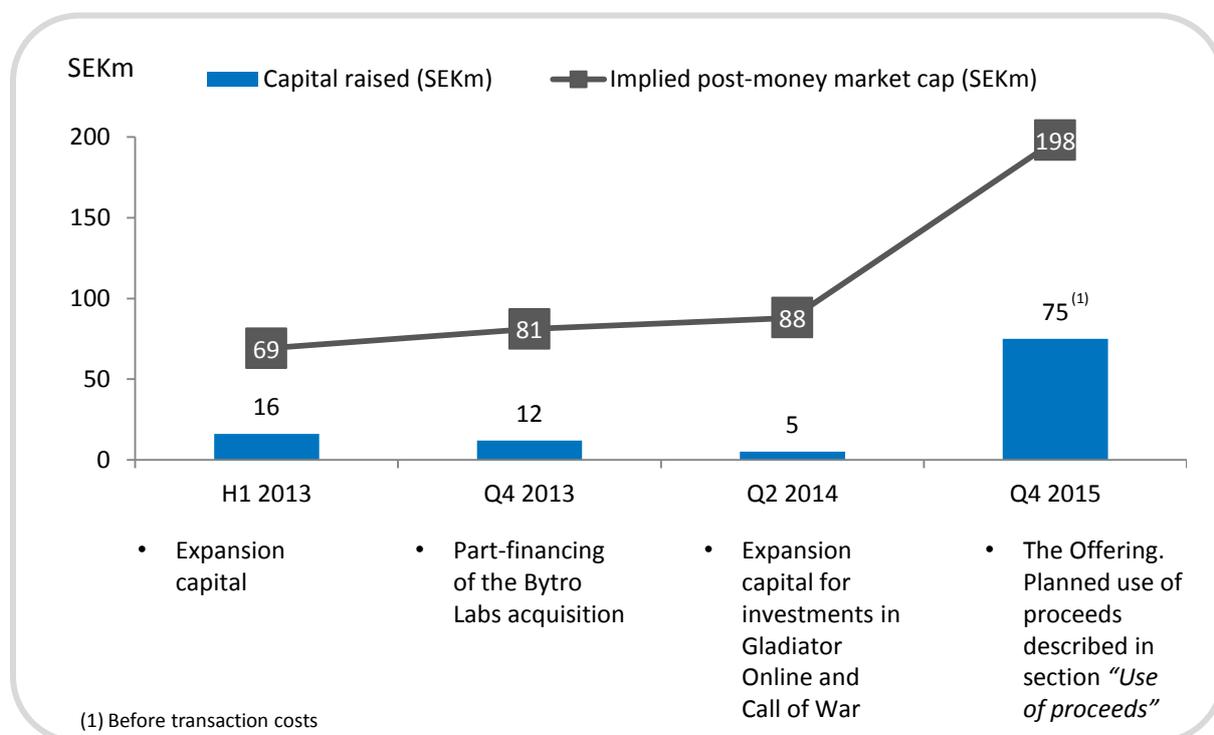
Stillfront has SEK 2.8m in Other current financial debt, SEK 2m of which is derived from Acacia, SEK 0.6m from Almi invest and the remaining from Clare Ltd.

Non-current bank loans consist of an overdraft facility from SEB.

Stillfront's Net financial indebtedness as of 30 September 2015 amounted to negative SEK 5.0m.

## Recent prior financing rounds

The most recent financing round was made in December 2015 when SEK 75m in expansion capital was raised in connection with the Listing.



## **Working capital**

Following the equity private placement that closed on 3 December 2015, it is the Company's opinion that it possesses sufficient financial resources in order to be able to conduct the planned business for at least twelve months after the first day of trading. The Company's current operations are profitable as per the date of the Company Description and the new capital to be raised in the Offering is intended to be used as expansion capital.

## **Significant events since 30 September 2015**

To the knowledge of the Board of Directors, no significant events have occurred after closing date that are expected to have a material impact on the business, except for the equity private placement of SEK 75m in December 2015.

# Board of Directors, management and auditors

## Stillfront Group AB

The Board of Directors of the Company consists of five members including the chairman. The Board of Directors has its registered office in Stockholm and is elected annually at the annual general meeting until the next annual general meeting. Fredrik Åhlberg was elected at the extraordinary general meeting held on 12 October 2015 until the annual general meeting 2016. The other four board members were elected at the annual general meeting on 3 June 2015 until the annual general meeting 2016. All shareholdings represent the holding after the equity offering that was closed 3 December 2015.

## Board of Directors

### *Per Skyttvall*

*Born 1967. Chairman of the Board of Directors since 2013.*

**Education and work experience:** Studied at Linköping and Stockholm University. Per is the sole owner of a consultant company and has been the Managing Director of companies throughout the years amongst others Dreampark AB and Zenterio AB (publ).

**Other current positions:** Chairman of the Board of Directors of Idea2Innovation Sweden AB. Board member of Acacia Asset Management AB, Acacia Finans AB, and PGS Sweden AB.

**Other positions which have previously been held during the past five years:** Board member of Veronix Holding AB. Deputy board member of M&M Sweden AB. Managing Director and board member of Dreampark AB and IDUR Information AB. Managing Director of Zenterio AB (publ).

**Shareholding:** 16,648 shares indirectly through PGS Sweden AB where Per Skyttvall is the sole shareholder.

**Independent in relation to the Company and its executive management:** Yes

**Independent in relation to major shareholders:** No

### *Jörgen Larsson*

*Born 1964. Board member since 2007.*

**Education and work experience:** Master of Science from Linköpings Tekniska Högskola and additional studies in physics and philosophy at Uppsala University. Managing Director of the Company since October 2015. Before being

formally engaged as Managing Director, Jörgen Larsson performed work for the Company on a consultancy basis. Experience from work as Managing Director and presently provides management consulting services through IdeCap AB where Jörgen Larsson is the sole shareholder.

**Other current positions:** Chairman of the Board of Directors in Abalon Aktiebolag and Abalon Holding AB. Board member and Managing Director of Mind Improvement Group Scandinavia AB. Board member of Idecap AB, Sontagh & Larsson Investment Strategy AB, Coldwood Interactive AB, Stillfront Online Games AB and Bothnia Bay Capital AB. Deputy member of 4P Business Consulting AB and Sandhammaren Utveckling AB.

**Other positions which have previously been held during the past five years:** Chairman of the Board of Directors of Stillfront Group AB, Coldwood Interactive AB, Deseven Capital Aktiebolag, Deseven International Aktiebolag and ESN Social Software AB. Board member of Coldwood Holding AB, Deseven Investment AB, AHA World AB, Stillfront AB, Pamplemousse Holding AB, Vinslerhus AB, Dreamhack AB and Verrano Aktiebolag. Deputy board member of AHA Technology AB and JOOSEO Capital Operations Uppsala AB.

**Shareholding:** 204,836 shares indirectly through IdeCap AB where Jörgen Larsson is the sole shareholder. 6,540 shares through Sontagh & Larsson Investment Strategy AB where Jörgen Larsson holds 50 per cent of the shares.

**Independent in relation to the Company and its executive management:** No

**Independent in relation to major shareholders:** Yes

**Max Bautin**

*Born 1976. Board member since 2009.*

**Education and work experience:** Bachelor of Arts in Economics from the University of Maryland (USA) and MBA from the University of Cambridge (UK). Presently serving as Managing Partner of IQ Capital Partners LLP, a Venture Capital fund manager authorised and regulated by the Financial Conduct Authority (UK).

**Other current positions:** Board member of Grapeshot Ltd. (UK), board observer Fluidic Analytics Ltd (UK). Director of IQ Capital Partners GP Ltd. (UK), IQ Capital Partners GP 2 Ltd. (UK) and several other subsidiaries of IQ Capital Partners LLP.

**Other positions which have previously been held during the past five years:** -

**Shareholding:** Holds 33% of IQ Capital Partners LLP which holds 12,114 shares in the Company. IQ Capital Fund I L.P., a fund managed by IQ Capital Partners LLP, also holds 318,484 shares in the Company.

**Independent in relation to the Company and its executive management:** Yes

**Independent in relation to major shareholders:** Yes

**Alexander Bricca**

*Born 1976. Board member since 2008.*

**Education and work experience:** Master's degree in business law and Bachelor of Arts in business administration and managerial economics. Alexander Bricca has experience from his positions as CFO in Viaplay AB and Vodder Group AB and as Investment Manager in Deseven Capital AB.

**Other current positions:** Deputy board member of Bet2aid Sweden AB, Octen AB and Coldwood Interactive AB.

**Other positions which have previously been held during the past five years:** Board member of Bricca Holding AB. Deputy board member of Centria Roddaren AB, Äntligen Funktion & Teknik i Sverige AB, Stillfront AB, Coldwood Holding AB and Verrano Aktiebolag.

**Shareholding:** 4,194 shares in the Company.

**Independent in relation to the Company and its executive management:** Yes

**Independent in relation to major shareholders:** Yes

**Fredrik Åhlberg**

*Born 1971. Board member since 2015.*

**Education and work experience:** MBA and Master of Science in Civil and Environmental Engineering from Kungliga Tekniska Högskolan.

Fredrik has experience from positions such as Managing Director of Tradera Sweden AB, Head of Expansion for Ebay in Europe and a position in the managerial body of King.com Ltd.

**Other current positions:** Board member of Aktiebolaget Stangus, Virtusize AB and 7h Dev AB.

**Other positions which have previously been held during the past five years:** Chairman of the Board of Directors of Aktiebolaget Stangus. Board member of Tradera Sweden AB.

**Shareholding:** 4,725

**Independent in relation to the Company and its executive management:** Yes

**Independent in relation to major shareholders:** Yes

**Senior management**

**Jörgen Larsson**

*Born 1964. Managing Director since October 2015.*

See above, Board of Directors.

**Sten Wrane**

*Born 1961. CFO in the Company since 2010, full-time since September 2015.*

**Education and work experience:** Master of Science in Engineering Physics from Chalmers University of Technology. Sten has previously been working as CFO for Vodder Group AB. Sten is furthermore working as a consultant in his company Black Ocean Development AB, where he has held assignments in various companies such as Memira AB, Trafikverket and NCC.

**Other current positions:** Board member of Black Ocean Development Aktiebolag, Deseven International Aktiebolag, Pamplemousse Holding AB, F2NS Holding AB and D702 Invest AB. Deputy board member of Motion Value Grids AB, Influence AB. Deputy board member and Managing Director of Deseven Capital Aktiebolag.

**Other positions which have previously been held during the past five years:** Chairman of the Board of Directors of Äntligen Funktion & Teknik i Sverige AB. Board member of Influence AB, Collectivate AB, Vinslerhus AB, AHA World AB, Deseven Investment AB, Deseven Capital AB and Deseven Catalyst Group AB. Deputy board member of Coldwood Interactive AB and Bothnia Bay Capital AB.

**Shareholding:** 6,300 shares in the Company. 19,923 shares through Lacebark Consultants Ltd where Sten Wranne is the sole shareholder. Furthermore, Fyrmax Ltd holds 243,117 shares in the Company. Deseven International AB, where Sten Wranne, through a legal entity, holds 25 per cent of the shares, owns 100% of Fyrmax Ltd.

**Independent in relation to major shareholders:**  
Yes

***Christopher Holmberg***

*Born 1977. Managing Director of Coldwood Interactive AB since 2003.*

**Education and work experience:** Christopher Holmberg has served as the Managing Director of Coldwood Interactive AB since 2003.

**Other current positions:** Board member of Aktiebolaget Norra Teknikinvest. Deputy board member of Bothnia Bay Capital AB.

**Other positions which have previously been held during the past five years:** Board member of Coldwood Holding AB and Coldwood Interactive AB.

**Shareholding:** 60,061 shares in the Company.

**Independent in relation to major shareholders:**  
Yes

***Jakob Marklund***

*Born 1973. Technical Director in Coldwood Interactive AB since 2004.*

**Education and work experience:** Master's degree in Physics.

**Other current positions:** -

**Other positions which have previously been held during the past five years:** Board member of Coldwood Interactive AB and Coldwood Holding AB.

**Shareholding:** 55,612 shares in the Company.

**Independent in relation to major shareholders:**  
Yes

***Tobias Kringe***

*Born 1980. Managing Director of Bytro Labs GmbH since 2009.*

**Education and work experience:** Master of Science in Cognitive Science.

**Other current positions:** Managing Director of FKL Holding GmbH.

**Other positions which have previously been held during the past five years:** -

**Shareholding:** Holds 33.3% of FKL Holding GmbH which holds 426,886 shares in the Company.

**Independent in relation to major shareholders:**  
Yes

***Felix Faber***

*Born 1980. Managing Director (Operations) of Bytro Labs GmbH since 2009.*

**Education and work experience:** Master of Science in Computer Science. Presently working as Advisor for 5DLab GmbH.

**Other current positions:** Managing Director of FKL Holding GmbH.

**Other positions which have previously been held during the past five years:-**

**Shareholding:** Holds 33.3% of FKL Holding GmbH which holds 426,886 shares in the Company.

**Independent in relation to major shareholders:**  
Yes

***Christopher Lörken***

*Born 1980. Managing Director (Technology) of Bytro Labs GmbH since 2009.*

**Education and work experience:** Master of Science in Cognitive Science.

**Other current positions:** Managing Director of FKL Holding GmbH

**Other positions which have previously been held during the past five years:-**

**Shareholding:** Holds 33.3% of FKL Holding GmbH which holds 426,886 shares in the Company.

**Independent in relation to major shareholders:**  
Yes

***Patrick Armstrong***

*Born 1970. Managing Director of Power Challenge AB since 2011, Power Challenge Holding Limited and ManagerZone Inc.*

**Education and work experience:** Experience from positions as Managing Director within the Group since 2011.

**Other current positions:** Board member and Managing Director of Power Challenge AB. Director of Power Challenge Holding Limited.

**Other positions which have previously been held during the past five years:** Board member of ManagerZone AB and Power Challenge Sweden AB. VP Operations Power Challenge Holding Ltd.

**Shareholding:** 41,769 warrants entitling to subscription of the same number of shares in the Company.

**Independent in relation to major shareholders:**  
Yes

## **Other information about the Board of Directors and management**

All members of the Board of Directors of the Company, Sten Wranne and Patrick Armstrong have their business address at Stillfront Group AB (publ), Storgatan 8, 582 23 Linköping, Sweden. Christopher Holmberg and Jakob Marklund have their business address at Coldwood Interactive AB, Storgatan 43,903 26 Umeå, Sweden. Felix Faber, Tobias Kringe and Christopher Lörken have their business address at Bytro Labs GmbH, Rödingsmarkt 29, 20459 Hamburg, Germany.

In 2013, Autodesk and Adobe Systems pressed criminal charges against Felix Faber, Tobias Kringe and Christopher Lörken. The background to the charges was that Adobe Systems and Autodesk had claimed that the Bytro Labs had installed their computer software (Adobe Photoshop, Autodesk 3ds max) without having obtained the corresponding licenses. A criminal prosecution was denied by the public prosecution office of Hamburg in 2013.

Alexander Bricca served as the CFO of Voddlar Group AB from April 2011 until December 2013. He was succeeded by Sten Wranne, who held the position until September 2015. Voddlar Group AB and Voddlar Sweden AB initiated company reorganization on 17 March 2015. The judicial compositions have been approved and became legally binding on 11 November 2015.

Other than as stated above, during the past five years, none of the board members or member of the management of the Group has (i) been convicted of fraud related crimes, (ii) been a member of the board or management of a company that has entered into bankruptcy, been involuntarily liquidated or been placed under receivership, or (iii) been charged with, or sanctioned, by authorities or courts prohibiting them to be a member of an issuer's management or board.

None of the board members or members of the management of the Group have any interests which can conflict with the interest of the Company. As accounted for above, several of the board members and members of the management of the Group have financial interests in the Group due to their shareholding in the Company.

There are no family ties between any of the board members or members of the management of the Group.

Some of the board members and members of the senior management have, directly or indirectly, entered into agreements with Stillfront or other Group Companies as described in section Related Party Transactions. The agreements have been entered into on market terms.

### **Remuneration to the Board of Directors and management**

Fees and other remuneration for members of the Board of Directors, including the Chairman of the board, are resolved upon by the annual general meeting. The general meeting has resolved that the chairman of the Board of Directors shall receive remuneration with an amount corresponding to approximately SEK 44 500 and that no remuneration shall be paid to the other board members.

Remuneration to the Managing Director and management consist of fixed salary, bonus, other benefits and pension.

During 2015 Stillfront Group's Managing Director Jörgen Larsson has received approximately SEK 1,500,000 in consultancy fees and starting from October 2015 he will receive a monthly salary of SEK 125,000. During 2016 Jörgen Larsson may also be entitled to a bonus corresponding to a maximum of three monthly salaries if certain milestones are met. The other members of the management received an aggregated remuneration of approximately EUR 243,620.

From December 2015, Stillfront Group's SFO Sten Wranne's remuneration consists of a monthly salary of SEK 80,000. During 2016 Sten Wranne may also be entitled to a bonus corresponding to a maximum of two monthly salaries if certain milestones are met.

Neither the members of the Board of Directors nor the members of the management of the Company are entitled to any benefits following termination of their respective assignments.

### **Incentive program**

There is currently no incentive program for the management.

### **Auditor**

The Auditing Company in Stillfront Group AB is Mazars SET Revisionsbyrå AB, reg.no. 556439-2099. The Auditing Company was appointed at the extraordinary general meeting on 12 October 2015. The auditor in charge is Michael Olsson, born 1974. Michael is an authorized public accountant and a member of FAR (professional institute for authorized public accountants).

# Corporate governance

## General

The Company's corporate governance is governed by Swedish legislation and regulations such as the Swedish Companies Act (Sw. Aktiebolagslagen (2005:551)), the Swedish Accounting Act (Sw. Bokföringslagen (1999:1078)) and the Swedish Annual Reports Act (Sw. årsredovisningslagen (1995:1554)). After the listing, the Company will apply the First North Rulebook. The Swedish Corporate Governance Code is not applicable to Nasdaq First North, thus the Company is not obligated to apply or be in compliance with the Code. The corporate governance is exercised, inter alia, through the general meeting, the Board of Directors and the Managing Director. The Company's auditor, who is appointed by the annual general meeting, supervises the Company's accounts and the management of the Company by the Board of Directors and the Managing Director.

## General meeting of the shareholders

The shareholders' exercise their voting rights at the general meeting of the shareholders. The majority requirements in the Swedish Companies Act apply to the decision-making of the general meeting. Notice of a general meeting shall be given through an announcement in the Swedish Official Gazette and by way of being published on the Company's website. Simultaneously, through advertisement in the Swedish newspaper Svenska Dagbladet, information shall be provided that notice has been issued. To be entitled to participate in a general meeting, shareholders shall, firstly, be registered in the transcript or other list reflecting the entire share register regarding the shareholdings five workdays prior to the meeting and, secondly, notify the Company of their intention to attend the meeting not later than on the day stipulated in the notice convening the general meeting.

## Annual general meeting 3 June 2015

At the annual general meeting in the Company held on 3 June 2015, the following resolutions were adopted:

- To adopt the profit and loss statement and the balance sheet.
- To carry the Company's loss of SEK 2,790,511 for the year 2014 forward in new account.
- To discharge the board members from liability.
- That the Board of Directors shall consist of four board members without deputy board members.
- To re-elect Jörgen Larsson, Max Bautin, Alexander Bricca and Per Skyttvall as board members.
- That the chairman of the Board of Directors shall receive remuneration with an amount corresponding to approximately SEK 44,500 and that no remuneration shall be paid to the other board members. The auditor shall be entitled to remuneration in accordance with current account.
- To reduce the Company's share capital with SEK 30,449.4 for repayment of the same amount to the shareholder Entertainment Products of Sweden Holding AB by way of redemption of the said shareholder's 304,494 shares.

## Extraordinary general meeting 12 October 2015

The extraordinary general meeting held on 12 October 2015 adopted the necessary resolutions to make Stillfront a public limited liability company. It was furthermore resolved on a reversed split of the shares in the Company at a 7:1 ratio, meaning that seven shares in the company henceforth will be one share. Five new shares were issued to IdeCap AB to facilitate the reversed split. It was furthermore resolved that the Company's shares be dematerialized and that the share register be maintained by Euroclear Sweden. The meeting furthermore resolved to appoint Fredrik Åhlberg as board member and Mazars SET Revisionsbyrå AB as auditor. The meeting resolved to authorize the Board of Directors to issue, on one or several occasions, until

the annual general meeting to be held in 2016, shares, warrants or convertibles in accordance with the Articles of Association of the Company at the time of the issue. Such issue may be made with or without preferential rights for the shareholders and on terms that the new shares shall be paid for by contribution in kind or by set off.

## **Board of Directors**

Under the Swedish Companies Act, the Board of Directors is ultimately responsible for the organization and management of the Company. The Company's articles of association provide that the Board of Directors is to be elected by the shareholders and consist of not less than three and not more than eight board members with not more than eight deputy board members. On the date hereof, the Board of Directors consist of five board members, including the chairman, without deputy board members. All board members have been appointed for the time until the next annual general meeting.

Jörgen Larsson, Max Bautin, Alexander Bricca and Per Skyttvall were re-elected at the annual general meeting on 3 June 2015. Fredrik Åhlberg was elected as director by the extraordinary general meeting held on 12 October 2015. Per Skyttvall is the chairman of the Board of Directors.

The Board of Directors holds meetings four times each year, or when there is otherwise reason to hold a meeting. The Board of Directors has adopted rules of procedure to govern its work. No committees have been appointed. The Board of Directors has furthermore adopted instructions for the reporting in the company and instructions for the Managing Director. The Board of Directors has furthermore adopted an insider policy and information policy which are applicable to all board members, members of management and employees within the Group.

## **Managing Director and Executive Management**

The Managing Director is appointed by the Board of Directors and shall abide by the instructions adopted by the Board of Directors. The Managing Director is responsible for the Company's day-to day management, which includes managing all operational aspects of the Company's business in accordance with the business plan, principles and instructions adopted by the Board of Directors. The managing director is furthermore responsible for the preparation and presentation of matters to be addressed by the Board of Directors, as well as for the execution of decisions made by the Board of Directors. Jörgen Larsson is the managing director of the company and has been employed since October 2015. Before he became appointed as the Managing Director and employed by the Company, he acted as Managing Director on a consultancy basis.

In addition to the Managing Director, the Executive Management of Stillfront consists of the Company's CFO Sten Wranne. Sten Wranne was employed as the Company's CFO in October 2015. Before his employment, he has acted part-time as the CFO on a consultancy basis.

# Share capital and ownership structure

## The shares and the share capital

All of the Company's shares are denominated in SEK and issued under Swedish law in accordance with the Swedish Companies Act. After the listing, the shares will be traded in SEK on Nasdaq First North and the share's ISIN code is SE0007704788. The Company's shares are registered in a CSD register in accordance with the Swedish Financial Instruments Accounts Act (Sw. lag (1998:1479) om kontoföring av finansiella instrument). This register is managed by Euroclear Sweden. Except with regard to the missing share certificates held by JB TWO INTERNATIONAL LIMITED, IQ Capital Fund I L.P. and IQ Capital Partners LLP all previously issued share certificates have been revoked. The Company has been informed by JB TWO INTERNATIONAL LIMITED, IQ Capital Fund I L.P. and IQ Capital Partners LLP that they intend to initiate cancellation procedures for the missing share certificates. The Company has one class of shares. The shares are freely transferable.

As of the date of this Company Description, the Company has 4,433,583 shares issued and outstanding, all of the Company's shares have been fully paid. As of the date of this Company Description the Company's share capital is SEK 3,103,508.1, the quotient value of each share is SEK 0.7. According to the Company's articles of association, the Company's maximum number of shares is 12,000,000 and maximum share capital is SEK 8,000,000. After registration of the shares issued in the Offering that closed on 3 December 2015, the Company will have 5,006,583 shares outstanding.

Each share entitles the holder thereof to one vote. Each share entitles the holder thereof a pro rata right to dividends and the right to subscribe for shares in new issues of shares by the Company. All shares carry equal rights to the Company's assets available for distribution to shareholders in the event of liquidation, dissolution or winding up of the Company. The shares are not subject to any restrictions on their transferability.

## Historic share capital

The Board of Directors, based on the authorization from 12 October 2015, as resolved by the extraordinary general meeting, issued 1,923,000 new shares in connection with the Offering. The new shares were issued by way of two separate resolutions by the Board of Directors. The first share issue, due to technical reasons pertaining to the affiliation of the Company's shares with Euroclear, comprise 1,350,000 shares and was subscribed for by Pareto Securities AS at a price of SEK 0.70 per share which was equal to the quota value. Pareto Securities AS subsequently transferred the newly issued shares to those who were allotted shares in the Offering and, on behalf of the transferees, provided capital to the Company, by way of an unconditional shareholder contribution in an amount corresponding to the difference between the Offering Price and the subscription price of SEK 0.70 per share. The second share issue, comprising the remaining 573,000 new shares included in the Offering was issued at the Offering Price and subscribed for by those who were entitled to subscribe for shares in the Offering.

The table below shows changes in the share capital since the Company was founded.

Date	Event	Change in number of shares	Total number of shares	Change in share capital (SEK)	Share capital (SEK)
Pending registration	Share issue	573,000	5,006,583	401,000.0	3,504,608.1
2015-11-26	Share issue	1,350,000	4,433,583	945,000	3,103,508.1
2015-10-27	Reversed split	-17,601,498	3,083,583	0.0	2,158,508.1
2015-10-27	Share issue	5	20,685,081	0.5	2,158,508.1
2015-08-28	Reduction of share capital	-304,494	20,685,076	-30,449.4	2,158,507.6
2014-07-28	Share issue	1,343,545	20,989,570	134,354.5	2,188,957.0
2014-02-25	Share issue	200,233	19,646,025	20,023.3	2,054,602.5
2014-01-14	Share issue	2,988,200	19,445,792	298,820.0	2,034,579.2
2013-06-03	Share issue	3,982,463	16,457,592	398,246.3	1,735,759.2
2012-11-13	Share issue	2,690,951	12,475,129	269,095.1	1,337,512.9
2012-10-11	Share issue	534,355	9,784,178	53,435.5	1,068,417.8
2012-03-19	Share issue	304,494	9,249,823	30,449.4	1,014,982.3
2011-09-05	Share issue	383,783	8,945,329	38,378.3	984,532.9
2011-03-14	Share issue	463,501	8,561,546	46,350.1	946,154.6
2010-12-13	Share issue	5,467,591	8,098,045	546,759.1	899,804.5
2010-04-27	Share issue	110,802	2,630,454	11,080.2	353,045.4
2010-01-15	Share issue	353,893	2,519,652	35,389.3	341,965.2
2008-12-17	Share issue	841,373	2,165,759	84,137.3	306,575.9
2008-06-25	Share issue	474,386	1,324,386	47,438.6	222,438.6
2007-11-15	Share issue	750,000	850,000	75,000.0	175,000.0
2007-01-22	Incorporation	100,000	100,000	100,000.0	100,000.0

## Ownership structure

Expected ownership structure after the Offering closed on 3 December 2015.

Shareholder	Number of shares	Share
Acacia Asset management AB	598,295	12.0%
Swedbank Robur Fonder	450,592	9.0%
FKL Holding GmbH	426,886	8.5%
Niclas Eriksson family	333,333	6.7%
IQ Capital Fund I L.P.	318,484	6.4%
Silverbeam AB	267,990	5.4%
Fyrmax Limited	243,117	4.9%
IdeCap AB	204,836	4.1%
Lundström family	192,308	3.8%
Strömberg Förvaltnings AB	100,000	2.0%
Other shareholders	1,870,742	37.4%
<b>Total</b>	<b>5,006,583</b>	<b>100.0%</b>

## Owner transactions

As per 30 September 2015			As per 5 November 2015		
Shareholder	Number of shares	Percentage	Shareholder	Number of shares <sup>(1)</sup>	Percentage
Acacia Asset Management AB	3,111,139	14.41%	Acacia Asset management AB	444,449	14.41%
FKL Holding GmbH	2,988,200	13.84%	FKL Holding GmbH	426,886	13.84%
D7O2 Invest AB	2,361,664	10.94%	IQ Capital Fund I LP	318,484	10.33%
IQ Capital Fund I LP	2,229,382	10.33%	Silverbeam AB	267,990	8.69%
IdéCap	1,303,749	6.04%	Fyrmax Limited	243,117	7.88%
Malin Benitez	1,148,976	5.32%	IdeCap AB	189,086	6.13%
Strömberg Förvaltnings AB	700,000	3.24%	Strömberg Förvaltnings AB	100,000	3.24%
JRBM Fastighet och Invest AB	600,000	2.78%	JRBM Fastighets & Invest AB	85,715	2.78%
JB TWO INTERNATIONAL LIMITED	545,417	2.53%	JB TWO INTERNATIONAL LIMITED	77,917	2.53%
Christopher Holmberg	420,424	1.95%	Christoper Holmberg	60,061	1.95%
Jakob Marklund	389,281	1.80%	Jakob Marklund	55,612	1.80%
Sture Wikman	300,000	1.39%	Watchet Consultants Limited	44,066	1.43%
SBH Group AB	284,956	1.32%	Sture Wikman	42,858	1.39%
Jan Petterson	276,000	1.28%	SBH Group AB	40,708	1.32%
Dick Adolfsson	249,141	1.15%	Jan Petterson	39,429	1.28%
Håkan Dalsfelt	249,141	1.15%	Leif Holm	35,592	1.15%
Leif Holm	249,141	1.15%	Håkan Dalsfelt	35,592	1.15%
Clare Ltd	230,486	1.07%	Dick Adolfsson	35,592	1.15%
Rikard Bladh	186,927	0.87%	IMOG Holding AB	25,784	0.84%
Digits Commercial Ltd	180,487	0.84%	Gun Melin	24,614	0.80%

(1) Number of shares after reversed split (1-for-7)

Between 30 September 2015 and 19 October 2015, 16 transaction have been executed at share prices between SEK 1.50 and SEK 4.75. In total 4,285,879 shares have been turned over with a value-weighted average price of SEK 3.5 (prices before the reversed 7:1 split).

## Warrants

### Warrants 2010

Stillfront has issued a total of 309,000 warrants to Best Buy Stores L.P. Each warrant entitles the holder to subscribe for one share. Under the agreement governing the issuance of the warrants, Best Buy Stores L.P. had to reach three separate milestones in order to be entitled to subscribe for all of the shares. Best Buy Stores L.P. has only reached the first milestone entitling to subscription for 103,000 shares and has forfeited its right to 206,000 warrants since milestones two and three have not been met. The subscription price for the shares will amount to the lower of (i) SEK 9.89 or (ii) the subscription price for shares in an issue of shares which has been resolved by Stillfront most recently prior to a request for subscription of shares through an exercise of a warrant. Subscription shall be made no later than 12 May 2019. The actual number of shares and the subscription price is dependent upon when (and if) Best Buy Stores L.P. decides to exercise its 103,000 warrants and is furthermore subject to recalculation following inter alia the new issues of shares made after the issuance of the warrants in 2010 as well as the reversed split 7:1 in October 2015.

### **Contractually agreed warrants with Best Buy Stores L.P.**

In connection with the issuance of warrants to Best Buy Stores L.P. as set out above Stillfront contractually agreed with Best Buy Stores L.P. to offer Best Buy Stores L.P. to participate in new share issues and subscribe for shares as if it already had subscribed for 309,000 shares in Stillfront.

Stillfront Group AB has agreed with Best Buy Stores L.P. that the obligation of Stillfront Group AB to offer Best Buy Stores L.P. to participate in future share issues as if it has exercised all of the 309,000 warrants is terminated as of October 2015.

### **Warrants 2012**

In connection with the acquisition of Power Challenge Holding Limited during 2012 Stillfront issued a total of 322,535 warrants to Patrick Armstrong, Andreas Spante and Andreas Sjöstrand. Each warrant entitles the holder to subscribe for one share. The subscription price amounts to SEK 0.10 per share and the subscription period is 2 November 2012 until 2 November 2022. Following recalculation of the number of warrants due to the reversed split in October 2015 the number of warrants has been reduced to 46,077 with a right to subscribe for one new share per each warrant.

### **Authorization for the Board of Directors to issue securities**

At the extraordinary general meeting held on 12 October 2015 it was resolved to authorise the Board of Directors to resolve to issue, on one or several occasions, until the next annual general meeting, shares, warrants or convertibles in accordance with the Articles of Association of the company at the time of the issue. Such issue may be made with or without preferential rights for the shareholders and on terms that the new shares shall be paid for by contribution in kind or by set off.

### **Shareholder agreement**

To the Board of Director's knowledge there are no shareholder agreements or similar agreements that could lead to a shift in the control of the Company.

# Articles of association

Articles of association for Stillfront Group AB (publ), reg. no. 556721-3078, adopted at the shareholders' meeting on 12 October 2015

§ 1. – The company's name is Stillfront Group AB (publ).

§ 2. – The board shall have its seat in Stockholm municipality.

§ 3. – The company shall develop, provide and market (1) computer and video games and (2) online, community and entertainment services on the Internet and pursue activities related therewith.

§ 4. – The share capital shall be a minimum of SEK 2,000,000 and a maximum of SEK 8,000,000.

§ 5. – The number of shares shall be no less than 3,000,000 and no more than 12,000,000.

§ 6. – The company's financial year shall be 1 January – 31 December.

§ 7. – The board shall consist of 3 to 8 ordinary directors with no more than 8 deputy directors.

§ 8. – The company shall nominate 1-2 ordinary auditors with or without deputies.

§ 9. – Notice of a general meeting shall be given through an announcement in the Swedish Official Gazette and by way of being published on the company's website. Simultaneously, through advertisement in the Swedish newspaper Svenska Dagbladet, information shall be provided that notice has been issued.

§ 10. – To be entitled to participate in a general meeting, shareholders shall, firstly, be registered in the transcript or other list reflecting the entire share register regarding the shareholdings five workdays prior to the meeting and, secondly, notify the Company of their intention to attend the meeting not later than on the day stipulated in the notice convening the general meeting. The latter mentioned day must not be a Sunday, any other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and must not be more than the five workdays before the meeting.

Shareholders may be accompanied at the meeting by a maximum of two advisors, on condition that the shareholder notifies the Company of the number of advisors in the manner stated in the preceding paragraph.

§ 11. – At the annual shareholders' meeting the following matters shall be handled.

1. Appointment of the chairman for the meeting;
2. Approval of the voting register;
3. Approval of the agenda;
4. Election of one or two persons to attest the minutes;
5. Examination on whether the meeting has been duly convened;
6. Presentation of annual report and the auditor's report and, if applicable, consolidated accounts and income statements;
7. Resolution on:
  - adopting of the profit and loss statement and the balance sheet and, if applicable, consolidated profit and loss statements and balance sheets,
8. Resolution to establish the remuneration for the Directors of the Board and the auditors;
9. Resolution on the number of Directors and Deputy Directors of the Board to be appointed;
10. Appointment of the Directors and the Deputy Directors of the Board and auditor and deputy auditor; and
11. Other matter relevant to the meeting according to the Swedish Companies Act or the Articles of Association.

§ 12. – The shares of the company shall be registered in a central securities depository pursuant to the Financial Instruments (Accounts) Act (SFS 1998:1479).

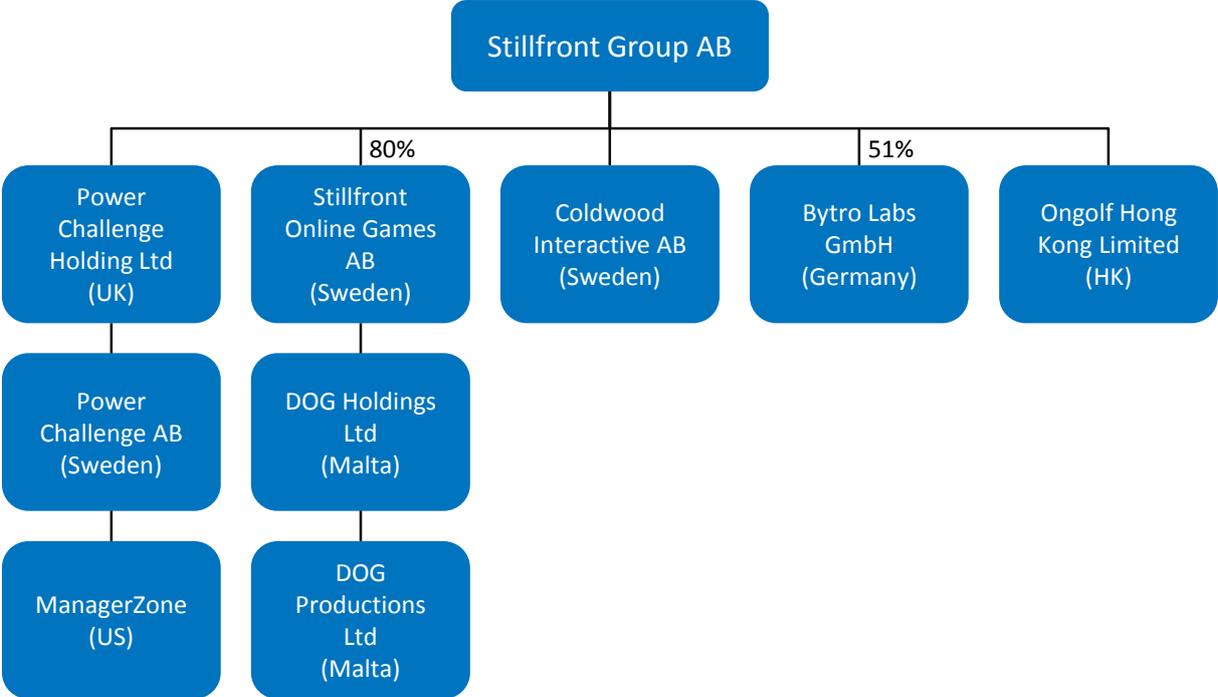
# Legal considerations and supplementary information

## Incorporation and legal form of business

Stillfront Group is a public limited liability company, formed and incorporated in Sweden under Swedish law on 2 November 2006. The legal name of the Company is Stillfront Group AB (publ), reg. no. 556721-3078, and its registered place of business is Stockholm, Sweden. The Company’s shares will be traded on Nasdaq First North. The Company conducts its business in accordance with Swedish law.

## Stillfront Group

The Company is the parent company of nine wholly and partially owned subsidiaries. The organisational chart below illustrates the legal structure of the Group. All entities illustrated below are wholly owned unless specifically indicated below. Coldwood Interactive AB, Stillfront Online Games AB and Power Challenge Sweden AB are registered in Sweden. Bytro Labs GmbH is registered in Germany. Power Challenge Holding Ltd. is registered in Great Britain. DOG Holdings Ltd. and DOG Production Ltd are registered in Malta and ManagerZone Inc. is registered in the United States. Ongolf Hong Kong Limited is registered in Hong Kong, Republic of China.



Note: All entities are wholly owned unless specifically indicated

## Material agreements

### *Warrant agreement Best Buy Stores L.P.*

In 2009, Stillfront entered into a Strategic Marketing Agreement with Best Buy Stores L.P. which has been terminated. However, there is a warrant agreement between Stillfront and Best Buy Stores L.P. Under the agreement governing the issuance of the warrants Best Buy Stores L.P. had to reach three separate milestones in order to be entitled to subscribe for all of the shares. Best Buy Stores L.P. has only reached the first milestone entitling to subscription for 103,000 shares and has forfeited its right to 206,000 shares since milestones two and three have not been met. The subscription price for the shares will amount to the lower of (i) SEK 9.89 or (ii) the subscription price for shares in an issue of shares which has been resolved by Stillfront most recently prior to a request for subscription of shares through an exercise of a warrant. Subscription shall

be made no later than 12 May 2019. The actual number of shares and the subscription price is dependent upon when (and if) Best Buy Stores L.P. decides to exercise its warrants and shall subject to recalculation following inter alia the new issues made after the issuance of warrants in 2010 as well as the reversed split 7:1.

In connection with the issue of warrants to Best Buy Stores L.P. according to the warrant agreement set out above Stillfront agreed with Best Buy Stores L.P. to offer Best Buy Stores L.P. to participate in new share issues and subscribe for shares as if it already had subscribed for 309,000 shares in Stillfront.

Stillfront Group AB has agreed with Best Buy Stores L.P. that the obligation of Stillfront Group AB to offer Best Buy Stores L.P. to participate in future share issues as if it has exercised all of the 309,000 warrants is terminated as of October 2015.

#### ***Agreement with ScandCap AB***

In 2014 Stillfront entered into an agreement with the financial advisor ScandCap AB appointing ScandCap AB as the exclusive financial advisor for any potential mergers and acquisitions until 31 December 2014. During this period Stillfront Group AB acquired 51% of Bytro Labs GmbH. The agreement automatically expired 31 December 2014 but should a transaction be completed within 12 months thereafter and the target having been identified, evaluated or been in contact with, ScandCap is entitled to its fee. The transaction fee amounts to 4.5% of the transaction value. If a part of a transaction that is comprised by the agreement is completed on a later occasion the part of such transaction fee is payable on that later occasion. The acquisition of the remaining 49% of the shares in Bytro Labs GmbH is scheduled to occur in the first half of 2016 and Stillfront may be obliged to pay a fee to ScandCap AB according to the terminated agreement.

#### ***Subsidies to Bytro Labs GmbH***

Bytro Labs GmbH has prior to being acquired by Stillfront been granted several subsidies by various organisations and authorities including a subsidy received in 2011 of up to €369,000. The subsidy may be repayable if at least 25% of the shares of the company are sold to another company which is not considered a small or medium-sized company prior to 3 November 2019. For the purpose of the subsidy a company, in order to qualify as a small or medium-sized company, may not have more than 250 employees or alternatively have annual revenue not exceeding €50m or an annual balance sheet total not exceeding €43m. If Stillfront is not qualified as a small or medium-sized company pursuant to the terms of the subsidy, the condition under the subsidy would have been violated by the transfer of 51% of the shares to Stillfront and consequently the subsidy might have to be repaid.

#### **Development and publishing agreements**

Coldwood Interactive has on 31 January 2015 entered into a development and publishing agreement with Electronic Arts Inc. ("EA") regarding Coldwood Interactive's development of the game "Unravel" for EA. Through the agreement, Coldwood Interactive assigns all intellectual property rights to the game to EA. The game has not yet been released by EA.

#### **Transfer of intellectual property rights from employees**

Intellectual property rights to works produced by the Group's employees are transferred via the employment agreements. The intellectual property rights in Manager Zone and PowerSoccer have been transferred from the Swedish companies, which were the original rights owners, to Power Challenge Holding Ltd. Power Challenge AB holds a license from to Power Challenge Holding Ltd to develop and exploit the games Manager Zone and PowerSoccer. Consultants are only occasionally involved in work that results in intellectual property rights.

The employees are remunerated for the transfer of rights to the employing entity through their salaries. Generally, no extra payments are made as consideration for the transfer of rights.

For PowerSoccer and ManagerZone, Power Challenge AB engages over 450 volunteer admins who provide services such as for example answering forum and support questions and monitoring game play. Generally, although the involvements of independent contractors are limited in the companies' development work, there is no firm policy for how such independent contractors are contracted.

## The founding of Stillfront Group

In 2010 Jörgen Larsson initiated the founding of the Stillfront Group by proposing the forming of a group of several game developers in one portfolio. At the time the group consisted of the following entities:

Company	Main business at the time	Main owner
OnGolf AB (currently Stillfront Group AB)	A PC golf game	Deseven Capital AB (55%)
Stillfront AB	Developing games based upon Hollywood IP	Clare Ltd (23.9%)
VOIPlay AB	Technology provider (voice over solution)	Deseven Capital AB (71.3%)
Verrano AB	Developing games adapted for Facebook	Daniel Benitez (46.3%)
GameRock AB	Gaming service called Spelarenan (later called Playzeek)	Deseven Capital AB (80%)
Coldwood Holding AB / Coldwood Interactive AB	Developing console and PC games for Sony	The founders Christopher Holmberg, Jakob Marklund, Dick Adolfsson Leif Holm and Håkan Dahlslöf (jointly 79.3%)

All of the entities were acquired by Stillfront Group AB by issuing new shares to the former owners in consideration for transferring the shares as issue-in-kind to Stillfront Group AB. In relation to Coldwood Holding AB a cash consideration of MSEK 4.02 was also paid by Stillfront Group AB. Deseven Capital became the main shareholder with an ownership of approx. 37%. All of the shareholders accepted the proposal and transferred their shares to Stillfront Group AB. The commercial rationale for founding the group is the basic portfolio theory being well placed for the gaming industry where developing games can be very profitable should the game become a success but from an investor perspective it can be advisable to diversify. Mainly Coldwood performed above expectations but the others did not succeed as well as expected. In 2012 Stillfront Group AB decided to depreciate goodwill for the acquisitions made in 2010 as further described in this Company Description (see section "*Financial overview*" – sub-section "*Depreciation & amortization*"). The current ownership of Fyrmax Limited originates from the shareholding of Deseven Capital. The other main shareholders also remain shareholders of Stillfront Group AB.

### Acquisitions

Stillfront and its subsidiaries have made the following transactions since 2010.

#### **2010**

In 2010 Stillfront acquired five Swedish companies active in developing online and consoles games. The subsidiaries Coldwood Interactive AB and Stillfront Online Games AB originate from acquisitions made in 2010. Stillfront AB (Reg. No. 556724-8710) and Verrano AB (Reg. No. 556667-4148) have been liquidated in connection with a sale to Svenska Standardbolag in 2012 and VOIplay AB (556743-9814) has been divested. In 2010 Stillfront Group AB also founded Ongolf Hong Kong Limited, a limited liability company in Hong Kong. This company is dormant and has never conducted any business.

#### **2012**

Stillfront acquired shares in Entertainment Products of Sweden AB (Reg. No. 556675-717). However, in accordance with a shareholders' agreement this deal has been reversed in 2015.

Stillfront Group AB acquired six (6) percent of the shares in Inexer AB (Reg. No. 556863-0809). The value of the shareholding is booked at zero value and Stillfront Group AB does not have any obligations towards Inexer AB other than what may follow from being a shareholder.

Stillfront Group AB acquired Power Challenge Holding Ltd (UK) in 2012. Accounting for the reversed split in October 2015 Stillfront has issued a total of 46,077 warrants to Patrick Armstrong, Andreas Spante and Andreas Sjöstrand in connection with the acquisition of Power Challenge Holding Ltd. Each warrant entitles the holder to subscribe for one share. The subscription price amounts to 0.10 SEK per share and the subscription period is 2 November 2012 until 2 November 2022.

### **2013**

Stillfront acquired fifty-one (51) percent of the shares in Bytro Labs GmbH (Germany) with the right and obligation to acquire the remaining forty-nine (49) percent after the audited annual report for the financial year 2015 has been adopted. The additional purchase price consists of a cash element and an issue of shares in Stillfront Group AB to the shareholder FKL Holding GmbH at a set price of SEK 28 per share in Stillfront Group AB, accounting for the reversed split in October 2015. Bytro Labs GmbH has financially developed beyond expectations, which is beneficial for Stillfront Group AB taking its current 51% shareholding of Bytro Labs GmbH into consideration.

The additional purchase price will be determined based upon the annual report for the period ending 31 December 2015. The number of shares is also dependent on the currency exchange rate between EUR and SEK. The Enterprise Value of Bytro Labs GmbH is defined as  $(\text{Sales } 2015 \times 1.5 \times 0.5 + \text{EBITDA } 2015 \times 8 \times 0.5 + \text{grants})$ . The Enterprise Value is limited to a maximum of €6,336,000. Should the Enterprise Value exceed €3,740,000 the cash consideration to FKL Holding GmbH from Stillfront Group AB will amount to €1,300,000. If the Enterprise Value amounts to €3,740,000 or more, the shares to be issued in Stillfront Group AB to FKL Holding GmbH shall correspond to (the balance of (a) 49% of the enterprise value, less (b) €1,300,000, plus (c) the amount of the cash compensation) multiplied with SEK/EUR exchange rate divided with 28. The Cash Compensation is defined as 20% of Bytro Labs GmbH's net cash position less dividend payments made.

As stated above there is a number of variable parts in the formula, which makes it near impossible to accurately predict the number of shares to be issued to FKL Holding GmbH, especially, taking the rapid growth into consideration. However, there is a partial implicit maximum dilution included since the formula has a maximum amount for the Enterprise Value.

### **2014**

Stillfront Online Games AB acquired DOG Holding Ltd (Malta) and indirectly its subsidiary DOG Production Ltd.

## **License agreements**

Coldwood Interactive has a license agreement with Sony Computer Entertainment Europe Ltd regarding the use of software development kits for the PlayStation 4 environment. The agreement does not confer any distribution rights to the developed games to Coldwood Interactive.

## **Lease agreements**

The Group conducts its operations in leased premises. The lease terms are in the Company's view customary and in accordance with the market practice and price for the relevant type of leases. No such leases have, as of the date hereof, been terminated or are under renegotiation. The Group is not dependent on any premises that are currently leased, and is deemed to be able to find new premises during the relevant notice period.

## **Payment solutions**

Stillfront's subsidiary ManagerZone Inc, based in the United States of America, is providing payment services to the Group. ManagerZone Inc has for this purpose entered into agreements on standardised terms with Paypal and Skrill, respectively.

## Intellectual property

### Trademarks

Bytro Labs GmbH has registered the community trademarks "Call of War" and "Thirty Kingdoms" in Nice classes 9, 28 and 41. DOG Holdings Ltd has registered the trademark "GLADIATORS ONLINE: DEATH BEFORE DISHONOR" in Nice classes 9, 28, 35, 41 and 42. The trademark "Powersoccer" is registered by the company Catalyst People Limited as a national trademark in the UK in Nice classes 9 and 35 and as a community trademark in Nice class 41. However, Catalyst People Limited appears to have been dissolved. Furthermore, Sony Computer Entertainment Europe Limited owns the registered community trademark and the UK trademark "power soccer" in Nice class 9 for Computer and video games. It appears as if Sony has not used its trademark since 1998. No disputes regarding the Group Companies' brands have been reported. No trademarks have been registered by Power Challenge AB or Coldwood Interactive AB.

### Domain names

The Group Companies hold a number of domain names which are used in and are considered relevant for the business.

### Open source

Coldwood Interactive uses software that are considered open source code or free software in the game Unravel. EA has approved the list of open source code in the game.

### Loans and financing

The Company has been granted a credit line from Acacia Finans AB in the total amount of SEK 4,000,000. The lender holds excess collateral in the form of a floating charge as security for its loan. Repayment of the loan shall be made 20 December 2015. The yearly interest rate amounts to 18% and after 20 December 2015 the yearly interest rate is 36%. The amount used under the credit is SEK 3,300,000. The Company intends to repay the amount used under the credit before the due date.

The Company was furthermore, on 26 November 2011 granted a loan from ALMI Företagspartner Uppsala AB in the amount of SEK 2,000,000 of which 444,000.50 remains following repayment of 1,556,000/1,667,000 has been repaid. Interest applies from the utilisation day. The yearly interest rate changes and follows ALMI's generally applied rates for credit of this kind. On the day the loan was granted, the interest rate was 7.62%. The credit period is 60 months from the date the loan was granted. ALMI has received a floating charge as security for its loan. The Managing Director Jörgen Larsson has made a guarantee commitment in favor of the Company as security for the Company's loan from ALMI Företagspartner Uppsala AB.

Deseven Capital AB has provided unconditional shareholder contributions to the Company amounting to SEK 2,200,537. Furthermore, Deseven Capital AB has provided conditional shareholders' contributions amounting to SEK 1,100,000 with a yearly interest rate of 12%. No share dividends or transfers to shareholders can be made until repayment of the shareholders' contribution has been made.

Coldwood Interactive AB has a credit line of SEK 1,000,000 with SEB.

Stillfront Online Games and Power Challenge have each been granted an overdraft facility of SEK 300,000 by SEB.

The Company has during 2014 and 2015 granted intercompany loans to DOG Productions in a total amount of approximately SEK 2,500,000, with an annual interest rate of 3 per cent. The loans shall be repaid on 31 December 2017.

## Employees and consultants

Stillfront Group has approximately 44 employees and during 2014 an average of 9 full time consultants were hired. To a certain variable degree, employees within the Stillfront Group may be granted bonuses. To the extent deemed appropriate such bonuses and incentives for the employees may be paid in the future as well. The employees and consultants are divided between the Stillfront Group as follows:

Company	Employees	Consultants
Stillfront Group AB	2	
Power Challenge Holding Limited	1	1
Power Challenge AB	8	4 half time
ManagerZone Inc	1	n.a.
Stillfront Online Games AB	1	
DOG Holdings Ltd		
DOG Productions Ltd	4	6
Coldwood Interactive AB	13	n.a.
Bytro Labs GmbH	14	n.a.
Ongolf Hong Kong Ltd	n.a.	n.a.

## Related party transactions

All transactions between companies within the Group are conducted on normal commercial terms and at arm's length.

PGS Sweden AB, a company which is wholly-owned by the chairman of the Board of Directors Per Skyttvall, has entered into an agreement with the Company whereby Per Skyttvall is entitled to charge the Company for consultancy work which is not a part of the ordinary duties of the Board of Directors. PGS Sweden AB is furthermore a minority shareholder of the Company. The consultancy agreement is entered into on market terms. The consultancy agreement is entered into on market terms. All assignments pursuant to the agreement are subject to prior approval by the managing director. The agreement is effective until further notice with a notice period of two months unless the parties mutually agree on other terms. During 2015, Per Skyttvall has received SEK 103,000 in consultancy fees from Stillfront Group.

Per Skyttvall is furthermore a member of the Boards of Directors of Acacia Finans AB and its shareholder, Acacia Asset Management AB. Acacia Asset Management AB is the largest shareholder of the Company. Acacia Finans AB has entered into a loan agreement with the Company where the Company has been granted a credit line from Acacia Finans AB. The amount used under the credit is SEK 3,300,000. The agreement is further described above under section "*Loans and financing*" and is entered into on market terms.

The Managing Director Jörgen Larsson has made a guarantee commitment in favor of the Company as security for the Company's loan from ALMI Företagspartner Uppsala AB. The loan is further described above under section "*Loans and financing*". Jörgen Larsson does not receive any remuneration for the guarantee commitment. Other than that no remuneration is paid for the guarantee commitment, which the Company considers beneficial for the Company, the agreement has been entered into on market terms.

Stillfront has granted intercompany loans to DOG Productions in a total amount of approximately SEK 2.5m, with an annual interest rate of 3 per cent. The loans shall be repaid on 31 December 2017. The loans are further described above under section "*Loans and financing*" and are entered into on market terms.

Deseven Capital AB has set off a loan in the amount of SEK 4,400,537 to the Company to shareholder contributions as described above under "*Loans and Financing*" and to a shareholder loan of SEK 1,100,000 with a yearly interest of 12% with monthly payments of the interest. The loan has been repaid. Companies within the Deseven Group have previously provided consultancy services to the Company on market terms. The Company's CFO, Sten Wranne, is a board member and the Managing Director of Deseven Capital AB. Sten

Wranne is furthermore a major shareholder in Deseven International AB which is the sole shareholder of Deseven Capital AB.

Jörgen Larsson, the Company's Managing Director previously provided services through his wholly owned company 4P Business Consulting AB to Stillfront Group AB on market terms. During 2015, Jörgen Larsson has received approximately SEK 1,500,000 in consultancy fees from Stillfront Group. Furthermore, Sten Wranne Stillfront Group AB's CFO previously provided services through his wholly owned company Black Ocean Development AB, on market terms. During 2015, Sten Wranne has received SEK 260,000 in consultancy fees from Stillfront Group. However, both of these consultancy services agreements have terminated and there are no outstanding obligations under either agreement. Jörgen Larsson and Sten Wranne are, since fall 2015, employed by Stillfront Group AB as Managing Director and CFO, respectively.

The Managing Director of Coldwood Interactive, Christopher Holmberg, is the sole shareholder of AB Norra Teknikinvest. AB Norra Teknikinvest has a consultancy agreement with Stillfront Group AB pursuant to which Stillfront Group may engage Christopher Holmberg to carry out services which are not within the scope of this position as Managing Director. The agreement has been entered into on market terms. The services include business development with a focus on strategic technology matters. The agreement is effective until further notice with a notice period of one month.

The transactions between the Company and closely related parties during 2014 amounted to in total approximately SEK 2,500,000.

Other than as set forth above and payments of remuneration to the Chairman of the Board of Directors and other members of the Executive Management, none of the members of the Board of Directors, key management personnel or shareholders has or had any part in any transaction with the Company which were unusual in their nature or condition, or significant to the business taken as a whole and that were effected during the current or immediately preceding three financial years, or during any earlier financial year and which remain in any respect outstanding or unperformed.

## **Reporting obligations**

Individuals holding 10% or more of the share capital or of the number of votes for all shares in the Company, individually or together with closely-related parties, are required to notify the Company and have their holdings and persons closely-related with such shareholders disclosed on the Company's website.

## **Certified Adviser**

The Company's Certified Adviser upon the listing at Nasdaq First North will be Pareto Securities AB. Contact information to Pareto Securities AB is found at the end of this document.

## **Liquidity guarantor**

Pareto Securities will act liquidity guarantor for Stillfront effective from the first day of trading to promote satisfactory liquidity in trading. As liquidity guarantor, Pareto Securities will set buy and sell volumes of at least SEK 20,000 respectively in the order book, with a maximum spread of 4% between the bid and asking prices.

## **Lock-up undertakings**

Key employees, which, before completion of the Offering, hold approximately 30% (non diluted, 31% fully diluted) of the share capital and votes in the Company, have through agreements entered into in October or November 2015 with Pareto Securities undertaken, with certain reservations, not to sell any shares in the Company including, for the avoidance of doubt, acquired in connection with the Offering, if any, without the written consent of Pareto Securities within 360 days of the first day of trading in the Company's shares on Nasdaq First North.

Existing shareholders, including the Principal Owner, which, before completion of the Offering, hold approximately 50% of the share capital and votes in the Company, have through agreements entered into in

October or November 2015 with Pareto Securities undertaken, with certain reservations, not to sell any shares in the Company including, for the avoidance of doubt, acquired in connection with the Offering, if any, without the written consent of Pareto Securities within 180 days of the first day of trading in the Company's shares on Nasdaq First North.

Existing shareholders which, before completion of the Offering, hold approximately 10% of the share capital and votes in the Company, have through agreements entered into in October or November 2015 with Pareto Securities undertaken, with certain reservations, not to sell any shares in the Company not including, for the avoidance of doubt, acquired in connection with the Offering, if any, without the written consent of Pareto Securities within 90 days of the first day of trading in the Company's shares on Nasdaq First North.

In total, existing shareholders which, before the completion of the Offering, hold approximately 90% of the share capital and votes in the Company, have entered into lock-up undertakings as specified above.

## **Disputes**

In 2013, Adobe Systems and Autodesk filed a petition against Bytro Labs, whereby the District Court of Hamburg issued an injunction. Accordingly, Bytro Labs was obliged to grant access to a court bailiff and an official expert to its computers and hard disks inside its business premises. The petitioners had claimed that Bytro Labs GmbH had installed their computer software (Adobe Photoshop, Autodesk 3ds max) without having obtained the corresponding licenses. The dispute was settled as Bytro Labs accepted a proposal of the opposing parties' attorneys to a) refrain from any reproduction of Autodesk 3ds max without having obtained any respective license as well as transfer €30,000 to a nominated account and b) provide copies of the purchase invoices for Autodesk 3 ds max and Adobe Photoshop CS6 as an attachment. The dispute has been cleared and there are no further claims in this context being asserted, outstanding or expected by Adobe Systems and Autodesk. Autodesk and Adobe Systems pressed criminal charges against the responsible persons in Bytro Labs. A criminal prosecution was denied by the public prosecution office of Hamburg in 2013.

Stillfront Group AB has entered into an agreement in 2012 with the financial advisor ScandCap AB regarding assistance in the acquisition of Power Challenge Holding Limited. Stillfront and ScandCap AB agreed to finalize the specific terms and conditions following the closing of the transaction with Power Challenge Holding Limited. However, Stillfront and ScandCap never agreed on any detailed terms and conditions for the approximately 22,857 warrants to be issued for a subscription price of either approximately SEK 48 or the average subscription price of any other share issues in the Company during 18 months following the closing of the acquisition of Power Challenge Holding Limited. No warrants have been registered with the Swedish Companies Registration Office. As of the date of this Company Description, there are on-going negotiations between Stillfront Group AB and ScandCap to resolve the fulfilment of the pending obligations according to the agreement. In the event of a dispute related to the agreement, such dispute shall be settled by arbitration administered by the Stockholm Chamber of Commerce.

Except as described above, there have been no governmental, legal or arbitration proceedings nor have there been any such proceedings which are pending or threatened, during the 12 months immediately preceding the date of this document which may have, or have had in the recent past, significant effects on the Group's financial position or profitability.

## **Insurance**

The Company is of the opinion that the current insurance coverage for the group is sufficient and satisfactory in view of the risks entailed by the business conducted by the Group.

## **Other**

After notice to the extraordinary shareholders' meeting 12 October 2015 was issued, a number of transfers of shares have been made. The transfers were made to third parties as well as transfers between related parties. The number of shares transferred amount to 7,433,030 (1,061,826 post reversed split) and the purchase price

were in the range of SEK 1.30–4.75 (9.1–33.25 post reversed split) and the volume weight average price (VWAP) amounted to SEK 3.71 (25.97 post reversed split).

# Tax considerations in Sweden

The following is a summary of certain tax consequences related to the Listing of the Stillfront shares. The summary is based on legislation currently in force and is intended as general information only. The summary does not for example address (i) securities held by partnerships or held as current assets in business operations; (ii) the specific rules on tax-exempt capital gains (including non-deductibility of capital losses) and dividends in the corporate sector that may apply when shares are considered to be held for business purposes (Sw. näringsbetingade andelar) by the shareholder; or (iii) shares that are held in an “investment savings account” (Sw. investeringssparkonto) and that are subject to special rules on standardized taxation. Special tax rules apply to certain categories of taxpayers, e.g., investment companies and insurance companies. The tax treatment of each individual shareholder depends on the investor’s particular circumstances. Each holder of shares should therefore consult a tax adviser for information on the specific implications that may arise in an individual case, including the applicability and effect of foreign rules and tax treaties.

## Resident shareholders

As used here, “resident shareholder” means a holder of shares who is (a) an individual who is a resident in Sweden for tax purposes or (b) an entity organized under the laws of Sweden.

### Individuals

#### *Capital gains taxation*

A taxable capital gain or deductible capital loss may arise on the sale or other disposition of listed shares or other equity-related securities. Capital gains are taxed as income from capital at a rate of 30%. A capital gain or loss is normally calculated as the difference between the sales proceeds, after deducting sales costs, and the tax base. The tax base of all equity-related securities of the same class and type are added together and computed collectively using the “average method”. Upon the sale of listed shares, such as shares in Stillfront, the tax basis may alternatively be determined as 20% of the sales proceeds after deduction of the sales costs under the “notional rule”.

Capital losses on listed shares and on other listed equity-related securities (with the exception of units in mutual funds that consist exclusively of Swedish receivables (“interest funds”)) are fully deductible against taxable capital gains on such assets and against taxable capital gains on non-listed shares in Swedish limited liability companies and foreign legal entities. Up to 70% of the capital losses on shares that cannot be offset in this way are deductible against other capital income. If there is a net loss in the capital income category, a tax reduction is allowed against municipal and national income tax, as well as against property tax and municipal property charges. A tax reduction of 30% is allowed on net loss not exceeding SEK 100,000 and 21% reduction of any remaining loss. Such net loss cannot be carried forward to future income years.

#### *Dividend taxation*

For individuals, dividends are taxed as income from capital at a rate of 30%. A withholding tax of 30% is generally levied on dividends paid to individuals resident in Sweden. The tax is normally withheld by Euroclear Sweden or, regarding nominee registered shares, by the Swedish nominee.

#### *Limited liability companies*

For a limited liability company, all income, including taxable capital gains and dividends, is taxed as business income at a rate of 22%. Capital gains and capital losses are calculated in the same manner as for individuals. Deductible capital losses on shares and other equity related securities may only be deducted against taxable capital gains on such securities. If certain conditions are fulfilled, such capital losses may also be offset against such capital gains in another company within the same group, provided that the requirements for exchanging group contributions (Sw. koncernbidrag) are met. A capital loss that cannot be utilized during a given year may be carried forward and be offset against taxable capital gains on shares and other equity-related securities during subsequent income years without any limitation in time.

## **Nonresident shareholders**

As used here, “non-resident shareholder” means a shareholder who is (a) an individual who is not a resident of Sweden for tax purposes and who has, or has previously had, no connection to Sweden other than his/ her investment in the shares, or (b) an entity not organized under the laws of Sweden.

### **Withholding tax**

Non-resident shareholders who receive dividends from a Swedish limited liability company are normally subject to Swedish withholding tax at a rate of 30%. However, the tax rate is often reduced in tax treaties for the avoidance of double taxation between Sweden and other countries. The majority of Sweden’s tax treaties enable a reduction of the Swedish tax to the tax rate stipulated in the treaty directly when dividends are paid, provided that necessary information is available in relation to the person entitled to dividends. In Sweden, Euroclear Sweden or, for nominee-registered shares, the nominee, normally withholds the tax. If a 30% withholding tax is deducted from a payment to a person entitled to a lower tax rate, or if too much withholding tax has otherwise been withheld, a refund can be requested from the Swedish Tax Agency before the end of the fifth calendar year following the dividend distribution.

### **Capital gains taxation**

A non-resident shareholder is generally not liable for Swedish capital gains tax on the disposal of shares, provided that the shareholder does not carry out business activities from a permanent establishment in Sweden to which the shares are effectively connected. However, under a specific tax rule, private individuals that are not resident in Sweden may be subject to tax in Sweden on the sale of certain securities (such as shares) if they have been resident or lived permanently in Sweden at any time during the year of such disposal or under any of the ten preceding calendar years. The application of this rule may be limited by tax treaties between Sweden and other countries. Shareholders may be subject to tax in their country of residence.

## **Documents incorporated by reference**

Stillfront's annual reports for the financial years 2012, 2013 and 2014 and the interim report for the period 1 January – 30 September 2015, form part of this Company Description and should be read as such. The financial reports can be found on Stillfront's web page ([www.stillfront.com](http://www.stillfront.com)). The annual reports for the financial years 2012, 2013 and 2014 have been audited by the Company's auditors and the audit reports are attached to the annual reports. The interim report for 1 January – 30 September 2015 has been reviewed by the Company's auditors and the review report is attached to the interim report. In addition to Stillfront's audited annual reports for the financial years 2012, 2013 and 2014 and the reviewed interim report for the period 1 January – 30 September 2015, none of the information in this Company Description have been audited or reviewed by the Company's auditors.

# Definitions

<b>Underlying EBITDA</b>	Underlying EBITDA excludes expenses considered by management as “expensed investments”. These adjustments have not been audited or reviewed
<b>fROI</b>	Forecasted return on marketing investment = (“forecasted customer lifetime value” – “acquisition cost per user”) / “acquisition cost per user”
<b>ARPPU</b>	Average return per paying user
<b>ARPU</b>	Average return per user
<b>MAU</b>	Monthly active users
<b>DAU</b>	Daily active users
<b>CAGR</b>	Compounded annual growth rate
<b>IP</b>	Intellectual property
<b>YTD Sep-14</b>	January to September 2014
<b>YTD Sep-15</b>	January to September 2015

# Addresses

## **Stillfront Group AB**

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[www.stillfront.com](http://www.stillfront.com)

## **Sole Manager and Bookrunner**

### **Pareto Securities AB**

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Tel: +46 8 402 50 00

## **Legal advisors**

### *To Stillfront*

#### **Advokatfirma DLA Nordic KB**

Kungsgatan 9  
SE-103 90 Stockholm  
Sweden

### *To Pareto Securities*

#### **Gernandt & Danielsson Advokatbyrå KB**

Hamngatan 2  
SE-114 87 Stockholm  
Sweden

## **Auditor**

### **Mazars Set Revisionsbyrå AB**

Mäster Samuelsgatan 56  
SE-111 83 Stockholm  
Sweden