

Year End Report January–December 2016

STILLFRONT GROUP AB (PUBL)

THE YEAR JANUARY - DECEMBER 2016

- Net revenues amounted to 94.8 MSEK (2015: 55.4 MSEK), which is an increase of 71% compared to the corresponding period 2015. The net revenues in 2014 amounted to 29.2 MSEK.
- EBITDA amounted to 34.3 MSEK (15.8 MSEK), which is an increase of 117%. EBITDA has, in accordance with IFRS been charged with acquisition costs of 1.3 MSEK. EBITDA excluding acquisition costs amounted to 35.5 MSEK during 2016. EBITDA in 2014 amounted to 4.8 MSEK.
- Operating result after financial items amounted to 23.4 MSEK (2015: 2.9 MSEK, 2014: -4.9 MSEK), an increase of 20,5 MSEK compared to the previous year. The net result for the year amounted to 21.0 MSEK (2015: 0.5 MSEK, 2014: -7.4 MSEK), an improvement of 20.5 MSEK compared to the previous year.
- Net result per share before dilution amounted to 2.89 SEK (2015: -0,26 SEK, 2014: -3.34 SEK) Net result per share after dilution amounted to 2.86 SEK (2015: -0.26 SEK, 2014: -3.34 SEK).
- As of December 31, cash and cash equivalents amounted to 35.8 MSEK (2015: 73.5 MSEK, 2014: 4.3 MSEK).
- The board proposes that the annual profit be appropriated by profit carried forward.
- Stillfront Group has prepared this year end report in accordance with IFRS. All comparative figures have been restated under IFRS. This report presents two comparative years, 2014 and 2015. In subsequent reports, only one comparison will be presented. This is the first time Stillfront Group applies IFRS.
- The remaining 49% of Bytro Labs GmbH was acquired in June.
- Acquisition of a majority shareholding in Simutronics Corp. was carried out in June.
- Sales of Unravel started February 9, 2016 and has been very satisfactory. Coldwood has during 2016 entered into a new agreement with Electronic Arts Inc for the development of a sequel to Unravel.
- Acquisition of all shares in Babil Games took place in December 2016.

THE QUARTER OCTOBER - DECEMBER 2016

- Net revenues amounted to 24.6 MSEK (corresponding period 2015: 18.7 MSEK), which is an increase of 31% compared to the corresponding period 2015.
- EBITDA amounted to 7.1 MSEK excluding acquisition costs amounting to 0.3 MSEK. Including acquisition costs EBITDA amounted to 6.8 MSEK (4.7 MSEK).
- Operating result after financial items amounted to 1.2 MSEK (-5.4 MSEK). The net result amounted to 7.7 MSEK (-5.7 MSEK).
- Earnings per share before dilution amounted to 1.38 SEK (-1.51 SEK). Earnings per share after dilution amounted to 1.37 SEK (-1.51 SEK).
- Acquisition of all shares in Babil Games took place in December 2016



SUCCESSFUL 2016 WITH STRONG GROWTH, GOOD MARGINS AND LOW/CONTROLLED RISK

2016 has been a very successful year for Stillfront Group. Stillfront increased sales by 71% and EBITDA by 117%. We have acquired two studios, which have broadened our activities with both mobile games and geographically to the high-potential market in the Middle East. We have also doubled the number of core games during the year.

This year end report is the first where Stillfront Group applies the International Finance Reporting Standards IFRS. All comparative figures have been restated according to the new framework. We have decided to adopt IFRS as we judge this to improve transparency and facilitate comparison with our peers, "says Jörgen Larsson, CEO Stillfront Group.

KEY FIGURES, THE GROUP

MSEK	2016 OKT-DEC	2015 OKT-DEC	2016 JAN-DEC	2015 JAN-DEC	2015 JAN-DEC
Net Revenues	24 552	18 719	94 832	55 380	29 202
Growth in revenues	31%		71%		
EBITDA	6 773	4 808	34 264	15 779	4 769
EBITDA margin	27.6%	25.7%	36.1%	28.5%	16.3%
Operating result after financial items	1 162	-5 403	23 443	2 873	-4 895
Net Result	7 668	-5 738	20 976	503	-7 416

A presentation of the Year End Report will be webcasted at <http://www.paretosec.com/gaming-seminar-2017.php>

IMPORTANT NOTICE: This Year End Report is a non-official translation from Swedish of the Bokslutskommuniké issued by Stillfront Group AB (publ) February 23, 2017. This translation is solely provided as convenience. Should there be any ambiguity between the Swedish and the English text, the Swedish text will prevail.

A Word from Jörgen Larsson, CEO

2016 – the growth journey and business building continues

2016 has been Stillfront strongest year so far. In tandem with achieving high profitable growth, many new key elements have been established for long and strong future progress for Stillfront Group.

The growth in both revenues and earnings have been extraordinary satisfying. We continue to achieve very strong growth and high margins. Net revenues 2016 is 71% higher than 2015 and EBITDA margin reaches strong 36% which gives an EBITDA result that is 117% higher than last year. The pre-tax earnings are 23 MSEK and net earnings 21 MSEK.

It is strategically important that we have been able to achieve these results with successive lower risk.

There is a clear and important theme in everything we do - we strive to be a leader in achieving good returns with less risk than comparable peers in the industry. The purpose of our proven and successful PLEX strategy is to systematically build Stillfront Group to achieve the best possible return / risk ratio. During 2016 we have established more and more building blocks in line with this. We have increased the number of products and the number of studios, the consumer volume increases and consumers show greater loyalty and consumption over time. We also broaden our operations geographically, in terms of revenue, presence and market knowledge.



One metric, among others, of the reduced risk, is the rolling twelve months' revenues and EBITDA. We now have 25 straight months of rising revenues and EBITDA results. This would not be possible to achieve if the revenues would be volatile, and thereby risks be high – our PLEX strategy is working.

We have also had good progress in our investments for future growth, profitability and stability.

2016 we have increased the number of games by 100% and the number of studios by 50%. In parallel, and at a higher pace, we have invested in additional new products. The development of these are on plan, specifically regarding those about to reach the market soon: Siege: Titan Wars, Conflict of Nations: Modern War™ and Heroes' Adventures. Our investment pace is now at an all-time-high, which promises a very interesting 2017 and 2018.

The share of our revenues coming from our own brands and our own publishing amounts to about 74%. We believe this share will increase, which is in line with our market strategy.

The loyalty and average revenue (ARPPU) of our customer base are yet other of our strengths. Our games are played not only in a few months, they played for years. Our most established brand Gemstone, came to the market 29 years ago - and is still growing!



Our largest product, Call of War, increased its revenues in the fourth quarter, after a weaker third quarter due to seasonal effects, and shows four month of growth up to and including December. The game has since its launch in May 2015 had revenues of 47 MSEK. Supremacy 1914 shows stable revenue levels and had in December the highest monthly revenue since July 2015. New World Empires has not reached the growth we hoped for, reaching revenues in the fourth quarter of 0.7 MSEK. Our KPIs related to the actual playing is good, however haven't the monetization reached levels enabling paid marketing reaches satisfactory return so far.

In addition to PLEX, Stillfront also has a strategy to grow through acquisitions. During the fourth quarter, Stillfront acquired Babil Games and in quarter two a majority stake in Simutronics. These are excellent examples of the kind of companies we wish to acquire: Entrepreneurial companies with an existing, proven games portfolio and a dedicated management who shares our belief in the PLEX strategy. They both also hold strong market positions within mobile strategy games.

Based on our continuous scanning of the market, we can conclude that the number of interesting potential acquisition objects have increased significantly after Stillfront's listing on Nasdaq First North. The efforts of identifying and evaluating new potential acquisitions continue unabatedly.

During the year, we have chosen to change our reporting to follow the IFRS framework, in order to improve transparency and facilitate comparability to our colleagues in the market.

It is with confidence and eagerness I look forward. We see that our business model and strategy works and gives us strong momentum for years to come.

I want to thank all our talented individuals and teams for all the hard and dedicated work to reach successes and handle challenges. The passion that exist throughout the Group is fantastic and creates spirit, joy and results.

Jörgen Larsson, CEO

The Stillfront strategy – PLEX

The PLEX strategy means that Stillfront strives for a portfolio of games and studios (P) through which we can reduce our title and technology risks. The games should be able to be played and remain profitable for a long period (L). Employing a technology structure with game engines (Engines – E) means we can achieve cost efficiencies via scalability. Finally, Stillfront offers games on many different technology platforms (Cross-Platform – X).



Significant events during the year.

Stillfront's growth strategy is based on growth in both existing games and studios working actively acquiring new studios.

During the interim period, the majority shareholding in the American studio Simutronics, with about twenty employees, was acquired. Simutronics was founded by David Whatley, who is an industry veteran. Simutronics has developed and published the strategy games Gemstone IV and DragonRealms. During the year Simutronics has developed Siege: Titan Wars, for which a soft launch began in the fourth quarter of 2016. Siege: Titan Wars is an advanced mobile strategy game with very large game depth with PVP (player vs. player) functions in a fantasy setting.

Stillfront acquired a 51% stake in Bytro Labs GmbH 2013. In June 2016 Stillfront acquired - in accordance with the acquisition agreement signed in 2013 - the remaining 49%.

In December Stillfront acquired Babil Games with operations in the United Arab Emirates and Jordan. Babil adopts and places mobile games specifically for the Middle East and North Africa (MENA) region. The MENA region enjoys a very strong growth in demand for mobile games. Babil has established itself as one of the leading providers of culturally appropriate mobile games in the MENA region.

Efforts to identify and evaluate potential acquisitions continues unabated. There are several highly interesting potential acquisitions, and Stillfront has a number of parallel discussions on-going. The evaluation of the potential acquisitions pay particular attention to the object's fit into Stillfront the PLEX strategy and that management and owners share Stillfront's values.

Bytro continues to enjoy a strong and loyal user base. Supremacy 1914 is now in its eighth year and had in the fourth quarter still stable revenue levels. Call of War increased in the fourth quarter its revenues by 32% to 7.0 MSEK. New World Empires has not reached the desired growth and achieved revenues during the quarter at 0.7 MSEK. For evaluation purposes, campaign costs with low returns related to New World Empires was taken amounting to 0.8 MSEK. Bytro has during the period taken a number of steps to build for the future: It has conducted a knowledge transfer to its sister company Dorado, to thereby increase Stillfront's overall capability of capitalizing on the SUP platform. Furthermore Bytro expanded its workforce for the development of new games and game engines. It has also expanded its infrastructure to raise the business to a new higher level resulting in slightly higher costs per sales during a transitional period. During the quarter Bytro also took non-recurring costs for the establishment of new channels amounting to 0.7 MSEK.

Conflict of Nations, which has been developed by Dorado in cooperation with Bytro, was beta-launched in December 2016 and has shown promising KPIs. The goal is to market the product fully early in the second quarter.

Power Challenge continues its efforts to improve the conversion rate of their traffic. Major focus is on improving the gaming experience for players who play through mobile and tablet, which is expected both to improve the conversion rate of new players, but also increase revenue from existing players.

Coldwood's game Unravel, developed on behalf of publisher Electronic Arts launched in February 2016 and has been very well received by both consumers and professionals. Stillfront has received a substantial royalty based on good sales of the game. Cold Wood has been chosen to develop a sequel to Unravel.

Coldwoods efforts to develop its own IP progresses.

During the year, Simutronics has been working on the development of the mobile strategy game Siege: Titan Wars. During the third quarter, a co-publishing agreement was signed with Tilting Point. Tilting Point has a



reputation as very resourceful marketers with leading expertise in games publishing. Simutronics retains all rights (so-called IP) to the game, which in the fourth quarter has initiated a test launch in few select test markets, in a so-called Soft Launch.

All shares in Babil Games LLC were acquired in December. Babil is a leading publisher of mobile games in Middle East and North Africa (MENA region). Babil has achieved great success by adapting products specific to the particular demands of the players in the MENA region.

Overall, Stillfront in 2016 made substantial investments in products, implementation capacity and acquisitions. This is in line with the plans announced in connection with Stillfront's listing on Nasdaq First North in December 2015. It is management's and the Board's view that the investment made so far create good conditions for stable and high growth with profitability in the coming years.

Significant events after the end of the year

After year-end, the test launches of Siege: Titan Wars and Conflict of Nations: Modern War continued. Test launches are essential as they provide important knowledge about behavioral patterns to be used to optimize the games and monetization.

February 21 saw the launch of the mobile game Moghamarat Al Abtal (Heroes Adventure), the latest game from Stillfront's recently acquired studio Babil Games. Moghamarat Al-Abtal (Heroes Adventure) is a fast-paced 2D-scrolling action adventure game set in a beautifully drawn fantasy world, where players lead a team of unique heroes in order to overcome challenges and vanquish evil solo or with friends. The game has been developed by an external studio and Babil Games has the exclusive right to market the localized game in the MENA market.

In February, Stillfront Group acquired an additional 2.41% of ownership in Simutronics. After the acquisition Stillfront Group owns 55.06% of the shares in Simutronics.

Stillfront has intensified discussions with several interesting potential acquisitions.

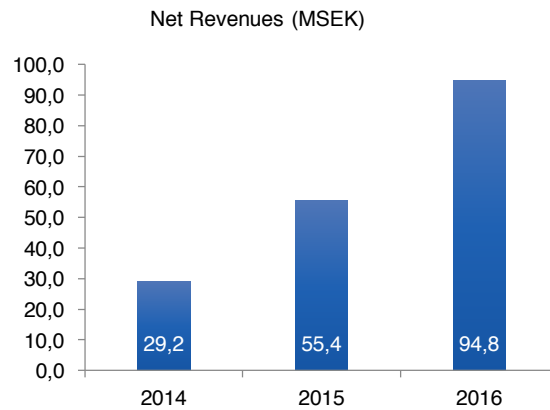
Revenues and profit/loss

This is the first time Stillfront Group submits its year end report in accordance with IFRS. The accounting principles applied are described in a separate appendix. All comparative figures have been restated in accordance with IFRS and are presented for 2014 and 2015. In subsequent reports, only one comparison will be presented.

In accordance with IFRS, Stillfront capitalizes product development expenses. This has resulted in a significant balance sheet item regarding intangible assets arising, and (compared to the previously applied accounting principles) in earnings being affected by investments no longer being expensed and by the earnings being further, goodwill is no longer amortized. Acquisition costs are now being expensed.

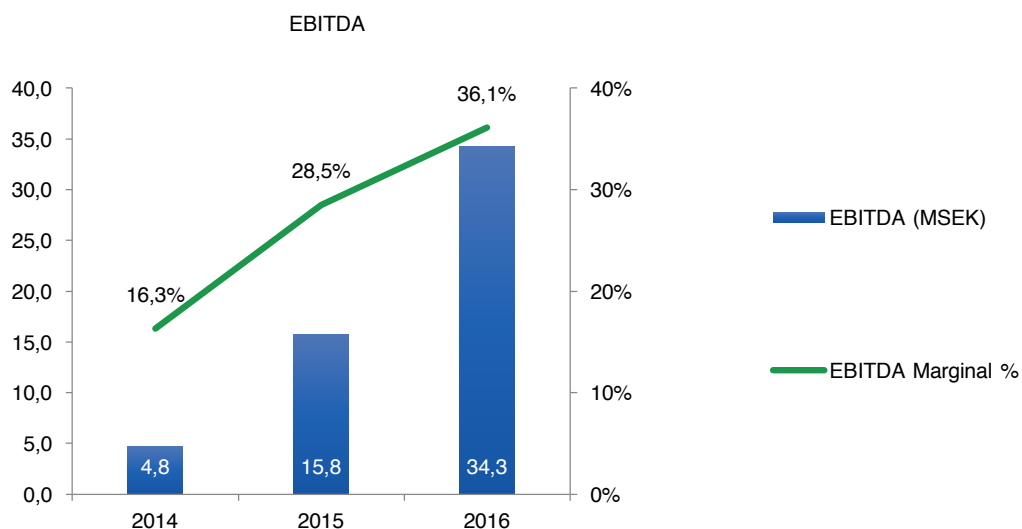
Net revenues during 2016 were 94.8 MSEK (corresponding period 2015: 55.4 MSEK; 2014: 29.2). The increase pertains mainly to Bytro's Call of War and strong revenues in Coldwood. The revenue in Coldwood pertains to contracting work as well as royalties. Furthermore, Simutronics, which was consolidated into the Group as of June 2016, contributed to the sales increase. Babil, consolidated as of Dec 1, 2016, has also contributed to the increase in sales. Net revenues for the fourth quarter amounted to 24.6 MSEK (corresponding period 2015: 18.7).

Total revenues during the year, which includes own work to be capitalised and other revenues amounted to 119.8 MSEK (2015: 61.1 MSEK, 2014: 38.6 MSEK).



The EBITDA amounted to 34.3 MSEK (2015: 15.8 MSEK, 2014: 4.8 MSEK) during the year, corresponding to an EBITDA-margin of 36,1% (2015: 28,5%, 2014: 16,3%). EBITDA in the fourth quarter, excluding acquisition costs amounted to 7.1 MSEK corresponding to an EBITDA margin of 28,9%. Including acquisition costs, EBITDA amounted to 6.8 MSEK corresponding to 27.6% margin. (2015: 4.8 MSEK and 25.7%). Compared to previous quarters this year, the EBITDA margin in the fourth quarter has pressured by declining royalties to Coldwood and the consolidation of Babil, whose low risk business model has a lower margin than the Group. Excluding acquisition costs amounting to 1.3 MSEK, EBITDA for the full year to amounted to 35.5 MSEK, equivalent to 37.5% EBITDA margin.

Operating result after financial items amounted to 23.4 MSEK (2015: 2.9 MSEK; 2014: -4.9 MSEK). Net result amounted to 21.0 MSEK (2015: 0.5 MSEK, 2014: -7.4 MSEK).



Cash flow and financial position

Cash flow for the year was -38.4 MSEK (2015: 69.2 MSEK, 2014: -3.5 MSEK). Cash flow from operations was 30.0 MSEK (2015: 17.2 MSEK, 2014: 4.6 MSEK). Corresponding numbers for the fourth quarter 2016 are -21.5 MSEK and 4.1 MSEK, respectively. Equity ratio as of December 31 2016 was 48 percent (2015: 83 percent; 2014: 78 percent).

Cash and cash equivalents for the Group, including not utilised credit facilities, were at the end of the year 37.4 MSEK compared to 75.1 MSEK as of December 31, 2015 and 5.9 MSEK as of December 31, 2016..

Investments and Depreciation

Stillfront Group AB has applied the International Finance Reporting Standards (IFRS) for this year-end report. Thus, Stillfront capitalizes expenses for product development. Previously, Stillfront expensed all investments related to product development. All comparative figures have been restated under IFRS.

During the year investments have been made that have been capitalized with 31.0 MSEK (2015: 13.4 MSEK, 2014: 12.8 MSEK). Investments include the New World Empires game, which has been developed by Bytro based on Supremacy engine. Conflict of Nations: Modern War has been developed based on the Supremacy engine, although the development has been done by Stillfront studio Dorado and is being test launched currently. The newly acquired company Simutronics is investing heavily in a future mobile game. Coldwood is investing in a future game with the working title CWIP1. Furthermore, investments have been made both in a number of other new games, and new functionality in some existing games. During the fourth quarter, investments were made that resulted in capitalizations amounting to 9.1 MSEK (4,3).

Depreciation and amortization of 9.6 MSEK (2015: 12.7 MSEK, 2014: 9.0 MSEK) was charged during the year. During the fourth quarter depreciation and amortization was charged with 5.8 MSEK (10.2). Depreciation and amortization primarily pertains to goodwill and other intangible assets acquired by the Group related to the Group's acquisitions of subsidiaries and to capitalization of product development expenses.

During the year, the Group increased intangible assets (capitalized product development expenses, goodwill and game rights) by 226,5 MSEK and the Group's long term liabilities increased by 143.9 MSEK. The increases of long term liabilities are essentially attributable to contingent considerations related to the Group's acquisition of Simutronics and Babil.

Employees

The number of employees at the end of period was 115.

Market

The gaming industry is globally one of the largest areas in digital entertainment. In 2016 the market was estimated to exceed USD 100 billion. Thus, the game industry is a larger industry than the film and music industries together. In recent years, the annual growth is estimated to be 7%, and the market is expected to USD 119 billion 2019.

North America and Europe account for 43% of the global market. In Europe the number of players was estimated in 2016 to 337 million in North America to 198 million. Growth in both these markets is expected to be lower than average. Other markets such as the MENA (Middle East and North Africa) is estimated to have stronger growth than the average.



The market is very large, but the competition is also, in some segments, hard. Stillfront Group's strategy is to meet the competition by offering high quality games with highly engaging play experiences for consumers with a long life cycle.

Stillfront's online games have a low threshold to attract new players and offer free-to-play, but offers clear advantages for the players who pay for extra features and characteristics. In this way, a good player liquidity achieved in parallel with a large paying player base with high average revenues.

Parent Company

Standard group management functions and group wide services are provided via the parent company. The revenues for the parent was during the year were 1.7 MSEK (1.0 MSEK; 2014: 0.0 MSEK). The yearly profit/loss amounted to 21.0 MSEK (2015: 3.6 MSEK, 2014: -2.8 MSEK).

Related Party Transactions

During the year Stillfront Group has completed the acquisition of Bytro Labs GmbH as agreed in 2013. In connection therewith, the sellers received a payment in accordance with the acquisition agreement. The sellers are active in Bytro Labs GmbH.

Further, there have been customary transactions with related parties such as remuneration to key individuals.

The Share and Shareholders

Stillfront Group's shares are traded on Nasdaq First North since December 8, 2015. Closing price as of December 30 2016 was 79.00 SEK/share.

The largest shareholders are FKL Holding GmbH with 16.0 percent of the shares in Stillfront Group AB, Acacia Asset Management with 10.1 percent of the shares and Swedbank Robur Ny Teknik BTI with 7.5 percent of the shares in the company as per December 30, 2016. The total number of shares as of December 30 is 5,983,775 including issued not registered shares.

Annual General Meeting of the Shareholders

The AGM will be held May 19, 2017. The Board proposes that the profit for the year be appropriated by profit carried forward.

The annual accounts will be available on the company website stillfront.com and the company's office in Stockholm during the week of April 24, 2017.

Accounting and Valuation Principles

This year end report has been prepared in accordance with IFRS. It is the first time Stillfront applies IFRS. All comparative figures have been restated under IFRS. A detailed description of the effect of the transition is shown in Note 6 and the Group's overall new accounting principles are attached in an appendix to this report.



Risks and Uncertainty Factors

Risks and uncertainties are described in Stillfront Company Description December 4, 2015, which is available on the company's website www.stillfront.com/site/investor-relations.

Review

This report has not been reviewed by the company's auditors.

Certified Adviser

Avanza Bank is Stillfront's Certified Adviser.

Investor contact

The latest information on the company is published on its website www.stillfront.com. The company can be contacted by email ir@stillfront.com, or by phone +46-725-139914.

Financial Calendar

Interim report first quarter 2017:	16 maj, 2017
AGM:	19 maj, 2017
Interim report second quarter 2017:	29 augusti, 2017
Interim report third quarter 2017:	14 november, 2017
Year end report 2017:	22 februari, 2018

Note

This information is information that Stillfront Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at 07.15 CET on February 23, 2017.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Board Declaration

The Board of Directors and the Chief Executive Officer hereby certify that this Interim Report gives a true and fair view of the company's and the group's operations, financial position and results of operations, and describes significant risks and uncertainties faced by the company and the companies in the group.

Stockholm, Nov 22, 2016

Per Skyttvall, Chairman

Mark Miller

Alexander Bricca

Fredrik Åhlberg

Annette Brodin Rampe

Jörgen Larsson, CEO

Key figures, Group

	2016 OKT-DEC	2015 OKT-DEC	2016 JAN-DEC	2015 JAN-DEC	2014 JAN-DEC
Net revenues, KSEK	24 552	18 719	94 832	55 380	29 202
EBITDA, KSEK	6 773	4 808	34 264	15 779	4 769
Operating result after financial items, KSEK	1 162	-5 403	23 443	2 873	-4 895
Net result, KSEK	7 668	-5 738	20 976	503	-7 416
EBITDA margin, %	27.6%	25.7%	36.1%	28.5%	16.3%
Equity Ratio, %	47.7%	83.0%	47.7%	83.0%	77.8%
Shareholders' equity per share undiluted, SEK	22.44	19.08	22.44	19.08	11.70
Shareholders' equity per share diluted, SEK	22.21	19.08	22.21	19.08	11.70
Earnings per share undiluted, SEK	1.38	-1.51	2.89	-0.26	-3.34
Earnings per share diluted, SEK	1.37	-1.51	2.86	-0.26	-3.34
No of shares end of period undiluted	5 983 775	5 006 583	5 983 775	5 006 583	2 998 510
No of shares end of period diluted	6 045 171	5 119 145	6 045 171	5 119 145	3 111 586
Average no of shares period undiluted	5 670 847	3 211 605	5 328 763	4 002 797	2 674 797
Average no of shares period diluted	5 732 243	3 324 167	5 390 159	4 100 909	2 787 873

DEFINITIONS KEY FIGURES, GROUP

EBITDA

Operating profit before depreciation and amortization.

EBITDA margin

EBITDA as percentage of net revenues.

Equity ratio

Shareholders' equity as a percentage of total capital.

Shareholders' equity per share

Shareholders' equity attributable to the parent

company shareholders divided by the number of shares at the end of the period.

Earnings per share

Earnings after tax attributable to the parent company shareholders divided by the average number of shares during the period.

Note

Number of shares have been recalculated in order to reflect the reverse split 7:1 made on Oct 27 2015.

Consolidated income statement

KSEK	NOTE 1,2,4,6	2016 OKT-DEC	2015 OKT-DEC	2016 JAN-DEC	2015 JAN-DEC	2014 JAN-DEC
Revenues						
Net revenues		24 552	18 719	94 832	55 380	29 202
Internally accrued during the year		7 589	1 912	23 669	5 435	7 478
Other revenues		690	-327	1 348	268	1 895
Total Operating Revenues		32 831	20 304	119 849	61 083	38 575
Operating expenses						
Other operating expenses		-11 583	-9 623	-40 216	-25 774	-16 813
Personnel expenses		-14 475	-5 873	-45 369	-19 530	-16 993
Depreciations and write-downs		-5 753	-10 170	-9 611	-12 675	-9 046
Operating result		1 020	-5 362	24 653	3 104	-4 277
Result from financial items						
Financial Income		1 151	20	1 836	72	116
Financial expenses		-1 009	-61	-3 046	-303	-734
Total financial items		142	-41	-1 210	-231	-618
Operating result after financial items		183	-5 403	23 443	2 873	-4 895
Taxes for the period		6 506	-335	-2 467	-2 370	-2 521
Net result for the period		7 668	-5 738	20 976	503	-7 416
Other comprehensive income						
Items that later can be reversed in profit						
Foreign currency translation differences		-584	37	3 853	-313	-766
Total other comprehensive income for period		7 084	-5 701	24 829	190	-8 182
Period net result attributed to:						
Parent company shareholders		7 849	-4 862	15 408	-1 059	-8 942
Minority interests		-181	-876	5 568	1 562	1 526
Period total comprehensive income		7 300	-4 632	19 075	-1 188	-9 929
Parent company shareholders		7 300	-4 632	19 075	-1 188	-9 929
Minority interests		-216	-1 069	5 754	1 378	1 747
Average number of shares						
Undiluted		5 670 847	3 211 605	5 328 763	4 002 797	2 674 797
Diluted		5 732 243	3 324 167	5 390 159	4 100 909	2 787 873
Net result per share attributable to the parent company shareholders						
Undiluted		1,38	-1,51	2,89	-0,26	-3,34
Diluted		1,37	-1,51	2,86	-0,26	-3,34

Consolidated balance sheet in summary

KSEK	NOTE 1,2,4,6	2016-12-31	2015-12-31	2014-12-31	2014-01-01
Intangible non current assets	3	264 499	37 962	37 317	32 429
Tangible non current assets		775	241	225	275
Financial non current assets		0	0	5 309	6 159
Deferred tax assets		7 779	1 049	567	580
Current receivables		13 707	8 808	2 519	3 882
Cash and bank		35 774	73 454	4 286	7 771
Total assets		322 534	121 514	50 223	51 096
Shareholders' equity					
Shareholders' equity attributable to parent company's shareholders		134 261	95 508	35 072	39 731
Minorities		19 733	5 400	4 022	2 622
Total Shareholders' equity		153 994	100 908	39 094	42 353
Non-current liabilities	5	148 090	4 167	3 909	1 776
Current liabilities		20 450	16 439	7 220	6 967
Total Liabilities and Shareholders'		322 534	121 514	50 223	51 096

Shareholders' equity, Group

KSEK	SHARE CAPITAL	NOT REGISTERED SHARE CAPITAL	OTHER CONTRIBUTIONS	OTHER EQUITY INCL PROFIT OF PERIOD	EQUITY PERTAIN TO PARENT SHARE HOLDERS	MINORITY	TOTAL EQUITY
Opening balance 2014-01-01	1 736	126 715		-88 720	39 731	2 622	42 353
Profit/Loss for the period				-8 942	-8 942	1 526	-7 416
Other comprehensive income							
*** Foreign currency translation differences			-987		-987	221	-766
Total other comprehensive income			-987	-8 942	-9 929	1 747	-8 182
New share issue	453	4 817			5 270		5 270
Adj acquisition analysis						-347	-347
Total transactions booked against share capital	453	4 817			5 270	-347	4 923
Closing balance 2014-12-31	2 189	131 532	-987	-97 662	35 072	4 022	39 094
Profit/Loss for the period				-1 059	-1 059	1 562	503
Other comprehensive income							
*** Foreign currency translation differences			-129		-129	-184	-313
Total other comprehensive income			-129	-1 059	-1 188	1 378	190
New share issue	1 346	73 651			74 997		74 997
Issue costs		-10 814			-10 814		
Cancellation of shares	-30	-2 529			-2 559		-2 559
Total transactions booked against share capital	1 316	60 308	0	0	61 624	0	61 624
Closing balance 2015-12-31	3 505	191 840	-1 116	-98 721	95 508	5 400	100 908
Profit/Loss for the period				15 408	15 408	5 568	20 976
Other comprehensive income							
*** Foreign currency translation differences			3 667		3 667	186	3 853
Total other comprehensive			3 667	15 408	19 075	5 754	24 829
New share issue	684	56 911			57 595		57 595
Issue costs		-1 591			-1 591		-1 591
Acquisition of minority		-36 326			-36 326	-11 150	-47 476
Acquisition of subsidiary						19 729	19 729
Total transactions booked against share capital	684	18 994	0	0	19 678	8 579	28 257
Closing balance 2016-12-31	4 189	210 834	2 551	-83 313	134 261	19 733	153 994

Cash flow in summary, Group

KSEK	NOTE	2016	2015	2016	2015	2014
		OKT-DEC	OKT-DEC	JAN-DEC	JAN-DEC	JAN-DEC
Operations						
Result after financial items		1 162	-5 404	23 443	2 872	-4 895
Adj for items not in cash flow etc		4 720	12 182	9 553	14 204	7 571
Tax paid		833	-898	-1 953	-1 035	-172
Cash flow from operations before changes in working capital		6 715	5 879	31 042	16 041	2 504
Changes in working capital						
Increase(-)/Decrease (+) operating receivables		120	-3 183	-647	-5 891	1 634
Increase (+)/Decrease (-) in operating liabilities		-2 763	3 178	-437	7 073	489
Cash flow from changes in working capital		-2 642	-5	-1 084	1 182	2 122
Cash flow from operations		4 072	5 874	29 959	17 223	4 627
Investment activities						
Acquisition of business		-15 834	0	-21 556	0	0
Acquisition of tangible assets		-28	-162	-740	-277	-138
Acquisition of non-tangible assets		-9 103	-4 288	-30 960	-13 422	-12 798
Acquisition of non financial assets		0	2 051	0	0	0
Cash flow from investment activities		-24 965	-2 400	-53 255	-11 648	-12 936
Financing activities						
New share issue		29	64 184	29	64 184	5 270
New share issue costs		-622	0	-1 592	0	0
Acquisition of minority shares		0	0	-13 552	0	0
Amortization of debt		0	-257	0	-591	-444
Cash flow from financing activities		-592	63 926	-15 115	63 593	4 826
Cash flow for the period		-21 485	67 401	-38 411	69 168	-3 483
Cash and cash equivalents at start of period		56 835	6 053	73 454	4 286	7 770
Translation differences		425	0	731	0	0
Cash and cash equivalents at end of period		35 774	73 454	35 774	73 454	4 286

Parent company income statement

KSEK	Note	2016 okt-dec	2015 okt-dec	2016 jan-dec	2015 jan-dec	2014 jan-dec
<i>Revenues</i>						
Net revenues		1 678	1 020	1 678	1 020	0
Total operating revenues		1 678	1 020	1 678	1 020	0
<i>Operating expenses</i>						
Other external expenses		-722	-408	-3 282	-2 808	-2 438
Personnel expenses		-1 226	-545	-4 473	-545	0
Operating result		-270	67	-6 077	-2 333	-2 438
Financial income		45	51	115	51	12
Financial expenses		-161	-133	-422	-265	-700
<i>Total financial items</i>		-116	-82	-307	-214	-688
Result after financial items		-386	-15	-6 384	-2 547	-3 126
Group contribution		14 865	6 164	14 865	6 164	335
Tax for the period		6 489	0	6 489	0	0
Net result for the period/Comprehensive income for the period		20 968	6 149	14 970	3 617	-2 791

Parent company balance sheet in summary

KSEK	NOTE	2016-12-31	2015-12-31	2014-12-31
Financial non current assets		326 359	80 041	78 358
Current receivables		1 238	1 435	85
Cash and bank		22 755	63 513	335
Total assets		350 352	144 989	78 778
Shareholders' equity		211 509	140 749	75 508
Appropriations		126 304	0	0
Non current liabilities		7 708	0	2 250
Current liabilities		4 831	4 240	1 020
Total liabilities & Shareholders' equity		350 352	144 989	78 778

NOTES

NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

Stillfront's year end report has been prepared in accordance with IAS 34, Interim Financial Reporting. The consolidated financial statements have been prepared in accordance with IFRS such as adopted by the EU and the relevant references to Chapter 9 of the Swedish Annual Accounts Act. The parent company's financial statements are prepared in accordance with RFR 2, Accounting for Legal Entities and the Swedish Annual Accounts Act. This is Stillfront first financial year in accordance with IFRS. The transition to IFRS for the Group is described in Note 6 and the group's and parent company's accounting policies under IFRS are described in Appendix 1. For the parent company, the transition, besides enhanced disclosure requirements, has not led to any changes in accounting and valuation principles.

NOTE 2 FAIR VALUES

Stillfront holds financial assets classified as financial assets available for sale per 2014-12-31. These financial assets will be formally recognized at fair value through other comprehensive income. These financial assets are short term interest funds and the acquisition cost is estimated to correspond to fair value. Other financial assets belonging to the category of loans and receivables are booked at amortized cost. All liabilities, excluding contingent consideration are recognized at amortized cost. Financial assets and liabilities are recognized at amortized cost have variable interest rates. The fair value of these are in all material aspects consistent with book value. No financial assets or liabilities have been transferred between valuation categories. Stillfront reports additional consideration in connection with the acquisition of operations. These additional considerations are valued at fair value in accordance with the Tier 3.

NOTE 3 INTANGIBLE ASSETS

Capitalized Development Costs KSEK	2016-12-31	2015-12-31	2014-12-31
<i>Accumulated costs</i>			
Opening balance	55 957	42 554	29 113
External acquisitions	0	135	0
Internally accrued during the year	30 960	13 422	12 798
Translation difference	964	-154	643
Closing Balance	87 881	55 957	42 554
<i>Accumulated depreciation/amortization</i>			
Opening balance	-40 588	-27 829	-24 668
This year's depreciations	-5 511	-12 552	-2 720
Translation difference	0	-207	-441
Closing Balance	-46 099	-40 588	-27 829
Book Value	41 782	15 369	14 725

Goodwill KSEK	2016 12 31	2015 12 31	2014 12 31
<i>Accumulated costs</i>			
Opening balance	28 344	28 344	27 984
Investments in businesses	171 066	0	0
Other adjustments	0	0	360
Translation difference	-3 040	0	0
Closing Balance	196 370	28 344	28 344
<i>Accumulated depreciation/amortization</i>			
Opening balance	-5 752	-5 752	0
This year's depreciations	0	0	-5 752
Closing Balance	-5 752	-5 752	-5 752
Book Value	190 618	22 592	22 592

Games KSEK	2016 12 31	2015 12 31	2014 12 31
<i>Accumulated costs</i>			
Opening balance	0	0	0
External acquisitions	32 296	0	0
Internally accrued during the year	0	0	0
Translation difference	3 546	0	0
Closing Balance	35 842	0	0
<i>Accumulated depreciation/amortization</i>			
Opening balance	0	0	0
This year's depreciations	-3 743	0	0
Closing Balance	-3 743	0	0
Book Value	32 099		0
Total book value of intangible assets	264 499	37 961	37 317

NOTE 4 ACQUISITIONS

The following acquisitions were made during fiscal year 2016:

In June 2016, Stillfront acquired a 52.65% stake in Simutronics Corp. in St. Louis, USA. The business consists of developing and publishing games. The purpose of the acquisition is to expand the business and to strengthen Stillfront's expertise in mobile games.

In December 2016, Stillfront acquired a 100% stake in Babil Games LLC in the United Arab Emirates. Operations are conducted in the United Arab Emirates and Jordan. Babil is a leading publisher of mobile games in the MENA region. The purpose of the acquisition is to expand in the MENA region and to strengthen Stillfront's capabilities as a publisher.

Purchase price and the book values of the acquisitions are preliminary as follows:

KSEK	Simutronics	Babil	Total
<i>Purchase price</i>			
Cash and cash equivalents	6 477	19 802	26 279
Temporary reversed debt	0	2 787	2 787
Ordinary shares issued	1 131	22 297	23 428
Contingent consideration	14 333	111 611	125 944
Total purchase consideration	21 941	156 497	178 438

In connection with the acquisition of Simutronics 18 851 shares have been issued at a price of 60 SEK / share. Contingent consideration is calculated based on the acquisition's estimated future economic outcomes for the period until 2017.

In connection with the acquisition of Babil 355 848 shares have been issued at a price of 62.66 SEK / share. Contingent consideration is calculated based on the acquisition's estimated future economic outcomes for the period ending in 2020.

The fair value of acquired assets and assumed liabilities (KSEK):	Simutronics	Babil	Totalt
Games	32 297	0	32 297
Machinery equipment	22	182	204
Other long-term receivables	61	0	61
Deferred tax assets	187	0	187
Current assets excluding cash and cash equivalents	176	3 988	4 164
Cash and cash equivalents	755	3 968	4 723
Current liabilities	-805	-2 425	-3 230
Deferred tax liabilities	-11 304	0	-11 304
Total net assets acquired excluding goodwill (KSEK)	21 389	5 713	27 102
Reported goodwill	20 282	150 784	171 066
Total net assets acquired	41 671	156 497	198 168
Non-controlling interests	-19 730	0	-19 730
Total purchase consideration	21 941	156 497	178 438
<i>Less:</i>			
Cash and cash equivalents	-755	-3 968	-4 723
Common shares	-1 131	-22 297	-23 428
Contingent consideration	-14 333	-111 611	125 944
Temporary debt		-2 787	-2 787
Net cash outflow on acquisition of business	5 722	15 834	21 556

Goodwill relating to Simutronics represents the value of the competencies in the company regarding the ability to develop high end mobile games.

Goodwill relating Babil Games represents the value of Babils proven ability to identify, locate and publish mobile games in the MENA region.

Acquisition costs amounted to 1 274 KSEK and is included in the income statement as other external expenses.

The acquired business Simutronics is included in Stillfront's consolidated net sales of with 8 499 KSEK and a profit of 116 KSEK. If the acquired business had been made from January 1, Simutronics would have consolidated with a revenue of 15 825 KSEK and a loss of -1 173 KSEK.

The acquired business Babil is included in Stillfront's consolidated net sales of 2 141 KSEK and a net result of 618 KSEK. If the acquired business had been made from January 1, Babil would have consolidated with net sales of 27 507 KSEK and a net result of 4 991 KSEK.

Non-controlling interests are calculated at fair value where the fair value has been calculated based on the purchase price of the actual acquired share.

NOTE 5 LONG TERM DEBT

Of long-term liabilities 123.6 MSEK refer to additional contingent consideration according to Note 4, Acquisitions.

NOTE 6 EXPLANATIONS OF TRANSITION TO IFRS

This financial report Stillfront is the first prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS).

The transition date to IFRS has been set for 1 January 2014 (opening balance). The transition is reported in accordance with IFRS 1 First-time Adoption of IFRS. The main rule in IFRS 1 requires the entity apply all IFRS standards retrospectively when determining the opening IFRS balance sheet. Certain exemptions from the retrospective application are permitted. Some exemptions from retrospective application is mandatory. Stillfront hit not by one of the mandatory exceptions. Of the optional exemptions Stillfront has chosen to apply the option not to restate acquisitions of businesses retroactively and to zero the translation differences. This means that the acquisition analyzes which were made for business combinations prior to January 1, 2014, are unchanged compared to how they were reported in the most recent annual reports. Explanations of how the transition from previous GAAP to IFRS has affected the Group's financial position and financial results shown in the following tables and explanations. The transition to IFRS has not resulted in any changes to the parent company. Cash flow is affected by investments increases by the amount indicated below point 1. Other adjustments affect only the rows profit before tax and non-cash items.

GROUP FINANCIAL STATEMENTS
2015-12-31
2014-12-31
2014-01-01

	Note	According to Financial Statement	Effect of conversion to IFRS	IFRS	According to Financial Statement	Effect of conversion to IFRS	IFRS	According to Financial Statement	Effect of conversion to IFRS	IFRS
Assets										
Non current assets										
Non tangible assets										
Capitalized development	1)	-	15 111	15 111	2 018	12 707	14 725	4 445	-	4 445
Patents, licences, trademarks and similar assets		259	-	259	-	-	0	-	-	0
Goodwill	2)	9 992	12 600	22 592	16 292	6 300	22 592	27 984	-	27 984
		10 251	27 711	37 962	18 310	19 007	37 317	32 429	0	32 429
Tangible assets										
Machinery, tools and installations		241	-	241	225	-	225	275	-	275
		241	0	241	225	0	225	275	0	275
Financial Assets										
Other long term securities		-	-	0	5 309	-	5 309	5 909	-	5 909
Other long term financial assets		-	-	0	-	-	0	250	-	250
Deferred Tax Asset	5)	-	1 049	1 049		567	567		580	580
		0	1 049	1 049	5 309	567	5 876	6 159	580	6 739
Total non current assets		10 492	28 760	39 252	23 844	19 574	43 418	38 863	580	39 443



GROUP FINANCIAL STATEMENTS

2015-12-31

2014-12-31

2014-01-01

	Note	According to Financial Statement	Effect of conversion to IFRS	IFRS	According to Financial Statement	Effect of conversion to IFRS	IFRS	According to Financial Statement	Effect of conversion to IFRS	IFRS
Current assets										
Current receivables										
		-		-	-		-	-		-
Accounts receivable		3 270	-	3 270	832	-	832	1 011	-	1 011
Tax receivable		493	-	493	96	-	96	75	-	75
Other current receivables		1 941	-	1 941	914	-	914	1 001	-	1 001
Prepaid expenses and accrued income		3 104	-	3 104	677	-	677	1 795	-	1 795
Cash and Bank	7)	73 454	-	73 454	4 286	-	4 286	7 771	-	7 771
Total Current Assets		82 262	0	82 262	6 805	0	6 805	11 653	0	11 653
Total assets		92 754	28 760	121 514	30 649	19 574	50 223	50 516	580	51 096

GROUP FINANCIAL STATEMENTS
2015-12-31
2014-12-31
2014-01-01

	Note	According to Financial Statement	Effect of conver- sion to IFRS	IFRS	According to Financial Statement	Effect of conver- sion to IFRS	IFRS	According to Financial Statement	Effect of conversion to IFRS	IFRS
Shareholders' equity										
Share capital		3 505	-	3 505	2 189	-	2 189	1 736	-	1 736
Not registered share capital		191 840	-	191 840	131 532	-	131 532	126 715	-	126 715
Other contributions	8)		-1 116	-1 116		-987	-987			
Other equity incl profit of the period	8)	-119 108	20 387	-98 721	-111 650	13 988	-97 662	-87 287	-1 433	-88 720
Equity pertaining to parent shareholders		76 237	19 271	95 508	22 071	13 001	35 072	41 164	-1 433	39 731
Minority		3 279	2 121	5 400	2 220	1 802	4 022	2 886	-264	2 622
Total shareholders' equity		79 516	21 392	100 908	24 291	14 803	39 094	44 050	-1 697	42 353
Non-current liabilities										
Debts to credit institutions		298	-	298	-	-	0	-	-	0
Contingent consideration		-	-	0	-	-	0	-	-	0
Deferred tax liability	3)	301	3 567	3 868	442	2 578	3 020	443	-	443
Other non-current liabilities		-	-	0	889	-	889	1 333	-	1 333
Total non-current liabilities		599	3 567	4 166	1 331	2 578	3 909	1 776	0	1 776
Current Liabilities										
Contingent consideration		-	-	0	-	-	0	-	-	0
Accounts payable		5 242	-	5 242	1 051	-	1 051	507	-	507
Current tax liability		1 749	-	1 749	460	-	460	611	-	611
Other current liabilities		2 226	-	2 226	1 346	-	1 346	643	-	643
Accrued expenses and prepaid income		3 422	3 801	7 223	2 170	2 193	4 363	2 929	2 277	5 206
Total current liabilities		12 639	3 801	16 440	5 027	2 193	7 220	4 690	2 277	6 967
Total shareholders' equity & Liabilities		92 754	28 760	121 514	30 649	19 574	50 223	50 516	580	51 096

ADJ TO SHAREHOLDERS' EQUITY	NOTE	2015-12-31	2014-12-31	2014-01-01
Capitalized development costs	1)	15 111	12 707	-
Deferred tax on capitalized development costs	3)	-3 567	-2 578	-
Pre paid income	4)	-3 801	-2 193	-2 277
Deferred tax on Pre paid income	3)	1 049	567	580
Depreciation goodwill	2)	12 600	6 300	-
Of which attributable to minority		-2 121	-1 802	264
Total adjustments of shareholders' equity		19 271	13 001	-1 433
Attributable to:				
Parent company shareholders		19 271	13 001	-1 433

**GROUP COMPREHENSIVE
FINANCIAL STATEMENTS**

2015

2014

	Note	According to Financial Statement	Effect of conversion to IFRS	IFRS	According to Financial Statement	Effect of conversion to IFRS	IFRS
Revenues							
Net revenues	4)	57 052	-1 672	55 380	29 062	140	29 202
Capitalized product development expenses	1)		5 435	5 435		7 478	7 478
Other revenues		268		268	1 895		1 895
Operating expenses							
Other external expenses	1)	-33 761	7 987	-25 774	-22 133	5 320	-16 813
Personnel expenses		-19 530		-19 530	-16 993		-16 993
Amortization and depreciation	2)	-8 267	-4 408	-12 675	-14 980	5 934	-9 046
Other operational expenses				0	0		0
Operational profit		-4 238	7 342	3 104	-23 149	18 872	-4 277
Financial items							
Other interest income, Financial income and similar	7)	72		72	116		116
Interest expense, Financial expense and similar	7)	-303		-303	-734		-734
Result after financial items		-4 469	7 342	2 873	-23 767	18 872	-4 895
Tax	3,5)	-1 784	-586	-2 370	-	-2 521	-2 521
Net result		-6 253	6 756	503	-23 767	16 351	-7 416

GROUP COMPREHENSIVE
FINANCIAL STATEMENTS (CONT'D)

2015

2014

	Note	According to Financial Statement	Effect of conversion to IFRS	IFRS	According to Financial Statement	Effect of conversion to IFRS	IFRS
Other comprehensive income							
<i>Items that later can be reversed in profit</i>							
		-		-	-		-
Foreign currency translation differences	6)	-145	-168	-313	-915	149	-766
<u>Total other comprehensive income, net after tax</u>		-145	-168	-313	-915	149	-766
							0
Total other comprehensive income		-6 398	6 588	190	-24 682	16 500	-8 182
Net result attributable to parent shareholders		-7 414	6 355	-1 059	-23 300	14 358	-8 942
Net result attributable to minority		1 161	401	1 562	-467	1 993	1 526
Comprehensive income attributable to parent shareholders		-7 458	6 270	-1 188	-24 363	14 434	-9 929
Comprehensive income attributable to minority		1 060	318	1 378	-319	2 066	1 747

EXPLANATIONS OF THE EFFECTS OF TRANSITION TO IFRS

1. The Group has previously expensed all of its own development. IFRS requires capitalization of development expenses, provided that certain criteria are met. Accounting principles specified in the attached Appendix. The Group has capitalized all development expenditure from 1 January 2014. Before that date, the development was smaller in scale and sufficient evidence is not designed to meet the requirements needed to access bring spending.
2. Starting January 1, 2014, there will not be any depreciation of the book value of goodwill. Instead it will tested for impairment value of goodwill at least once a year.
3. Deferred tax liability has been calculated on the capitalization that has been made of accumulated development costs
4. Changes have been made by the time of accounting for revenue. Previously, revenues have been made upon receipt of deposit. The timing is assessed under IAS 18 should be the use of the deposit, ie when trading of the features found in the games. This means the recognition of a deferred income.
5. Changing the timing of recognition of revenue means recording of deferred tax assets
6. A portion of capitalized development expenses is attributable to foreign subsidiaries. This means that also translation differences attributable to these amounts change.
7. Some designations changed in the presentation schedule for the income statement and balance sheet. The term "Cash and bank" with "Liquid assets". Similarly, changed designations "Other interest income and similar income" and "Interest expense and similar items" to "Financial income" and Financial expenses ". The contents of the respective items are, however unchanged.
8. Currency translation differences attributable to translation of foreign subsidiaries is required by IFRS and are recognized in the category "other reserves". Transfer of this has been made of the translation difference at the end of the financial years 2014 and 2015.



ABOUT STILLFRONT

Stillfront is a group of independent creators, publishers and distributors of digital games – with a vision to become the leading group of indie game creators and publishers. Stillfront operates through six near-autonomous subsidiaries: Bytro Labs in Germany, Coldwood Interactive in Sweden, Power Challenge in the UK and Sweden, Dorado Online Games in Malta, Simutronics in the United States and Babil Games in UAE and Jordan. Stillfront's games are distributed globally. The main markets are Sweden, Germany, the United States and MENA. For further information, please visit www.stillfront.com.

SELECTED GAMES

Stillfront's portfolio includes games across multiple platforms. *Unravel*, developed by Coldwood in collaboration with Electronic Arts, won 20+ awards at E3 and gamescom and was released in February 2016. *Supremacy 1914* and *Call of War* are high-immersion war strategy games developed by Bytro Labs. *ManagerZone* is a sports management strategy game launched in 2001. *DragonRealms* and *GemStone IV* are MUD-style games with a very loyal player base. *Lara Croft Relic Run™* is a popular mobile game developed by Simutronics.

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APPENDIX 1: Accounting Policies

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are described below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Unless otherwise indicated, the accounting policies of the parent company are the same as those of the Group. Any differences between the policies are listed at the end of this summary.

Basis for preparation of the reports

From the 2016 financial year onwards, the consolidated financial statements for Stillfront have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Corporate Groups, and International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as adopted by the EU. They have been prepared using the cost method, with the exception of available-for-sale financial assets, which are recognised at fair value through other comprehensive income, and contingent additional considerations, which are recognised at fair value through the income statement.

All reports prepared in compliance with IFRS require the use of a number of significant accounting estimates. Furthermore, the management is required to make certain assessments upon application of the Group's accounting policies. Those areas that involve a high degree of judgement or complexity, or areas where assumptions and estimates are significant for the consolidated financial statements are primarily the balance sheet items of capitalised expenditure on development, game products, contingent additional considerations and goodwill. Further information on these items is provided in the respective notes.

IFRS applied for the first time

As indicated above, Stillfront is presenting its consolidated financial statements in accordance with IFRS for the first time. The transition has taken place in accordance with IFRS 1 First-time Adoption of IFRS. The transition means that the comparison year has been fully converted in accordance with IFRS. The date of the transition, in other words the opening balance sheet, is 01/01/2014. The effects arising as at 01/01/2014 and for the comparison years of 2014 and 2015 are described in a separate note.

New standards and interpretations that have not yet been applied by the Group

A number of new standards and interpretations come into effect for financial years beginning after 31 December 2016, which have not been applied in the preparation of these financial statements. None of these are expected to have any significant impact on the consolidated financial statements, with the exception of the following standards.

- IFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and liabilities and introduces new rules for hedge accounting. The final version of IFRS 9 was published in July 2014. It replaces those parts of IAS 39 that deal with the classification and measurement of financial instruments and adds a new expected loss impairment model. Stillfront's preliminary assessment is that the standard will not affect future financial statements other than in the form of changed/increased disclosure requirements. The standard applies as of 1 January 2018.

- IFRS 15 “Revenue from Contracts with Customers” is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction contracts. IFRS 15 is based on the principle that revenue is recognised when the customer gains control over the good or service sold – a principle which replaces the principle that revenue is recognised when the risks and benefits have been transferred to the purchaser. Stillfront has conducted a preliminary review in which it has documented revenue types in accordance with the five-step model that forms the basis of IFRS 15 i.e.: 1) Identify the contract(s) with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price (standalone selling prices), 4) Allocate the transaction price to the performance obligations in the contract, and 5) Recognise revenue when (or as) the entity satisfies a performance obligation. Stillfront’s preliminary assessment following this documentation and analysis is that the point at which revenue from contracts with customers is recognised in the Group will not be affected. The standard will involve more extensive disclosures, however. The standard applies as of 1 January 2018.
- IFRS 16 “Leases” is the new standard for leases. IFRS 16 replaces IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities relating to all leases, with some exceptions, to be recognised on the balance sheet. This recognition is based on the view that the lessee has a right to use an asset for a specific period of time and at the same time an obligation to pay for that right. Recognition by the lessor will essentially remain unchanged. The standard applies as of 1 January 2019, but has not yet been approved by the EU. Stillfront has operating leases in the form of tenancy agreements; see note on leases. The preliminary assessment is that these agreements will result in the recognition of assets and liabilities on the balance sheet.

None of the other IFRS or IFRIC interpretations that have not yet entered into force are expected to have any significant impact on the Group.

Consolidation

Subsidiaries are all companies over which the Group has a controlling influence. The Group controls a company when it is exposed or entitled to a variable return from its holdings in the company and is able to influence the return through its influence over the company. Subsidiaries are included in the consolidated financial statements as of the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements as of the date on which the controlling influence ceases.

The purchase method is used for reporting the Group’s business combinations.

The purchase price for the acquisition of a subsidiary is the fair value of the transferred assets, the liabilities assumed by the Group to the former owners of the acquired business and any shares issued by the Group. The purchase price also includes the fair value of all assets or liabilities resulting from an agreement on contingent consideration. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. For each acquisition – in other words on an acquisition by acquisition basis – the Group determines whether a non-controlling interest in the acquired company is recognised at fair value or at the non-controlling interest’s proportionate share of the carrying amount of the acquired company’s identifiable net assets.

Costs associated with acquisitions are expensed as they arise.

Where part or all the purchase price is deferred, the future payments are discounted to the present value at the time of acquisition. The discount rate is the company's marginal borrowing rate, which is the interest rate the company would have paid for financing through loans for equivalent periods and on similar terms.

Contingent additional considerations are classified either as equity or as a financial liability. Amounts classified as financial liabilities are revalued at fair value every period. Subsequent changes in the fair value of a contingent consideration classified as an asset or liability are recognised through the income statement. For further information, see the separate section entitled "Contingent additional considerations".

If the business combination takes place in several stages, the previous shares of equity in the acquired company are revalued at their fair value at the time of acquisition. Any gain or loss arising on these revaluations is recognised through profit and loss.

Intra-Group transactions, balance sheet items, and income and expenses from transactions between Group companies are eliminated. Gains and losses resulting from intra-Group transactions that are recognised in assets are also eliminated. Where applicable, the accounting policies of subsidiaries have been amended to guarantee a consistent application of the Group's policies.

Non-controlling interests in the profit and equity of subsidiaries are recognised separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet.

Changes in the share of ownership in a subsidiary without any change of controlling influence

Transactions with non-controlling interests that do not result in a loss of control are recognised as equity transactions, in other words as transactions with owners in their role as owners. A change in the share of ownership is recognised through an adjustment to the carrying amounts of non-controlling interests so that they reflect the changes in their relative holdings in the subsidiaries. In the case of acquisitions from non-controlling interests, the difference between the fair value of the purchase price paid and the share actually acquired of the fair value of the subsidiary's shares is recognised in equity. Gains and losses on sales to non-controlling interests are also recognised in equity.

Reporting when the controlling influence ceases

When the Group no longer has a controlling influence, each remaining shareholding is valued at fair value at the time when it loses the controlling influence. The change in the carrying amount is recognised in the income statement. The fair value is applied as the initial carrying amount and forms the basis for the future reporting of the remaining shareholding as an associate, joint venture or financial asset. All amounts relating to the entity sold, which were previously recognised in other comprehensive income, are recognised as if the Group had sold the attributable assets or liabilities directly. This may result in amounts previously recognised in other comprehensive income being reclassified as profit and loss.

Translation of foreign currency

Functional currency and presentation currency

Items included in the financial statements for the various units of the Group are valued in the currency used in the economic environment in which each company primarily operates (functional currency). Swedish kronor (SEK), the presentation currency of the Group, is used in the consolidated financial statements.

Transactions and balance sheet items

Transactions in foreign currencies are translated to the functional currency at the exchange rates that apply on the transaction date. Foreign exchange gains and losses arising upon payment of such transactions and upon

translation of monetary assets and liabilities in foreign currencies at closing date rates are recognised in the income statement.

Foreign exchange gains and losses relating to loans and cash and cash equivalents are recognised in the income statement as financial income or financial expenses. All other foreign exchange gains and losses are recognised in other operating income and other operating expenses respectively.

Intangible non-current assets

a) Capitalised expenditure on development

The costs of software maintenance are expensed as they arise. Expenses for development that are directly attributable to the development and testing of identifiable and unique software products (game development projects) controlled by the Group are recognised in intangible assets if the following criteria are met:

- It is technically possible to prepare the asset so that it can be used or sold.
- It is the company's intention to prepare the asset for use or sale.
- The conditions are in place for the use or sale of the asset.
- It can be demonstrated how the asset will generate probable future economic benefits.
- There are sufficient financial and other resources to complete the development and to use or sell the asset.
- The expenses attributable to the asset during its development can be measured reliably.

The Group does not normally begin development until the above criteria are met, which means that in most cases expenses are capitalised from the outset.

The Group has capitalised expenditure for the development of the following games: Supremacy1914, Call of War, Thirty Kingdoms, New World Empires, Industry Tycoon, Gladiator Online, Panzer Wars, Conflict of Nations, ManagerZone, an as-yet unnamed game developed by Coldwood, and Siege: Titan Wars and two upcoming titles from Babil.

Directly attributable expenses that are capitalised primarily include expenses for employees, external subcontractors, user testing and a reasonable proportion of indirect expenses.

Intangible assets are recognised at cost less accumulated amortisation and any write-downs. The cost of an internally developed intangible asset comprises the total of the expenses arising as of the point at which the intangible asset first meets the criteria for capitalisation as specified above.

Amortisation begins when the asset is ready for use, which coincides with the point at which the test launch is complete. The useful life is calculated from the period when the company is expected to receive the anticipated benefits. The useful life of existing games is deemed to be 2–5 years and amortisation is applied on a straight-line basis over this period.

Expenses for development that do not fulfil these criteria are expensed as they arise. Expenses for development that were previously expensed are not recognised as an asset in subsequent periods.

b) Game products

Fully developed games at Stillfront have been acquired through business combinations and are recognised at fair value on the date of acquisition. The games referred to here are mainly DragonRealms and GemStone IV



and are deemed to have a finite useful life. The rights to games are therefore recognised at cost less accumulated amortisation and write-downs. The useful life is deemed to be 5 years and amortisation is applied on a straight-line basis over this period.

c) Goodwill

Goodwill arising from business combinations is included in intangible assets. Goodwill refers to the amount by which the purchase price exceeds the fair value of identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is not amortised but is tested annually, or more frequently if events or changes in circumstances indicate possible impairment. Goodwill is therefore recognised at cost less any impairment. On the sale of a unit, the carrying amount of goodwill is included in the gain/loss arising.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies from the acquisition. Each unit or group of units to which goodwill has been allocated corresponds to the lowest level in the Group at which the goodwill in question is monitored for internal management. Goodwill is monitored for each subsidiary.

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate possible impairment. The carrying amount at the cash-generating unit to which the goodwill has been allocated is compared with the recoverable amount, which is the higher of the value in use and the fair value less selling expenses. Any impairment is recognised immediately as an expense and is not reversed.

Property, plant and equipment

All property, plant and equipment is recognised at cost less depreciation. Cost includes expenses that can be directly attributed to the acquisition of the asset.

Additional expenses are added to the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will accrue to the Group and the cost of the asset can be reliably measured. The carrying amount of the part replaced is removed from the balance sheet. All other forms of repairs and maintenance are recognised as expenses in the income statement in the period in which they are incurred.

Straight-line depreciation is applied as follows:

Equipment, tools, fixtures and fittings	5 years
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The residual values and useful lives of assets are tested at the end of each reporting period and adjusted where required. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the sale proceeds and the carrying amount, whereby the difference is recognised in other operating income or other operating expenses in the income statement.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not written down but are tested annually for impairment. Assets that are written down are assessed for a reduction in value whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable. A write-down is made of the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and its value in use. When assessing the need for impairment, assets are grouped at the lowest levels at which there are essentially independent cash flows (cash-generating units). For assets (other than goodwill) which have previously been written down, a test is carried out on each balance sheet date to ascertain whether a reversal should be made.

Financial assets

The Group classifies its financial assets in the following categories: loan receivables and trade receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial asset was acquired. The classification of financial assets is determined by management upon initial recognition.

Classification

a) Loan receivables and trade receivables

Loan receivables and trade receivables are financial assets that do not constitute a derivative, that have fixed payments or payments that can be determined and that are not listed on an active market. They are included in current assets, with the exception of items maturing later than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loan receivables and trade receivables principally comprise trade receivables, other receivables, accrued income, and cash and cash equivalents.

b) Available-for-sale financial assets

Available-for-sale financial assets are assets which do not constitute a derivative and exist where the assets have been identified as being available for sale or have not been classified in any other category. They are classified as non-current assets if management does not intend to sell the asset within 12 months of the end of the reporting period. At the end of the financial year ending 31/12/2014, Stillfront held shares in a bond fund that was classified in this category. The carrying amount, the acquisition cost, essentially corresponds to the fair value, therefore no fair value adjustment has been made during the period. At the end of the financial years ending 31/12/2015 and 31/12/2016, there were no assets in this category.

Recognition and valuation

Purchases and sales of financial assets are recognised at the transaction date, which is the date when the Group undertakes to buy or sell the asset. Financial instruments are initially recognised at fair value plus transaction costs, which applies to all financial assets that are not recognised at fair value through profit and loss. Available-for-sale financial assets are recognised at fair value after the time of acquisition. Loan receivables and trade receivables are recognised after the time of acquisition at amortised cost by applying the effective interest method. The application of the effective interest method means that receivables that are interest-free or that are subject to interest that deviates from the market rate of interest and have a duration exceeding 12 months, are recognised at a net present value and change in value over time is recognised as interest income in the income statement. The discounting effect is considered to be insignificant for receivables due within 12 months.

Fair value calculation

The method of determining the fair value depends on the value hierarchy to which they belong.

Offsetting financial instruments

Financial assets and liabilities are offset and recognised net on the balance sheet only when there is a legal right to offset the recognised amounts and the intention is to settle them as a net amount or simultaneously realise the asset and settle the liability. This legal right must not be dependent on future events and it must be legally binding on the company and the counterparty, both in the normal course of business and in the event of suspension of payments, insolvency or bankruptcy.

Impairment of financial assets

a) Assets recognised at amortised cost

At the end of each reporting period, the Group assesses whether there is objective evidence of a need for the impairment of a financial asset or group of financial assets. A financial asset or group of financial assets requires impairment and is written down only if there is objective evidence of a need for impairment as a result of one or more events occurring after the initial recognition of the asset (a "loss event") where this event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

Objective evidence of a need for impairment exists, for example, where there are indications that a debtor or group of debtors is experiencing significant financial difficulties, that interest or capital payments have been missed or are delayed, that it is likely that the debtor or group of debtors will enter into bankruptcy or undergo some other form of financial restructuring, or that there is observable evidence to indicate that there is a measurable reduction in estimated future cash flows, such as changes in overdue debts or other financial conditions that equate to credit losses.

Impairment for the category of loan receivables and trade receivables is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding unrealised future credit losses), discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is impaired and the impairment amount is recognised in the consolidated income statement.

If the need for impairment reduces in a subsequent period and this reduction can be objectively related to an event occurring after the impairment was recognised (such as an improvement in the creditworthiness of the debtor), the previously recognised impairment is reversed in the consolidated income statement.

b) Assets classified as available-for-sale financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence of a need for the impairment of a financial asset or group of financial assets.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services provided in operating activities. If payment is expected within one year or less (or during the normal business cycle if this is longer), they are classified as current assets. If not, they are recognised as non-current assets.

Trade receivables are recognised initially at fair value and subsequently at amortised cost by applying the effective interest method, less any provisions for impairment.

Cash and cash equivalents

Cash and cash equivalents, both on the balance sheet and in the statement of cash flows, includes cash, bank deposits and other short-term investments. Other short-term investments are classified as cash and cash equivalents when they mature within three months of the acquisition date, can be converted easily into cash at a known amount and are subject to insignificant risk of value fluctuations. Overdraft facilities are recognised on the balance sheet as loan liabilities under current liabilities. Stillfront does not have any short-term investments for the financial year reported.

Share capital

Ordinary shares are classified as equity.

Transaction costs that can be directly attributed to the issue of new ordinary shares are recognised, net of tax, in equity as a deduction from the issue proceeds.

Trade payables

Trade payables are obligations to pay for goods or services acquired in operating activities from suppliers. Trade payables are classified as current liabilities if they fall due within one year (or during the normal business cycle if this is longer). If not, they are recognised as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently at amortised cost by applying the effective interest method.

Borrowing

The Group's recognised borrowing principally comprises liabilities to credit institutions and overdraft facilities, contingent additional considerations and other non-current liabilities.

Borrowing is initially recognised at fair value net of transaction costs. Borrowing is subsequently recognised at amortised cost and any difference between the amount received (net of transaction costs) and the amount repayable is recognised in the income statement over the term of the loan by applying the effective interest method.

Contingent additional considerations

Stillfront has contingent additional considerations in relation to acquisitions. The contingent additional considerations are settled both in cash and as shares in Stillfront, where the number of shares transferred on settlement of the contingent additional consideration is based on an amount in Swedish kronor, which is specified in the conditions that apply to the calculation of the contingent additional consideration.

The contingent additional considerations are classified as a financial liability, which is classified as current if settlement is to be made within 12 months of the balance sheet date. The liability is measured at fair value and changes in value are recognised through operating profit and loss in the income statement.

Provisions

A provision is a liability where the due date or amount are uncertain. A provision is recognised when the Group has an existing legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably.

The provisions are valued at the present value of the amount expected to be required in order to settle the obligation. A discount rate before tax that reflects a current market assessment of the time-related value of money and the risks associated with the provision is used here. The increase in the provision relating to the passage of time is recognised as an interest expense. There were no provisions at the end of the financial year reported.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except where the tax relates to items recognised in other comprehensive income or directly against equity. In such cases, the tax is also recognised in other comprehensive income or against equity, respectively.

The current tax expense is calculated on the basis of the tax regulations enacted or substantively enacted at the balance sheet date. The management regularly assesses the submissions made in tax returns in relation to situations where the applicable tax regulations are subject to interpretation. Where it deems appropriate, it makes provisions for amounts that it is probable will have to be paid to the tax authorities.

Deferred tax is recognised for all temporary differences between the tax values of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognised, however, if they arise as a result of the initial recognition of goodwill.

Deferred tax assets are recognised to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and tax liabilities and when the deferred tax assets and tax liabilities relate to taxes charged by the same tax authority and relate to either the same tax subject or a different tax subject, where there is an intention to settle the balances through net payments.

Employee remuneration

Pension obligations

Stillfront has only defined contribution plans. A defined contribution pension plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if this legal entity does not have sufficient assets to pay all employee benefits relating to the employees' service in current or previous periods. The contributions are recognised as staff costs when they fall due. Prepaid contributions are recognised as an asset to the extent that the Group may benefit from a cash refund or a reduction in future payments.

Termination benefits

Termination benefits begin when an employee's job is terminated by the Group before the normal pensionable age or if an employee accepts voluntary redundancy in exchange for such remuneration. The Group recognises termination benefits at the earlier of the following: (a) when the Group is no longer able to withdraw the offer of benefits; and (b) when the company recognises expenses for restructuring within the scope of IAS 37 and this involves the payment of severance pay. There were no provisions for termination benefits at the end of the financial year reported.

The Group recognises a liability and an expense for bonus schemes and variable remuneration. The Group reports a provision when there is a legal obligation or an informal commitment as a result of previous practice.



Revenue recognition

Revenue is measured at the fair value of the consideration received or that will be received and is equivalent to the amounts received for goods sold less discounts and value-added tax.

The Group principally has two different revenue streams: development/publication of online games and contracting. Revenue is recognised as described below.

Development/publication of online games

Stillfront's online games are free-to-play games, where in principle the game is free for the player. The player can also pay to obtain benefits or access to enhanced features and functions in the game. Payment can be made either in the form of a subscription or through the purchase of so-called "in-game currency" (IGC), a kind of token that represents a value in the game.

A subscription entitles the player to access and enjoy premium functions and in-game benefits. Subscriptions are usually available as weekly, monthly, quarterly, six monthly or annual subscriptions. The subscription is called Premium Subscription (PS).

IGC is used by players to access functions or to buy objects in the game that will provide an enhanced game experience and/or access to premium functions and features.

Players can buy PS and IGC through payment intermediary services such as PayPal, Skrill and credit card companies. These purchases are called Deposits. Stillfront does not have any direct transactions with players. Revenues are recognised gross, before the deduction of payment services providers' fees. Following the acquisition of Babil, the Apple AppStore and Google Play channels are used to a limited extent.

When a player makes a deposit, in other words acquires PS or IGC, the whole of this amount is recognised as a liability. Revenue recognition subsequently takes place immediately when a deposit is exchanged, in other words used to acquire the objects or functions available in the game and described above.

Contracting

Contracting, also called work-for-hire, is business where Stillfront develops a game for a publisher other than Stillfront. The payment from the publisher to Stillfront under a contract typically has two components. There is one component based on the work performed to develop the game and there is another component based on the successful sale of the game (called a royalty).

Remuneration for work performed is usually a fixed fee that is paid in instalments as agreed milestones are achieved. A development project often takes one to two years to complete. The labour resources provided by Stillfront are constant or near-constant over the lifetime of the project. Stillfront recognises revenues in equal portions in each period over the entire lifetime of the project.

The royalty is recognised in the period that forms the basis for the calculation of the royalty. The amount of royalty recognised is as documented in a royalty statement issued by the publisher.

Other types of revenues

Interest income is recognised using the effective interest method. Dividends are recognised when the right to receive the dividend has been established.

Leases

Leases where a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made during the lease term (after deduction of any incentives from the lessor) are expenses in the income statement on a straight-line basis over the term of the lease.

Leases for non-current assets where the economic risks and benefits associated with ownership have essentially been transferred to the Group are classified as finance leases. Finance leases are recognised on the balance sheet at the beginning of the lease term at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Stillfront has agreements that are classified as operating leases.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. The reported cash flow comprises solely transactions that result in the inflow and outflow of funds. The company's cash and cash equivalents comprise cash and bank deposits.

Earnings per share

Earnings per share before dilution is calculated by dividing the profit attributable to the parent company's shareholders by a weighted average number of ordinary shares outstanding.

To calculate earnings per share after dilution, the weighted average number of ordinary shares outstanding is adjusted for the dilution effect of all potential ordinary shares. The parent company has issued share options which have a potential dilution effect. For share options, a calculation is made of the number of shares that could have been purchased at fair value for an amount equivalent to the monetary value of the subscription options associated with the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued, assuming that the share options are exercised. Options and subscription options only have a dilution effect, however, if they would result in the issue of ordinary shares at a price lower than the average price during the period. Potential ordinary shares also only give rise to a dilution effect in those cases where their conversion results in lower earnings per share or increased loss per share.

Parent company accounting policies

As of the 2016 financial year, the parent company applies the Swedish Annual Accounts Act and Recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board. The application of RFR 2 means that the parent company applies all IFRS approved by the EU, as far as possible, within the framework of the Swedish Annual Accounts Act and the Swedish Act on Safeguarding Pension Obligations and with due consideration of the relationship between reporting and taxation.

The parent company previously applied BFNAR 2012:1 Annual Accounts and Consolidated Accounts (K3). The transition from the previous accounting policies to RFR 2 has had no effect on the parent company's income statement and equity.

The annual accounts have been prepared using the cost method.

The difference between the accounting policies of the parent company and those of the Group are described below.

Shares in subsidiaries

Shares in subsidiaries are recognised using the cost method, which means that the shareholdings are recognised on the balance sheet at cost, less any impairment. Cost includes acquisition-related costs. Where there is an indication that shares in subsidiaries have decreased in value, their recoverable amount is calculated. If this is lower than the carrying amount, impairment is applied. Impairment is reported in the item "Earnings from shareholdings in Group companies". Dividends from subsidiaries are recognised as dividend income.

Deferred income tax

The amounts of provisions made in untaxed reserves constitute taxable temporary differences. Owing to the relationship between reporting and taxation, however, a legal person reports the deferred tax liability on untaxed reserves as part of the untaxed reserves. Appropriations in the income statement are also reported inclusive of deferred tax.

Recognition of Group contributions

Group contributions are recognised in accordance with the alternative rule of RFR 2, which means that both Group contributions paid and received are recognised as appropriations in the income statement.

Financial instruments

IAS 39 is not applied at the parent company and financial instruments are valued at cost.

Presentation of the income statement and balance sheet

The income statement and balance sheet are presented in accordance with the form of presentation prescribed in the Swedish Annual Accounts Act. The statement of changes in equity uses the same presentation format as the Group, but must include the components indicated in the Swedish Annual Accounts Act. This also results in the use of different terms compared with the consolidated financial statements, primarily in relation to financial income and expenses and equity.