

# Annual Report 2016

STILLFRONT GROUP AB (PUBL)



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

IMPORTANT NOTICE: This Annual Report is a translation from Swedish of the Årsredovisning that will filed with the Swedish Companies Registration Office upon its approval by the Annual General Meeting of the shareholders of Stillfront Group AB (publ). This translation is solely provided as convenience. Should there be any ambiguity between the Swedish and the English text, the Swedish text will prevail.

# 2016 in Summary

## PORTFOLIO SHOWS STRENGTH WITH LOWER RISK

**95 MSEK**  
YoY 71 % revenue growth

**25** consecutive months of **ATH**  
in LTM revenues and EBITDA

**~ 74%**  
of revenues from own brands and self-published

High FY margins of  
**36%** EBITDA **22%** Net earnings

## HIGH LEVEL OF INVESTMENT FOR CONTINUED GROWTH

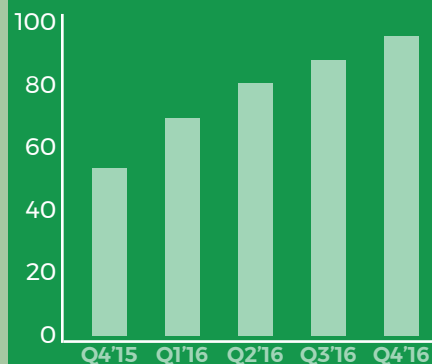


High level of investments in Q3 and Q4 has built a very strong pipeline for '17.

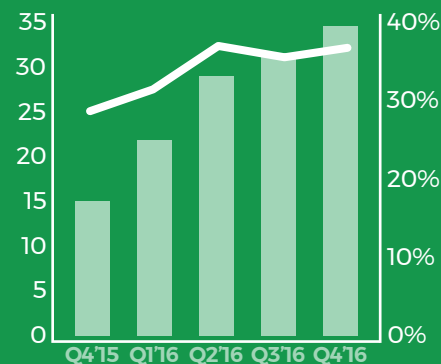
Four new titles to be fully launched soon, in parallel with investments in existing brands e.g. mobile version of Call of War.

High level of investments into growth is a top priority for the coming years

## HIGH GROWTH AND STRONG EARNINGS



Net revenues, MSEK



EBITDA

EBITDA margin

## BABIL GAMES ACQUISITION ADDING STRATEGIC VALUE

Babil Games acquired in December



Babil possesses a truly unique market position in one of the fastest expanding mobile games markets globally

The business model is very attractive considering reward/risk balanced solid profitability and growth opportunities.



# A Word from Jörgen Larsson, CEO

## 2016 – the growth journey and business building continue

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

Growth in both revenues and earnings has been extraordinarily pleasing. We continue to achieve very strong growth and high margins. Net revenues 2016 were 71% higher than 2015 and EBITDA margin was a strong 36%, which gives an EBITDA result that is 117% higher than last year. The pre-tax earnings were 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 estab-

### 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).

lished a growing number of 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 have also broadened our operations geographically, in terms of revenue, presence and market knowledge. In parallel, we are establishing increased cooperation within the Group and improve internal processes and procedures. This work lays the foundation for a considerably larger, yet still efficient, Stillfront Group.

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 made good progress in our investments for future growth, profitability and stability.

In 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 revenues generated by 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 for a few months, they are 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 months 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. The KPIs for New World Empires related to actual playing are good, however the monetization has not reached levels enabling paid marketing to reach 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 has increased significantly following 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, to improve transparency and facilitate comparability to our peers.

It is with great confidence I look forward to the continued development of Stillfront Group. We see that our business model and strategy work well and give 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 exists throughout the Group is fantastic and creates spirit, joy and results.

**JÖRGEN LARSSON, CEO**



# Mission, vision and strategy

Stillfront's mission is to deliver leading risk/reward by acquiring and managing strong game studios that develop and/or publish attractive game titles.

The gaming industry is still young and in some ways difficult to predict. Stillfront games ManagerZone has certainly attracted loyal players since 2001, but since then the game industry demonstrated both unexpected success and surprising flops. Stillfront believes that the gaming industry as a whole is very interesting and there are excellent opportunities to build great values, given that there is a strategy to balance risk and reward.

Stillfront's mission is to deliver market-leading risk/reward as above. Stillfront has a strategy for achieving this mission. The strategy is based on three pillars: **PLEX**, **HiGS<sup>3</sup>** and **Publishing & Brands**.

By working with a portfolio (**P**) of games the title and technology risks are reduced. Stillfront has seven games in addition to so-called long-tail games with limited sales and/or at the end of their life cycle. Several games have been very successful, while other games have not met the company's expectations.

Stillfront's games should provide a long term gaming experience (**L**). This will provide for stable revenues while user acquisition costs can be kept low relative to the expected life cycle revenue per player.

By using a technical structure based on game engines (engines - **E**), cost efficiency by scalability is achieved as the engine can be re-used over several games. Part of a game's Game Dynamics is managed by the engine. Thus, the title risk of a game is reduced by utilizing a proven engine.

Stillfront provides games on several platforms (Cross-Platform - **X**). Stillfront does not expose itself to one platform only, thus reducing the risk of investing in a platform that later proves to be difficult from a profitability perspective.

Growth is a means for Stillfront to increase its profitability. Given Stillfront's PLEX strategy, increased volumes provide excellent profit margins and contribute to increased profitability.

Stillfront has a structured approach to identify suitable acquisition targets that fit into the company's strategy.

Stillfront's subsidiary Coldwood has so far mainly worked on development projects for external publishers. Coldwood is now planning to also develop its own IPs, which - for successful games - can bring good profits.

## FÖRBÄTTA RISK/AVKASTNING 1

- P** Portfölj med spel
- L** Lång livscykel på spel
- E** Engines/motorer för skalbarhet
- X** X (cross) plattform

## GROWTH TO INCREASE PROFITABILITY 2

- H** Hi Growth by leveraging
- i** Scalability,
- G** Structure of organization and
- S<sup>3</sup>** Systematic M&A

## MARKETING STRATEGY 3

- PU** Publishing
- &** and
- B** Brands



Increase publishing and own brands  
Untapped potential in 3rd party publishing



Our growth strategy is known as **HiGS<sup>3</sup>** - Hi Growth by Leveraging Scalability, Structure of Organization and Systematic M & A. Stillfront's strategy for growth is two-fold: Stillfront focuses on organic growth in existing studios through the development of new games and refinement of existing games and by expanding operations through the acquisition of new studios.

Stillfront has evaluated many potential acquisitions in 2016. The evaluation attaches great importance to evaluating the potential acquisition object's existing products, their development potential and the potential of products under development. Stillfront also looks at the people behind the potential acquisition object. It is very important that they have a proven experience in developing and running successful games, as well as sharing Stillfront's vision and strategy.

Stillfront's marketing strategy is called **Publishing & Brands**. It aims to strengthen Stillfront's position in the value chain by increasing the share of owned IPs, extending own brands and to publishing external studios' titles. Albeit about 74% of Stillfront's revenues currently derives from its own brands, Stillfront's strategy is to increase this share. This is expected to improve risk / return ratio, increase gross margins and increase entry barriers.



# Market

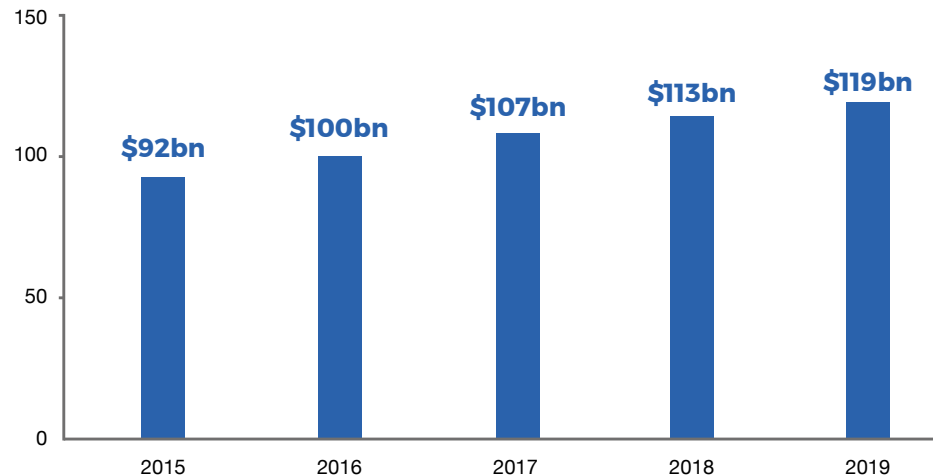
The gaming industry is globally one of the largest areas in digital entertainment. In 2016 the market was estimated to exceed USD 100 billion according to Newzoo.

The gaming industry is a larger industry than the film and music industries together. In recent years, the annual growth is estimated to 8,5%, and the market is expected to USD 119 billion 2019. Gaming consoles, PC (MMO games) and mobile phones are the dominant technical platforms, and each has a market share of approximately 30%. The mobile segment shows the strongest growth.

China is now a larger gaming market than the US. 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. Newzoo estimates the yearly growth in in Africa and the Middle East to 26%.

The market is very large, but the competition is also, in some segments, fierce. 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. This lays the foundation for good player liquidity in parallel with a large paying player base with high average revenues.



Global Gaming Market Billion USD (Newzoo)

# Games

Stillfront Group has six semi-autonomous studios. The studios develop and publish games. The exception is Coldwood which so far has exclusively developed games for other publishers. During 2016, Coldwood has commenced the development of a product for which Coldwood will retain the entire IP. Coldwood has proven to be a successful developer of games for PC and gaming consoles.

## UNRAVEL

Coldwood developed the game Unravel for the world leading games publisher Electronic Arts (EA). The games has enjoyed massive media coverage and been awarded around 20 awards. Unravel was nominated to the 2017 BAFTA Awards in two categories. EA holds the rights to the game. Sales started February 9, 2016. EA has retained Coldwood for a sequel to Unravel.

## SUPREMACY 1914

Stillfront's German studio Bytro Labs GmbH develops and publishes strategy games. The games, free-to-play games, are played online, which means that the games basically can be played at no cost to the player, but the special features and games benefits are only available against payment. The games have characteristics that encourage players to continue to play the games for a long time.

In 2009 Bytro launched the game Supremacy 1914. Supremacy 1914 is a war strategy game where the player takes the role of a commander in a nation's armed forces during the First World War. The game continues to have a loyal player base. During the first quarter of 2016 it recorded an all-time-high revenue. The game is based on the engine SUP, which is also used as the engine in the game Call of War.

## CALL OF WAR

Call of War was launched in April 2015 and has had a very strong growth. The game had accumulated revenues of 47 MSEK up to and including December 2016. The game is similarly as Supremacy 1914 as a war strategy games, but is set during World War II.

## MODERN WAR: CONFLICT OF NATIONS

Conflict of Nations is a game developed by a collaboration between Bytro and Stillfront's studio Dorado in Malta. The game is similarly as Call of War, based on the game engine SUP however set in a contemporary scenario.

## MANAGERZONE

Power Challenge develops and publishes sports management games for football (ManagerZone Football) and ice hockey (ManagerZone Hockey). ManagerZone launched as early as 2001. The games allow the player to act as the manager of a football or hockey team. Through clever tactics, cunning football/ hockey player acquisitions, diligent training and long-term development of young talent the player can get to the top. ManagerZone is a free-to-play game. The player can enjoy some advantages in the game against payment.





### **GEMSTONE IV AND DRAGONREALMS**

Gemstone IV and DragonRealms developed by Stillfront's US studio Simutronics. The games - which are free-to-play with premium features - take place in fantasy worlds where players interact with each other. The games launched in 1987 and 1996.



### **ASEFAT ADEBABAT (TANK STORM)**

Asefat Adebabat is marketed by Stillfront's studio Babil Games. It is a mobile game in the strategy genre Babil Games has adapted to the market in the Middle East and North Africa. The game has been on the market for two years and continues to deliver excellent earnings.



### **SIEGE: TITAN WARS**

Siege: Titan Wars is a mobile strategy game developed by Simutronics. The game is a real-time player-vs.-player game with social components. The game is currently undergoing test launch.

# Studios

Stillfront has six semi autonomous studios in Europe, North America and Asia.

## BABIL GAMES

Babil Games, with operations in Dubai and Amman, focuses on adapting and publishing mobile games for the Arab market. Babil does not develop games, instead Babil adapts games from external - mainly Chinese - developers to the specific requirements of the Arab market. The adoptions relate to language, graphics, and in some cases also to adding social functions.



## BYTRO LABS

Bytro is Stillfront's largest studio. Bytro focuses on free-to-play strategy games with great game depths such as Supremacy 1914 and Call of War. The games have so far been designed primarily for browser. Bytro has now come a long way in making games available also on mobile platforms.



## COLDWOOD

Coldwood develops games for game consoles such as PlayStation and Xbox as well as for PC. Coldwood has a long history as a successful and talented developer and has received several awards. Games that preceded the successful Unravel include games such as Lights Out: The Fight, Move Fitness, Ski-Doo Challenge and Hermann Maier Ski Racing.



## DORADO

Dorado in Malta is a studio with a very experienced management team, that has worked on well-known free-to-play games such as Battlestar Galactica. The studio has developed the game Gladiator Online launched on Steam and lately Conflict of Nations: Modern War.



## POWER CHALLENGE

Power Challenge develops and publishes the games ManagerZone Football and ManagerZone Hockey. These sports management games allow the player to take the role of a team manager and lead the team from the lower divisions to the sports elite. ManagerZone Football was launched in 2001.



## SIMUTRONICS

Simutronics was founded by industry veteran David Whatley in St. Louis, Missouri. David has worked in the industry since the 1980s. In addition to the games Gemstone IV and Dragon Realms, Simutronics develops advanced mobile games such as Lara Croft Relic Run - developed on behalf of Square Enix and downloaded 22 million times - and the renowned game Siege: Titan Wars.





# The Share and Shareholders

## The Share

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.

## Share Capital

The total number of shares as of December 30 was 5 983 775 with a total share capital of 4,188,642.50 SEK. The nominal value per share is 0.70 SEK.

The development of the share capital is described in Note 25.

## Warrants Issued

As of December 31, 2016 the company had 61,396 outstanding warrants.

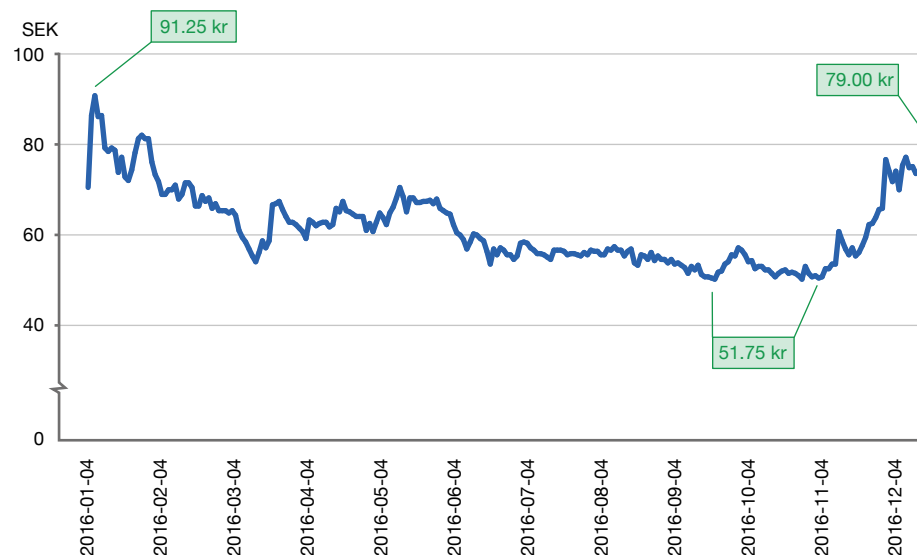
## Ownership Structure

As of December 31, 2016 the largest shareholders were FKL Holding GmbH with 16.0 percent of the shares, Acacia Asset Management with 10.1% and Swedbank Robur Ny Teknik with 7.5%.

## Policy for Dividend

Stillfront Group is in a growth phase, which will require capital to finance the expansion. During this growth phase, no dividends will be given.

## Development of the Share Price



## Largest Shareholders as of December 31, 2016

OWNER	NUMBER OF SHARES	%-SHAREHOLDING
FKL Holding GmbH	959,028	16.03 %
Acacia Asset Management AB	606,201	10.13 %
Swedbank Robur Ny Teknik	450,592	7.53 %
IQ Capital Fund I LP	318,484	5.32 %
Fyrmax Ltd	243,117	4.06 %
IdeCap AB	189,186	3.16 %
Banque Öhman S.A.	173,225	2.89 %
Prioritet Capital AB	153,272	2.56 %
Nordnet Pensionsförsäkring AB	144,550	2.42 %
Artic Securities AS	141,946	2.37 %
Other shareholders	2,604,174	43.52 %
<b>Total</b>	<b>5,983,775</b>	<b>100.00 %</b>

\* The total number of shares includes shares issued in connection to the acquisition of Babil Games in December 2016 but registered by Bolagsverket in January 2017. Hubertus Thonhauser was the recipient of 177,924 of these shares.



## Board of Directors and Auditors



Left to right: Annette Brodin Rampe, Per Skyttvall, Alexander Bricca, Jörgen Larsson, Mark Miller and Fredrik Åhlberg

## Per Skyttvall

### CHAIRMAN OF THE BOARD

Born 1967. Chairman since 2013.

**Education and work experience:** Studies 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, Acacia Invest AB, IAMIP AB and PGS Sweden AB.

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

## Mark Miller

### BOARD MEMBER

Born 1973. Board member since 2016.

**Education and work experience:** Economics and business at the University of Witten/Herdecke and the University of Texas at Austin. Holds a BA in business administration, has worked at Deutsche Bank in the corporate client and asset management businesses before joining Bertelsmann AG as a strategic investment analyst. Founder and managing partner of CatCap GmbH, an international M&A firm. He has been involved in more than 100 successful transactions.

**Other current positions:** CEO of CatCap GmBH

**No Shareholding**

## Jörgen Larsson

### BOARD MEMBER AND CEO

Born 1964. Board member since 2007.

**Education and work experience:** Master of Science in Industrial Engineering from Linköpings Tekniska Högskola and additional studies in physics and philosophy at Uppsala University. CEO of Stillfront Group since October 2015. Before being formally engaged as CEO, Jörgen Larsson performed work for Stillfront on a consultancy basis. Experience from work as CEO.

**Other current positions:** Chairman of the board of directors in 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 Power Challenge. Deputy member of 4P Business Consulting AB and Sandhammaren Utveckling 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.

## Annette Brodin Rampe

### BOARD MEMBER

Born 1962. Board member since 2016.

**Education and work experience:** Master of Science in Industrial Chemistry from Chalmers University of Technology. Annette is the Managing Partner for Europe of Brunswick since November 2014. Before joining Brunswick in 2007, Annette was Senior Vice President of Sales and Marketing at E.ON Sverige AB. She has also served as CEO of Senea, a listed Swedish data systems company.

**Other current positions:** Board member of Sund1 AB, Hus1 AB and Jobb1 AB.

**Shareholding:** 9,677 shares

## Alexander Bricca

### BOARD MEMBER

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 is currently the CFO of Viaplay AB has experience as the CFO of Voddler Group AB as an Investment Manager at Deseven Capital AB.

**Other current positions:** Deputy Board Member in Coldwood Interactive AB.

**Shareholding:** 4,194 shares

## Fredrik Åhlberg

### BOARD MEMBER

Born 1971. Board member since 2015.

**Education and work experience:** MBA from INSEAD and Master of Science in Electrical Engineering from KTH Royal Institute of Technology.

Fredrik has experience as CEO of Tele2 Czech Republic, Head of Expansion for Ebay in Europe as a member of the management team of King.com Ltd.

**Other current positions:** Chairman in Springworks AB and Virtusize AB. Board member in AB Svenska Spel and Quizeye AB.

**Shareholding:** 4,275 shares

## Auditors

### MAZARS SET REVISIONSBYRÅ AB

with Michael Olsson as head auditor, Authorized Public Accountant. Born 1974.

# Management

## Jörgen Larsson

**CEO**

Please refer to Board of Directors

## Sten Wranne

**CFO**

Born 1961. CFO in 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, Connecta AB, DigiDoc AB, Adcore AB and Connecta AB. Sten also has been Managing Director and partner of venture capital firm Deseven Capital. Sten has extensive experience as a strategy and management consultant, as well as various management-for-hire assignments. He has also been in the leadership team for a number of consulting firms, including Connecta AB and Accenture.

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

**Shareholding:** 6,540 shares through an endowment insurance and 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.

## 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.

**Shareholding:** 40,000 shares.

## Jakob Marklund

Born 1973. Technical Director of Coldwood Interactive AB since 2003.

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

**Other current positions:** -

**Shareholding:** 36,812 shares.

## 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 for FKL Holding GmbH.

**Shareholding:** Holder of 33.3% of FKL Holding GmbH which owns 959,028 shares in Stillfront Group AB.

## Felix Faber

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

**Education and work experience:** Master of Science in Computer Science. Advisor to 5DLab GmbH.

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

**Shareholding:** Holder of 33.3% of FKL Holding GmbH which owns 959,028 shares in Stillfront Group AB.

## 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 for FKL Holding GmbH

**Shareholding:** Holder of 33.3% of FKL Holding GmbH which owns 959,028 shares in Stillfront Group AB

## David Whatley

Born 1966. CEO and founder of Simutronics Corp.

**Education and work experience:** Senior Lead Developer at Simutronics entire product portfolio including products such as GemStone IV and DragonRealms.

**Other current positions:** -

**Shareholding:** 18 851 shares.

## Management, cont.

### MJ Fahmi

*Born 1985. CEO and founder of Babil Games LLC.*

**Education and work experience:** B.Sc. in Graphics Design. Business Development Manager at Peak Games. Established SouliT, a network technology company, in Jordan.

**Other current positions:** -

**Shareholding:** 109,196 shares.

### AJ Fahmi

*Born 1981. COO and co-founder of Babil Games LLC*

**Education and work experience:** B.Sc. in Telecommunications Engineering. Vice President of an international trading company.

**Other current positions:** -

**Shareholding:** 58 797 shares.



# Key Indicators and Definitions, Group Consolidated

	2016 JAN-DEC	2015 JAN-DEC	2014 JAN-DEC
Net Revenues, KSEK	94,832	55,380	29,202
EBITDA, KSEK	34,264	15,779	4,769
Operating result after financial items, KSEK	23,443	2,873	-4,895
Net result, KSEK	20,976	503	-7,416
EBITDA margin, %	36.1%	28.5%	16.3%
Equity ratio, %	47.7%	83.0%	77.8%
Shareholders' equity per share undiluted, SEK	22.44	19.08	11.70
Shareholders' equity per share diluted, SEK	22.21	19.08	11.70
Earnings per share undiluted, SEK	2.89	-0.26	-3.34
Earnings per share diluted, SEK	2.86	-0.26	-3.34
No of shares end of period undiluted	5,983,775	5,006,583	2,998,510
No of shares end of period diluted	6,045,171	5,119,145	3,111,586
Average no of shares period undiluted	5,328,763	4,002,797	2,674,797
Average no of shares period diluted	5,390,159	4,100,909	2,787,873

## Definitions key indicators, 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.

# Directors' Report

## OVERALL

Stillfront Group AB (publ) is an independent creator, publisher and distributor of digital games – with a vision to become a leading indie game creator and publisher. 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 St Louis, USA and Babil Games in UAE and Jordan. Stillfront's games are distributed globally. The main markets are Sweden, Germany, the United States, MENA and South America.

## MISSION

Stillfront's mission is to deliver leading risk/reward by acquiring and managing strong game studios that develop and/or publish attractive game titles.

## SIGNIFICANT EVENTS DURING THE YEAR

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

During the year 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 publishes 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 several 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 during 2016 continued stable revenue levels. Call of War continued to generate good revenues, and has gen-

erated accumulated revenues of 47 MSEK up to and including 2016. Bytro has during the year taken several 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 strengthened its infrastructure to prepare the business for expansion, resulting in slightly higher costs per sales during a transitional period. Bytro has also taken initial steps to the establishment of new marketing channels.

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 2017.

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. Coldwood has been chosen to develop a sequel to Unravel. Coldwood's 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. During the fourth quarter, a test launch in few select test markets was initiated, 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 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 investments made so far create a solid foundation for stable and high growth with profitability in the coming years.

## **SIGNIFICANT EVENTS AFTER THE END OF THE YEAR**

After year-end, the soft 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 2017 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 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.

Acquisitions are an integral part of Stillfront's growth strategy and Stillfront continuously evaluates several potential acquisition objects. Stillfront has intensified discussions with a number of interesting potential acquisitions.

At an extra general meeting held April 18 2017, it was resolved to issue warrants. The warrants are to be used in an incentive program targeted at key individuals withing Stillfront.

## Year Summary

### GROUP CONSOLIDATED

KSEK	2016	2015 <sup>1)</sup>	2014 <sup>1)</sup>	2013 <sup>1)</sup>	2012 <sup>1)</sup>
Net Revenues	94,832	55,380	29,202	20,699	17,053
EBITDA	34,264	15,779	4,769	-1,212	1,485
Operating result after financial items	23,443	2,873	-4,895	-18,505	-51,115
Total Capital	322,534	121,513	50,223	50,516	43,014
Shareholders' Equity	153,994	100,908	39,094	41,078	33,391
Equity ratio	48%	83%	78%	81%	78%

### PARENT

KSEK	2016	2015 <sup>1)</sup>	2014 <sup>1)</sup>	2013 <sup>1)</sup>	2012 <sup>1)</sup>
Net Revenues	1,678	1,020	-	-	4,820
Operating result after financial items	-6,384	-2,547	-3,125	-10,309	-33,958
Total Capital	350,352	144,989	78,778	81,149	79,145
Shareholders' Equity	211,509	140,749	75,508	73,028	58,094
Equity ratio	60%	97%	96%	90%	92%

1) Data for 2015 and 2014 have been recalculated according to IFRS while data for 2013 and 2012 have not. Thus, the comparability is limited. Please refer to Note 35 for detailed information regarding the effects of the transition to IFRS.



## Revenues and profit/loss

This is the first time Stillfront Group submits its annual report in accordance with IFRS. The accounting principles applied are described in Note 2. All comparative figures have been restated in accordance with IFRS and are presented for 2014 and 2015.

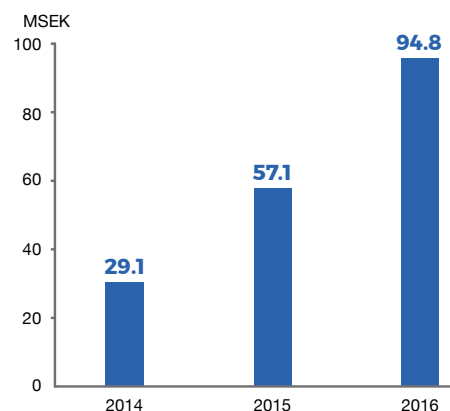
In accordance with IFRS, Stillfront capitalizes product development expenses. This has resulted in a significant balance sheet item regarding intangible assets arising, and (compared to the previously applied accounting principles) in earnings being affected by investments no longer being expensed and by the earnings being charged with amortizations. Further, goodwill is no longer amortized. Acquisition costs are now being expensed. Please refer to note 35 for detailed information regarding the effects of the transition to IFRS.

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.

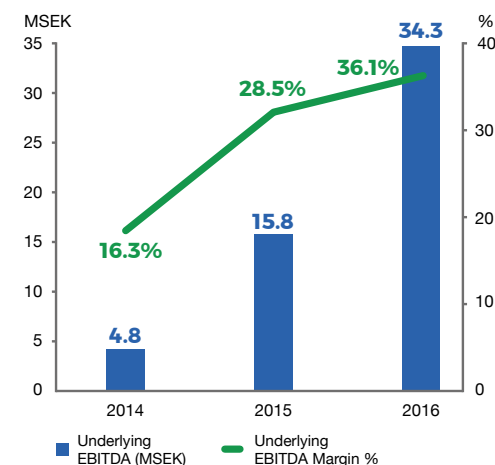
Total revenues during the year, which includes own work to be capitalised and other revenues amounted to 119.8 MSEK (2015: 61.1 MSEK, 2014: 38.6 MSEK).

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%,

### NET REVENUES



### EBITDA



2014: 16,3%). 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). 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 annual 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. Please refer to Note X for detailed information regarding the effects of the transition to 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. Investments have also been made in Conflict of Nations: Modern War, which has been developed based on the Supremacy engine, although the development has been done by Stillfront studio Dorado. Conflict of Nations 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 several other new games, and new functionality in some existing games.

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 additional considerations related to the Group's acquisition of Simutronics and Babil.

## Corporate Governance

The Company is subject to Swedish laws and regulations such as the Companies Act (2005:551), the Bookkeeping Act (1999:1078) and the Act on Annual Accounts (1995:1554). The Company applies the First North Rulebook. Corporate governance is exercised by the AGM, the Board and the CEO. The company's auditor, appointed by the Annual General Meeting, monitors the company's accounts and the management of the company by the board and the CEO.

For further information on corporate governance, please refer to the Company's website.

## Remuneration to the Board and senior management

Fees and other compensation for board members, including the Chairman, are resolved by the AGM. The AGM resolved that the Chairman of the Board shall be reimbursed with an amount of 88 600 SEK and that the other directors, not employed by the group. Shall be reimbursed with an amount of 44 300 SEK each.

Remuneration to the CEO and management team consist of fixed salary, bonus, other benefits and pension. Neither the directors or senior management are entitled to any benefits after completing their engagement.

## 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).

## 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.

## Risk Factors

Some of the risks related to Stillfront's business are listed below.

### KEY INDIVIDUALS AND RECRUITING

Stillfront 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.

### INTELLECTUAL PROPERTY RIGHTS

Stillfront may be unable to protect its intellectual property rights and could be at risk of infringing third party intellectual property rights.

### PRODUCT DEVELOPMENT

When developing new games, Stillfront's studios must be innovative and adapt to technological advances as well as consumer preferences and demands. All game development may be subject to unexpected delays. New games may not appeal to gamers as expected and thus not generate expected revenues.

### ACQUISITIONS

Stillfront has made and may make acquisitions that prove unsuccessful or strain or divert the Group's resources.

### IT OPERATIONS

Stillfront and its customers are vulnerable to hacking, viruses, malicious acts and other cybercrime. Stillfront's IT operations are critical for its revenues and disruptions to IT operations may impact revenues negatively.

## PROPOSED DISTRIBUTION OF EARNINGS

The Board of Directors of Stillfront Group proposes the earnings available for distribution, 207 319 875 SEK, to be treated according the following:

AMOUNTS IN SEK	
Free Reserves	246,946,293
Retained Earnings	-54,595,815
Net Income for the Year	14,969,397
<b>Total</b>	<b>207,319,875</b>
To be Carried Forward	207,319,875
<b>Total</b>	<b>207,319,875</b>

## ANNUAL GENERAL MEETING

The annual general meeting of Stillfront Group AB (publ), 556721-3078, will be held May 19, 2017 at 09.00, in the offices of DLA Piper Sweden, Kungsgatan 9, Stockholm.

# Consolidated Income Statement

KSEK	NOTE	2016-01-01 - 2016-12-31	2015-01-01 - 2015-12-31	2014-01-01 - 2014-12-31
	1, 2, 3, 4			
<i>Revenues</i>				
Net revenues		94,832	55,380	29,202
Internally accrued during the year		23,669	5,435	7,478
Other revenues	5	1,348	268	1,895
<b>Total Operating Revenues</b>		<b>119,849</b>	<b>61,083</b>	<b>38,575</b>
<i>Operating expenses</i>				
Other operating expenses	6, 7	-40,216	-25,774	-16,813
Personnel expenses	8	-45,369	-19,530	-16,993
Depreciations and write-downs of intangible non-current assets		-9,255	-12,553	-8,838
Depreciations and write-downs of tangible non-current assets		-356	-122	-208
<b>Operating result</b>		<b>24,653</b>	<b>3,104</b>	<b>-4,277</b>
<i>Result from financial items</i>				
Financial Income	9	1,836	72	116
Financial expenses	10	-3,046	-303	-734
Total financial items		-1,210	-231	-618
<b>Operating result after financial items</b>		<b>23,443</b>	<b>2,873</b>	<b>-4,895</b>
Taxes for the period	12	-2,467	-2,370	-2,521
<b>Net result for the period</b>		<b>20,976</b>	<b>503</b>	<b>-7,416</b>

## Consolidated Income Statement, cont.

KSEK	NOTE	2016-01-01 - 2016-12-31	2015-01-01 - 2015-12-31	2014-01-01 - 2014-12-31
<b>Other comprehensive income</b>				
<i>Items that later can be reversed in profit</i>				
Foreign currency translation differences		3,853	-313	-766
<b>Total other total result net after tax</b>		<b>3,853</b>	<b>-313</b>	<b>-766</b>
<b>Total total result for the year</b>		<b>24,829</b>	<b>190</b>	<b>-8,182</b>
<b>Period net result attributed to parent company shareholders</b>		<b>15,408</b>	<b>-1,059</b>	<b>-8,942</b>
<b>Period net result attributed to Minority interests</b>		<b>5,568</b>	<b>1,562</b>	<b>1,526</b>
<b>Period total comprehensive income attributable to parent company shareholders</b>		<b>19,075</b>	<b>-1,188</b>	<b>-9,929</b>
<b>Period total comprehensive income attributable to minority interest</b>		<b>5,754</b>	<b>1,378</b>	<b>1,747</b>
<b>Average number of shares</b>	13			
Undiluted		5,328,763	4,002,797	2,674,797
Diluted		5,390,159	4,100,909	2,787,873
<b>Net result per share attributable to the parent company shareholders</b>				
Undiluted		2.89	-0.26	-3.34
Diluted		2.86	-0.26	-3.34

# Consolidated Balance Sheet

KSEK	NOTE	2016-12-31	2015-12-31	2014-12-31	2014-01-01
<b>ASSETS</b>					
<b>Non-current assets</b>					
<i>Intangible non-current assets</i>					
Capitalized development expense	15	41,782	15,369	14,725	4,445
Game products	16	32,099	-	-	-
Goodwill	17	190,618	22,592	22,592	27,984
<b>Total non-current intangible assets</b>		<b>264,499</b>	<b>37,961</b>	<b>37,317</b>	<b>32,429</b>
<i>Current intangible assets</i>					
Machinery and equipment	18	775	242	225	275
<b>Total current intangible assets</b>		<b>775</b>	<b>242</b>	<b>225</b>	<b>275</b>
<i>Financial Assets</i>					
Investments held as non-current assets		-	-	5,309	5,909
Other long-term receivables		-	-	-	250
<b>Total financial assets</b>		<b>0</b>	<b>0</b>	<b>5,309</b>	<b>6,159</b>
<b>Deferred tax assets</b>	19	<b>7,780</b>	<b>1,049</b>	<b>567</b>	<b>581</b>
<b>Current assets</b>					
<i>Current receivables</i>					
Accounts receivable	22	6,209	3,270	832	1,011
Current tax assets		368	493	96	75
Other receivables		3,195	1,941	914	1,001
Prepaid expenses and accrued income	23	3,934	3,103	677	1,795
Cash and equivalents	24	35,774	73,454	4,286	7,771
<b>Total current assets</b>		<b>49,480</b>	<b>82,261</b>	<b>6,805</b>	<b>11,653</b>
<b>TOTAL ASSETS</b>		<b>322,534</b>	<b>121,513</b>	<b>50,223</b>	<b>51,097</b>

## Consolidated Balance Sheet, cont.

KSEK	NOTE	2016-12-31	2015-12-31	2014-12-31	2014-01-01
<b>EQUITY AND LIABILITIES</b>					
<i>Equity</i>	25				
Share capital		4,189	3,505	2,189	1,736
Contributed capital		210,834	191,841	131,532	126,715
Other reserves	26	2,551	-1,116	-987	-
Profit brought forward		-83,313	-98,721	-97,662	-88,720
<b>Equity attributable to parent</b>		<b>134,261</b>	<b>95,509</b>	<b>35,072</b>	<b>39,731</b>
Minority	20	19,733	5,399	4,022	2,621
<b>Total equity</b>		<b>153,994</b>	<b>100,908</b>	<b>39,094</b>	<b>42,352</b>
<i>Non-current liabilities</i>					
Liabilities to credit institutions	27	-	298	-	-
Deferred tax liability	28	24,513	3,869	3,020	443
Other non-current liabilities	27	123,576	-	889	1,333
<b>Total non-current liabilities</b>		<b>148,089</b>	<b>4,167</b>	<b>3,909</b>	<b>1,776</b>
<i>Current liabilities</i>					
Accounts payable		3,458	5,241	1,050	507
Current tax liability		-	1,748	459	612
Other current liabilities		5,000	2,226	1,346	643
Accrued expenses and deferred income	29	11,993	7,223	4,365	5,207
<b>Total current liabilities</b>		<b>20,451</b>	<b>16,438</b>	<b>7,220</b>	<b>6,969</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>322,534</b>	<b>121,513</b>	<b>50,223</b>	<b>51,097</b>

# 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
<b>Opening balance 2014-01-01</b>	<b>1,736</b>	<b>126,715</b>	-	<b>-88,720</b>	<b>39,731</b>	<b>2,622</b>	<b>42,353</b>
Profit/Loss for the period	-	-	-	-8,942	-8,942	1,526	-7,416
Other comprehensive income							
Foreign currency translation differences	-	-	-987	-	-987	221	-766
<b>Total other comprehensive income</b>	-	-	<b>-987</b>	<b>-8,942</b>	<b>-9,929</b>	<b>1,747</b>	<b>-8,182</b>
New share issue	453	4,817	-	-	5,270	-	5,270
Adj acquisition analysis	-	-	-	-	-	-347	-347
<b>Total transactions booked against share capital</b>	<b>453</b>	<b>4,817</b>			<b>5,270</b>	<b>-347</b>	<b>4,923</b>
<b>Closing balance 2014-12-31</b>	<b>2,189</b>	<b>131,532</b>	<b>-987</b>	<b>-97,662</b>	<b>35,072</b>	<b>4,022</b>	<b>39,094</b>
Profit/Loss for the period	-	-	-	-1,059	-1,059	1,562	503
Other comprehensive income							
Foreign currency translation differences	-	-	-129	-	-129	-184	-313
<b>Total other comprehensive income</b>	-	-	<b>-129</b>	<b>-1,059</b>	<b>-1,188</b>	<b>1,378</b>	<b>190</b>
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
<b>Total transactions booked against share capital</b>	<b>1,316</b>	<b>60,308</b>	<b>0</b>	<b>0</b>	<b>61,624</b>	<b>0</b>	<b>61,624</b>
<b>Closing balance 2015-12-31</b>	<b>3,505</b>	<b>191,840</b>	<b>-1,116</b>	<b>-98,721</b>	<b>95,508</b>	<b>5,400</b>	<b>100,908</b>
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
<b>Total other comprehensive income</b>			<b>3,667</b>	<b>15,408</b>	<b>19,075</b>	<b>5,754</b>	<b>24,829</b>
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
<b>Total transactions booked against share capital</b>	<b>684</b>	<b>18,994</b>	<b>0</b>	<b>0</b>	<b>19,678</b>	<b>8,579</b>	<b>28,257</b>
<b>Closing balance 2016-12-31</b>	<b>4,189</b>	<b>210,834</b>	<b>2,551</b>	<b>-83,313</b>	<b>134,261</b>	<b>19,733</b>	<b>153,994</b>



# Cash flow in summary, Group

KSEK	NOTE	2016-01-01 - 2016-12-31	2015-01-01 - 2015-12-31	2014-01-01 - 2014-12-31
<b>Operating activities</b>				
Operating profit		23,443	2,872	-4,895
Adjustments for items not affecting cash flow	31	9,553	14,204	7,571
		<b>32,996</b>	<b>17,076</b>	<b>2,676</b>
Tax paid		-1,953	-1,035	-172
<b>Cash flow before change in working capital</b>		<b>31,043</b>	<b>16,041</b>	<b>2,504</b>
Change in working capital				
Increase/Decrease in current receivables		-647	-5,891	1,634
Increase/Decrease in current liabilities		-437	7,073	489
<b>Cash flow from operation activities</b>		<b>29,959</b>	<b>17,223</b>	<b>4,627</b>
<i>Investing activities</i>				
Investments in existing operations	14	-21,556	-	-
Investments in intangible non-current assets	15	-30,960	-13,422	-12,798
Investments in tangible non-current assets	18	-740	-277	-138
Sale of tangible non-current assets		-	2,051	-
<b>Cash flow from investing activities</b>		<b>-53,256</b>	<b>-11,648</b>	<b>-12,936</b>
<i>Financing activities</i>				
New share issue		29	64,184	5,270
New share issue costs		-1,592	-	-
Acquisition of minority shares		-13,552	-	-
Amortization of debt		-	-591	-444
<b>Cash flow from financing activities</b>		<b>-15,115</b>	<b>63,593</b>	<b>4,826</b>
<b>Cash flow for the period</b>		<b>-38,412</b>	<b>69,168</b>	<b>-3,483</b>
<b>Cash and cash equivalents at start of period</b>		<b>73,455</b>	<b>4,287</b>	<b>7,770</b>
Translation differences		731	-	-
<b>Cash and cash equivalents at end of period</b>		<b>35,774</b>	<b>73,455</b>	<b>4,287</b>

# Parent company income statement

KSEK	NOTE	2016-01-01 - 2016-12-31	2015-01-01 - 2015-12-31
	1, 2, 3, 4		
<i>Revenues</i>			
Net revenues		1,678	1,020
<b>Total operating revenues</b>		<b>1,678</b>	<b>1,020</b>
<i>Operating expenses</i>			
Other external expenses	6, 7	-3,282	-2,808
Personnel expenses	8	-4,473	-545
<b>Operating result</b>		<b>-6,077</b>	<b>-2,333</b>
<i>Profit from financial items</i>			
Financial income	9	115	51
Financial expenses	10	-422	-265
<b>Total financial items</b>		<b>-307</b>	<b>-214</b>
<b>Result after financial items</b>		<b>-6,384</b>	<b>-2,547</b>
<i>Appropriations</i>			
Group contributions	11	14,865	6,164
<b>Total appropriations</b>		<b>14,865</b>	<b>6,164</b>
<b>Profit before tax</b>		<b>8,481</b>	<b>3,617</b>
Tax for the period	12	6,489	-
<b>RESULT FOR THE PERIOD</b>		<b>14,970</b>	<b>3,617</b>
<b>Statement of comprehensive income - Parent company</b>			
Net result for the year		14,970	3,617
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>14,970</b>	<b>3,617</b>

# Parent company balance sheet in summary

KSEK	NOT	2016-12-31	2015-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Financial assets</i>			
Shares in subsidiaries	20	293,128	65,938
Receivables from group companies	21	26,742	14,103
Investments held as non-current assets	19	6,489	-
<b>Total financial assets</b>		<b>326,359</b>	<b>80,041</b>
<b>Total non-current assets</b>		<b>326,359</b>	<b>80,041</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from group companies		769	225
Other receivables		203	1,139
Prepaid expenses and accrued income	23	266	72
		<b>1,238</b>	<b>1,436</b>
Cash and equivalents		22,755	63,513
<b>Total current assets</b>		<b>23,993</b>	<b>64,949</b>
<b>TOTAL ASSETS</b>		<b>350,352</b>	<b>144,990</b>

## Parent company balance sheet in summary, cont.

KSEK	NOTE	2016-12-31	2015-12-31
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	25		
<i>Restricted equity</i>			
Share capital		4,189	3,505
<b>Total restricted equity</b>		<b>4,189</b>	<b>3,505</b>
<i>Non-restricted equity</i>			
Share premium reserve		246,946	191,841
Profit brought forward		-54,596	-58,213
Profit for the year		14,970	3,617
<b>Total non-restricted equity</b>		<b>207,320</b>	<b>137,245</b>
<b>Total equity</b>		<b>211,509</b>	<b>140,750</b>
<b>Provisions</b>			
Provisions	27	126,304	-
<b>Total provisions</b>		<b>126,304</b>	<b>0</b>
<b>Current liabilities</b>			
Accounts payable		219	3,880
Liabilities to group companies		7,708	-
Other liability		3,432	307
Accrued expenses and deferred income	29	1,180	53
<b>Total current liabilities</b>		<b>12,539</b>	<b>4,240</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>350,352</b>	<b>144,990</b>

# Changes in shareholders' equity, parent company

KSEK	RESTRICTED EQUITY		UNRESTRICTED EQUITY		
	SHARE CAPITAL	FAIR VALUE RESERVE	SHARE PREMIUM RESERVE	PROFIT/LOSS CARRIED FORWARD	SHAREHOLDERS' EQUITY
<b>Shareholders' equity as of 2014 12 31</b>	<b>2,189</b>		<b>131,532</b>	<b>-58,213</b>	<b>75,508</b>
Net result for the year				3,617	3,617
<b>Total comprehensive income for the year</b>				<b>3,617</b>	<b>3,617</b>
New share issue	1,346		73,651		74,997
Issue costs			-10,813		-10,813
Withdrawal of shares	-30		-2,529		-2,559
<b>Total transaction with the owners recognized directly in equity</b>	<b>1,316</b>	<b>0</b>	<b>60,309</b>	<b>0</b>	<b>61,625</b>
<b>Shareholders' equity as of 2015 12 31</b>	<b>3,505</b>	<b>0</b>	<b>191,841</b>	<b>-54,596</b>	<b>140,750</b>
Net result for the year				14,970	14,970
<b>Total comprehensive income for the year</b>				<b>14,970</b>	<b>14,970</b>
New share issue*	684		56,696		57,380
Issue costs			-1,591		-1,591
					0
<b>Total transaction with the owners recognized directly in equity</b>	<b>684</b>	<b>0</b>	<b>55,105</b>	<b>0</b>	<b>55,789</b>
<b>Shareholders' equity as of 2016 12 31</b>	<b>4,189</b>	<b>0</b>	<b>246,946</b>	<b>-39,626</b>	<b>211,509</b>

\* Including new share issue resolved in December 2016, registered by Bolagsverket in January 2017.

# Cash flow, parent company

KSEK	NOTE	2016-01-01 - 2016-12-31	201-01-01 - 2015-12-31
<b>Operating activities</b>			
Operating profit		-6,384	-2,547
Adjustments for items not affecting cash flow	31	-	-51
		<b>-6,384</b>	<b>-2,598</b>
Tax paid			-
<b>Cash flow before change in working capital</b>		<b>-6,384</b>	<b>-2,598</b>
Change in working capital			
Increase/Decrease in current receivables		-12,442	-8,343
Increase/Decrease in current liabilities		5,513	2,609
<b>Cash flow from operating activities</b>		<b>-13,313</b>	<b>-8,332</b>
<i>Investing activities</i>			
Acquisition of subsidiaries		-40,746	-
Sales of financial assets		-	2,051
<b>Cash flow from investing activities</b>		<b>-40,746</b>	<b>2,051</b>
New share issue		29	64,184
Issue costs		-1,592	
Group contributions		14,865	6,164
Amortization of debt		-	-889
<b>Cash flow from financing activities</b>		<b>13,302</b>	<b>69,459</b>
<b>Cash flow for the year</b>		<b>-40,757</b>	<b>63,178</b>
<b>Cash and equivalents at the beginning of the year</b>		<b>63,513</b>	<b>335</b>
<b>Cash and equivalents at year end</b>		<b>22,756</b>	<b>63,513</b>

# Notes

## Note 1 General Information

Stillfront is an independent creator, publisher and distributor of digital games – with a vision to become a leading indie game creator and publisher. 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 St Louis, Missouri, USA and Babil Games in UAE and Jordan.

The Parent company with company registration number 556721-3078, is incorporated under the laws of Sweden with a registered address in Stockholm. The address to the head offices is Storgatan 8, 582 23 Linköping, Sweden.

Stillfront Group's shares are traded on Nasdaq First North since December 8, 2015.

The annual report and the consolidated financial statements were approved for publication by the board of directors April 28 2017. The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders.

## Note 2 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 1 Jan 2014. The effects arising as at 1 Jan 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**

##### **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.

### 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.

### 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

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, as well as goodwill and non-completed capitalized development expenses, are not amortized but are tested annually for impairment. Assets that are amortized 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

##### *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.

##### *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, among other holdings, period. At the end of the financial year ending 31 Dec 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 Dec 2015 and 31 Dec 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, please refer to note 3.

### 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

#### *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.

#### *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. The present value is calculated according to what is stated below in the section Provisions.

### 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.

## HEDGE ACCOUNTING

Stillfront applies hedging of net investment. This means that loans, in this case, contingent additional considerations, constitute hedging instruments. To the extent that profit or loss (currency translation effects) of the hedging instrument is determined to be an effective part of the hedge, this part is reported in Other comprehensive income.

## 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 in a deposit, in other words acquires PC 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. Provisions 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.

#### **HEDGE ACCOUNTING**

Liabilities in foreign currency that constitute hedging instruments for investments in subsidiaries are reported, referring to the fact that the hedge is considered effective at acquisition price.

#### **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.

### Note 3 Financial risk management

The Group's activities expose it to a number of financial risks, such as market risk (consisting primarily of currency risk, plus an insignificant interest risk), credit risk and liquidity risk. Risk management takes place in accordance with established principles and the Group's overall risk management policy seeks to minimise potential adverse effects on the Group's results and financial position.

#### CURRENCY RISK

The Group operates internationally and is exposed to currency risks arising from various currency exposures. Currency risk arises from future business transactions, recognised assets and liabilities, and net investments in foreign operations. Currency risk arises when future business transactions and recognised assets and liabilities are denominated in EUR or USD. The Group did not make use of any currency forward contracts during the financial year presented. The main currencies to which the Group is exposed are EUR and USD.

#### TRANSLATION EXPOSURE

Translation exposure arises when subsidiaries with a functional currency different to that of the parent company are translated to the parent company's functional currency. This translation effect is recognised in other comprehensive income. The Group usually agrees contingent additional considerations on the acquisition of subsidiaries. These are denominated in EUR or USD. Contingent additional considerations are measured at fair value and translation differences arising through ongoing revaluation at closing date rates are more an element of the currency translation that takes place on the translation of foreign net assets. The overall effect of these translation differences is shown in note 26.

#### TRANSACTION EXPOSURE

Transaction exposure arises when the Group has receivables and payables in a currency other than the functional currency of the respective company. The currency effects on the translation of these receivables and payables are recognised in the consolidated income statement.

The Group's risk exposure in foreign currency at the end of the financial year, expressed in Swedish kronor (SEK thousands), was as follows (regarding items causing transaction exposure):

	2016-12-31 EUR	2016-12-31 USD	2015-12-31 EUR	2015-12-31 USD	2014-12-31 EUR	2014-12-31 USD
Trade receivables	1	2,129	-	-	-	-
Trade payables	4	1	-	-	-	-
Non-current liabilities	-	-	-	-	-	-

If the EUR rate had been 5% higher, or respectively lower, in relation to SEK, with all other variables remaining constant, the profit for the year would have been materially unchanged. If the USD rate had been 5% higher, or respectively lower, in relation to SEK, with all other variables remaining constant, the profit for the year would have been 106 KSEK higher, or respectively lower, as a result of the exposure in the Group's balance sheet items.

#### INTEREST RISK

Interest risk refers to the risk of a fluctuation in fair value or future cash flows as a result of changes in market interest rates. The Group was not exposed to any significant interest risk in relation to either borrowing or lending during the financial year presented.

#### PRICE RISK

##### Available-for-sale financial assets

For the financial year ending 31 Dec 2014, the Group had holdings in a bond fund, with a carrying amount of 2,000 KSEK. The carrying amount has been deemed equivalent to the fair value, therefore no change in fair value has been recognised in other comprehensive income. The risk of changes in value is considered negligible. Redemption took place on 26 Oct 2015 at 2,050 KSEK. There are no financial instruments in this category for the financial years ending 31 Dec 2015 and 31 Dec 2016.

##### Financial liabilities measured at fair value

The Group has contingent additional considerations measured at fair value (the principles are described in note 2). The valuation has been based on an assessment of the acquired companies' future financial performance, with contingent additional considerations being valued at the contractual highest amounts. There is therefore no risk that contingent additional considerations exceed the valuation, except for exchange rate fluctuations.

#### CREDIT RISK

Credit risk refers to the exposure of receivables in the form of investments of surplus liquidity and trade receivables. The Group's trade receivables are limited, as the majority are paid in advance and refunds are made only to a very limited extent. The Group's risk of bad debts is therefore considered to be limited. The largest total exposure for all financial instruments at a single bank was 23.8 MSEK (65.0 MSEK).

#### Maximum credit risk exposure

	GROUP 2016-12-31	GROUP 2015-12-31	GROUP 2014-12-31	PARENT 2016-12-31	PARENT 2015-12-31
Trade receivables	6,209	3,270	832	-	-
Receivables from Group companies	-	-	-	769	225
Other receivables	3,563	2,434	1,010	203	1,139
Cash and cash equivalents/cash and bank deposits	35,774	73,454	4,286	22,755	63,513
<b>Total</b>	<b>45,546</b>	<b>79,158</b>	<b>6,128</b>	<b>23,727</b>	<b>64,877</b>

## LIQUIDITY RISK

Liquidity risk refers to the risk that Group will have problems meeting its obligations in relation to the Group's financial liabilities. Finance risk refers to the risk that the Group will be unable to arrange financing at a reasonable cost. The Group finances its operations to a significant extent through new share issues. Acquisitions of new businesses is partly financed by contingent additional considerations, where the size of the contingent additional considerations depends on the financial performance of the acquired business. All contingent additional considerations have a cap. For the present financial year, the Group has overdraft facilities of 1.6 MSEK, which were not used at the end of the year. At the end of the year, the Group had no loan commitments. The tables below provide an analysis of the Group's financial liabilities, distributed by the contractual time to maturity at the balance sheet date.

### Maturity analysis of contractual payments for financial liabilities

	0-3 MONTHS	3-12 MONTHS	1-5 YEARS	5-
Contingent additional considerations	-	-	123,575	-
Other liabilities	2,210	2,787	-	-
Trade payables	1,553	1,905	-	-
<b>Total</b>	<b>3,763</b>	<b>4,693</b>	<b>123,575</b>	<b>0</b>

## CAPITAL

The Group's objective with regard to the capital structure is to safeguard the Group's ability to continue its operations so it can generate a return for its shareholders and benefits for other stakeholders and to maintain an optimum capital structure in order to keep capital costs down. In order to maintain or adjust the capital structure, the Group can change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt. The capital is assessed on the basis of the Group's equity ratio. The company's Board of Directors and management continuously assess the Group's long-term capital requirements and financing options.

## Fair value calculation

The table below shows financial instruments measured at fair value, based on the classification made in the fair value hierarchy. The different levels are defined as follows:

Level 1	Quoted prices on active markets for identical assets or liabilities
Level 2	Other observable data for the asset or liability other than the quoted prices included in level 1, either directly (i.e. as quoted prices) or indirectly (i.e. derived from quoted prices).
Level 3	Data for assets or liabilities that is not based on observable market data (i.e. non-observable data).

		LEVEL 1	LEVEL 2	LEVEL 3
<i>Available-for-sale assets</i>				
Funds and shares	2014 12 31	2,000	-	3,309
<i>Financial liabilities</i>				
Contingent additional considerations	2014 12 31	-	-	-
	2015 12 31	-	-	-
	2016 12 31	-	-	123,575

The following table shows the change in instruments at level 3:

<i>Contingent additional considerations</i>	
Opening balance, 2014-01-01	
Arising during the year	123,575
<b>Closing balance at 2016-12-31</b>	<b>123,575</b>
<i>Funds and shares</i>	
Opening balance, 2014-01-01	3,309
Disposals	-3,309
<b>Closing balance at 2014-12-31</b>	<b>0</b>

## Note 4 Significant accounting estimates and assessments

Stillfront's financial reports are prepared in accordance with IFRS. This means that the preparation of financial statements and the application of accounting policies are often based on estimates and assumptions that are considered reasonable and well-balanced at the time when the assessment is made. Different assessments, assumptions and estimates may give different results, however, and events may occur that require a material adjustment to the carrying amount of the affected asset or liability. Below are the most important areas where assessments and assumptions have been made and which are considered to have the biggest impact on the financial statements.

### CAPITALISATION OF EXPENSES FOR DEVELOPMENT

Timing of capitalisation of development; The Group's expenses for game development are capitalised when the game concept is sufficiently defined to enable their commercial potential to be assessed. The assessment of commercial potential and return is based on experience from previous games.

Development in progress; Where the Group's capitalised expenses for games have not yet begun to be amortised (not yet ready for use), impairment is tested annually. The key assumptions on which these assessments are based may change and result in a significant impact on the Group's results and financial position. The carrying amount of capitalised expenses for development is indicated in Note 15.

### IMPAIRMENT TESTING OF GOODWILL

Stillfront tests goodwill for impairment every year, in accordance with the accounting policies described in Note 2. Impairment testing involves calculations made on the basis of assessments and assumptions. The most important assumptions forming the basis for these assessments are among others growth rate and discount rate. Assessments that are different from those made by the management may lead to completely different results and a different financial position. More information is provided in Note 17.

### VALUATION OF LOSS CARRYFORWARD

Deferred tax assets for tax loss carryforwards are recognised only in cases where it is probable that future taxable profit will be available against which the temporary difference can be utilised. The carrying amount on each balance sheet date is shown in Note 19.

### CONTINGENT ADDITIONAL CONSIDERATIONS

Stillfront has agreed contingent additional considerations for some business combinations. These are valued on an ongoing basis at fair value and the calculation is based on a number of assessments and assumptions. Assessments that are different from those made by the management may lead to completely different results and a different financial position.

### Note 5 Other operating income

	GROUP 2016	GROUP 2015	GROUP 2014	PARENT 2016	PARENT 2015
Exchange rate fluctuations	348	268	1,896	-	-
Grants	873	-	-	-	-
Other income	127	-	-	-	-
<b>Total</b>	<b>1,348</b>	<b>268</b>	<b>1,896</b>	<b>0</b>	<b>0</b>

### Note 6 Auditors' fees and expenses

	GROUP 2016	GROUP 2015	GROUP 2014	PARENT 2016	PARENT 2015
<b>Mazars</b>					
Audit assignment	504	275	177	287	178
Tax advice	8	-	-	8	-
Other assignments	61	-	14	61	-
<b>Total</b>	<b>573</b>	<b>275</b>	<b>191</b>	<b>356</b>	<b>178</b>

#### Other audit firms

Audit assignment	11
<b>Total</b>	<b>11</b>

Audit assignment refers to the fee for the statutory audit, i.e. such work that has been necessary in order to provide the audit report and so-called audit advice, which is submitted with the audit assignment. Auditing activities in addition to the audit assignment refers to the fee for various kinds of quality assurance services. Other services refers to such services that do not form part of the audit assignment, auditing activities or tax advice.

### Note 7 Operating leases

	GROUP 2016	GROUP 2015	GROUP 2014	PARENT 2016	PARENT 2015
<b>Lease expenses</b>	<b>2,238</b>	<b>2,128</b>	<b>1,276</b>	<b>154</b>	<b>-</b>
The nominal value of future lease payments is distributed as follows:					
<i>Remaining term as at 31 December:</i>					
Due within 1 year	2,451	1,496	1,443	-	176
Between 2 and 5 years	5,935	430	799	-	16
Later than 5 years	-	-	-	-	-
<b>Total remaining terms as at 31 December</b>	<b>8,386</b>	<b>1,926</b>	<b>2,242</b>	<b>0</b>	<b>192</b>

Significant leases are primarily those relating to the lease of office premises.

## Note 8 Average number of employees, staff costs, pensions etc.

AVERAGE NUMBER OF EMPLOYEES IN THE GROUP:	GROUP 2016	GROUP 2015	GROUP 2014	PARENT 2016	PARENT 2015
<b>Sweden</b>					
Women	1	1	1		-
Men	24	21	19	2	2
<b>Total</b>	<b>25</b>	<b>22</b>	<b>20</b>	<b>2</b>	<b>2</b>
<b>Malta</b>					
Women	2	1			
Men	5	2			
<b>Total</b>	<b>7</b>	<b>3</b>	<b>0</b>		
<b>United Kingdom</b>					
Women			0		
Men	1	1	1		
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>		
<b>Germany</b>					
Women	9	2	5		
Men	20	15	12		
<b>Total</b>	<b>29</b>	<b>17</b>	<b>17</b>		
<b>USA</b>					
Women	3				
Men	19				
<b>Total</b>	<b>22</b>	<b>0</b>	<b>0</b>		
<b>Jordan</b>					
Women	4				
Men	8				
<b>Total</b>	<b>12</b>	<b>0</b>	<b>0</b>		

AVERAGE NUMBER OF EMPLOYEES IN THE GROUP:	GROUP 2016	GROUP 2015	GROUP 2014	PARENT 2016	PARENT 2015
<b>All countries</b>					
Women	19	4	6		
Men	77	39	32		
<b>Total</b>	<b>96</b>	<b>43</b>	<b>38</b>		

The average number of employees in the US pertains to the period from June 1, 2016 to Dec 31, 2016. The average number of employees in Jordan pertains to the period from Dec 1, 2016 to Dec 31, 2016.

GENDER DISTRIBUTION IN THE COMPANY MANAGEMENT	GROUP 2016	GROUP 2015	GROUP 2014	PARENT 2016	PARENT 2015
Board members	6	5	4	6	5
of which men	5	5	4	5	5
Other senior executives	9	7	6	1	1
of which men	9	7	6	1	1
<b>Total</b>	<b>15</b>	<b>12</b>	<b>10</b>	<b>7</b>	<b>6</b>
<b>of which men</b>	<b>14</b>	<b>12</b>	<b>10</b>	<b>6</b>	<b>6</b>

SALARIES AND OTHER REMUNERATION	GROUP 2016	GROUP 2015	GROUP 2014	PARENT 2016	PARENT 2015
Boards of Directors and Managing Directors	10,753	5,961	6,350	1,619	1,900
Other employees	26,846	12,086	8,289	1,163	127
<b>Total</b>	<b>37,599</b>	<b>18,046</b>	<b>14,640</b>	<b>2,782</b>	<b>2,027</b>

*Social security expenses:*

Pension costs for the Boards and Managing Directors	532	83	44	488	40
Pension costs for other employees	555	413	333	165	10
Other statutory and contractual social security expenses	7,100	3,442	3,036	871	155
<b>Total</b>	<b>8,187</b>	<b>3,938</b>	<b>3,413</b>	<b>1,524</b>	<b>205</b>

Of the above remuneration to the Board of Directors and Managing Directors, 975 (2016), 2 973 (2015), and 2 337 (2014) have been invoiced.



## THE GROUP'S PENSION PLANS

All pensions plans in Group are defined contribution plans.

## REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Remuneration is paid to the Chairman and members of the Board in accordance with the AGM's decision. Remuneration to the CEO is decided by the Board and remuneration to other senior executives of the CEO. The CEO and senior executives have premium-based pension insurance solutions. There are no agreements for severance pay. The CEO is entitled to 6 months' notice. For other senior executives, a notice period of 3-6 months applies. Below is a summary of remuneration and benefits to the Board and senior executives.

2016	BASIC SALARY/ BOARD FEE	OTHER REMUNERATION	PENSION EXPENSES	TOTAL
<b>Chairman of the Board</b>				
Per Skyttvall	59	-	-	59
<b>Board members</b>				
Alexander Bricca	30	-	-	30
Annette Brodin Rampe	30	-	-	30
Mark Miller	30	-	-	30
Fredrik Åhlberg	30	-	-	30
<b>CEO</b>	<b>1,530</b>		<b>488</b>	<b>2,018</b>
<b>Other senior executives (9 persons)</b>	<b>5,670</b>	<b>1,117</b>	<b>175</b>	<b>6,962</b>
<b>Total</b>	<b>7,379</b>	<b>1,117</b>	<b>663</b>	<b>9,159</b>

2015	BASIC SALARY/ BOARD FEE	OTHER REMUNERATION	PENSION EXPENSES	TOTAL
<b>Chairman of the Board</b>				
Per Skyttvall	45	66	-	111
<b>CEO</b>	<b>1,750</b>		<b>40</b>	<b>1,790</b>
<b>Other senior executives (7 persons)</b>	<b>4,440</b>	<b>1,225</b>	<b>81</b>	<b>5,746</b>
<b>Total</b>	<b>6,235</b>	<b>1,291</b>	<b>121</b>	<b>7,647</b>
2014	BASIC SALARY/ BOARD FEE	OTHER REMUNERATION	PENSION EXPENSES	TOTAL
<b>Chairman of the Board</b>				
Per Skyttvall	44	-	-	44
<b>CEO</b>	<b>1,720</b>			<b>1,720</b>
<b>Other senior executives (6 persons)</b>	<b>5,214</b>	<b>43</b>	<b>82</b>	<b>5,339</b>
<b>Total</b>	<b>6,978</b>	<b>43</b>	<b>82</b>	<b>7,103</b>

Other remuneration relates to consulting services outside of the scope ordinary assignments. These services have been provided at market conditions.

## Note 9 Financial income/Other interest and similar income

	GROUP 2016	GROUP 2015	GROUP 2014	PARENT 2016	PARENT 2015
<i>Financial income</i>					
Interest income	406	21	-	115	-
Foreign exchange gain	1,430	-	-	-	-
Capital gain/loss	-	51	116	-	51
<b>Total financial income</b>	<b>1,836</b>	<b>72</b>	<b>116</b>	<b>115</b>	<b>51</b>

## Note 10 Financial expenses/Other interest and similar expenses

	GROUP 2016	GROUP 2015	GROUP 2014	PARENT 2016	PARENT 2015
<i>Financial expenses</i>					
Interest expenses	-430	-303	-134	-421	-265
Foreign exchange loss	-2,616	-	-	-	-
Impairment and write-downs	-	-	-600	-	-
<b>Total financial expenses</b>	<b>-3,046</b>	<b>-303</b>	<b>-734</b>	<b>-421</b>	<b>-265</b>

## Note 11 Appropriations

	PARENT 2016	PARENT 2015
Group contributions	14,865	6,164
<b>Total</b>	<b>14,865</b>	<b>6,164</b>

## Note 12 Tax on profit/loss for the year

	GROUP 2016	GROUP 2015	GROUP 2014	PARENT 2016	PARENT 2015
<b>Tax expense</b>					
Current tax expense	-1,783	-1,924	-	-	-
Deferred tax (Note 19, 28)	-684	-446	-2,521	6,489	-
<b>Total tax expense</b>	<b>-2,467</b>	<b>-2,370</b>	<b>-2,521</b>	<b>6,489</b>	<b>0</b>
<b>Pre-tax profit/loss</b>					
	<b>23,443</b>	<b>2,873</b>	<b>-4,895</b>	<b>8,481</b>	<b>3,617</b>
<b>Reconciliation of effective tax</b>					
Tax at applicable tax rate (22%)	-5,157	-632	1,077	-1,866	-796
Effect of foreign tax rates	-1,733	-163	-387	-	-
Non-deductible expenses	-113	-638	-8	-83	-
Non-taxable income	-	-	-	-	-
Impairment of consolidated goodwill	-	-	-1,230	-	-
Unrecognised loss carryforwards	-2,941	-1,811	-1,783	-	796
Effect of application of previously unrecognised loss carryforwards	8,450	942	147	8,438	-
Other	-973	-68	-337	-	-
<b>Total tax expense</b>	<b>-2,467</b>	<b>-2,370</b>	<b>-2,521</b>	<b>6,489</b>	<b>0</b>

### Note 13 Earnings per share

Earnings per share undiluted is calculated by dividing the profit attributable to the parent company's shareholders by a weighted average number of ordinary shares outstanding during the period. To calculate earnings per share diluted, the amounts used to calculate earnings per share diluted are adjusted to take into account the effect of dividends and interest expenses on potential ordinary shares and the weighted average of the additional ordinary shares that would have been outstanding if all potential shares were converted. Stillfront has warrants that could result in dilution. Warrants only cause dilution, however, if they result in the issue of ordinary shares at a price lower than the average price during the period. Potential shares also only give rise to dilution where the conversion of a number of potential ordinary shares results in lower earnings per share or increased loss per share. Some of Stillfront's warrants schemes result in dilution, but there is no dilution effect for those years where there is a loss for the year attributable to the shareholders of the parent company.

	GROUP 2016	GROUP 2015	GROUP 2014
Weighted number of shares outstanding undiluted	5,328,763	4,002,797	2,674,797
Weighted number of shares outstanding diluted	5,390,159	4,100,909	2,787,873
<i>Undiluted</i>			
Profit/loss for the year (KSEK)	15,408	-1,059	-8,942
Earnings per share (SEK)	2.89	-0.26	-3.34
<i>Diluted</i>			
Profit/loss for the year (KSEK)	15,408	-1,059	-8,942
Earnings per share (SEK)	2.86	-0.26	-3.34

## Note 14 Business combinations

### 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	<b>26,279</b>
Temporary reversed debt	-	2,787	<b>2,787</b>
Ordinary shares issued	1,131	22,297	<b>23,428</b>
Contingent consideration	14,333	111,611	<b>125,944</b>
<b>Total purchase consideration</b>	<b>21,941</b>	<b>156,497</b>	<b>178,438</b>

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.

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

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 Babil's 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 15 Capitalised expenditure on development

	GROUP 2016	GROUP 2015	GROUP 2014	PARENT 2016	PARENT 2015
Opening cost	55,957	42,554	29,113	15,978	15,978
Separate acquisitions	-	135	-	-	-
Internal development	30,960	13,422	12,798	-	-
Translation differences	964	-154	643	-	-
<b>Closing accumulated cost</b>	<b>87,881</b>	<b>55,957</b>	<b>42,554</b>	<b>15,978</b>	<b>15,978</b>
Opening accumulated depreciation	-40,588	-27,829	-24,668	-12,782	-12,782
Depreciation	-5,511	-12,552	-2,720	-	-
Translation differences	-211	-381	-441	-	-
<b>Closing accumulated depreciation</b>	<b>-46,484</b>	<b>-40,762</b>	<b>-27,829</b>	<b>-12,782</b>	<b>-12,782</b>
Opening accumulated impairment and write-downs	-	-	-	-3,196	-3,196
Closing accumulated impairment and write-downs	-	-	-	-3,196	-3,196
<b>Closing carrying amount</b>	<b>41,782</b>	<b>15,369</b>	<b>14,725</b>	<b>0</b>	<b>0</b>
<b>Of which development in progress, i.e. where depreciation has not yet commenced</b>	<b>12,777</b>	<b>3,363</b>	<b>8,056</b>		

Development in progress materially pertains to Siege: Titan Wars and Conflict of Nations: Modern War. These games are estimated to be launched during 2017.

Impairment testing has taken place for those games that have not yet been taken into use in accordance with the method described on page 41 under the heading "Impairment of non-financial assets". Each game constitutes a cash-generating unit. The impairment test is based on the estimated future cash flows of each game and the results from the management's forecasts and budgets over the next 5 years. No impairment need has been identified.

## Note 16 Game products

	GROUP 2016	GROUP 2015	GROUP 2014
Opening cost	-	-	-
Acquisitions through operations	32,296	-	-
Disposals and retirements	3,546	-	-
<b>Closing accumulated cost</b>	<b>35,842</b>	<b>0</b>	<b>0</b>
Opening accumulated depreciation	-	-	-
Depreciation	-3,528	-	-
Translation differences	-215	-	-
<b>Closing accumulated depreciation</b>	<b>-3,743</b>	<b>0</b>	<b>0</b>
<b>Closing carrying amount</b>	<b>32,099</b>	<b>0</b>	<b>0</b>

## Note 17 Goodwill

SEK THOUSANDS	GROUP 2016	GROUP 2015	GROUP 2014
Opening cost	28,344	28,344	27,984
Acquisitions through operations	171,066	-	-
Other adjustments	-	-	360
Translation differences	-3,040	-	-
<b>Closing accumulated cost</b>	<b>196,370</b>	<b>28,344</b>	<b>28,344</b>
Opening impairment and write-downs	-5 752	-5 752	-
Impairment and write-downs for the year	-	-	-5 752
<b>Closing impairment and write-downs</b>	<b>-5 752</b>	<b>-5 752</b>	<b>-5 752</b>
<b>Closing carrying amount</b>	<b>190,618</b>	<b>22,592</b>	<b>22,592</b>

## IMPAIRMENT TESTING OF GOODWILL

Goodwill is monitored by the management allocated to cash-generating units, where each subsidiary constitutes a separate cash-generating unit.

2016	OPENING CARRYING AMOUNT	ADDITIONS	IMPAIRMENT	TRANSLATION DIFFERENCES	CLOSING CARRYING AMOUNT
Power Challenge Holding Ltd	5,752		-	-	5,752
Bytro Labs GmBH	16,840		-	-	16,840
Simutronics Corp	-	20,282	-	2,366	22,648
Babil Games LLC	-	150,784	-	-5,407	145,377
<b>Total</b>	<b>22,593</b>	<b>171,066</b>	<b>0</b>	<b>-3,041</b>	<b>190,618</b>
<b>2015</b>					
Power Challenge Holding Ltd	5,752	-	-	-	5,752
Bytro Labs GmBH	16,840	-	-	-	16,840
<b>Total</b>	<b>22,593</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,593</b>
<b>2014</b>					
Power Challenge Holding Ltd	11,505	-	-5,752	-	5,752
Bytro Labs GmBH	16,479	-	-	361	16,840
<b>Total</b>	<b>27,984</b>	<b>0</b>	<b>-5,752</b>	<b>361</b>	<b>22,593</b>

Goodwill represents the value of the competences available in acquired companies, including the ability to develop, localize and publish first-class games. The Group continuously tests whether any impairment loss for goodwill exists.

As noted in Note 14 Business Combinations, the acquisition of Babil Games (with goodwill of SEK 145 M) has taken place in close proximity to the end of the financial year and the acquisition of Simutronics (with goodwill of SEK 23 M) in connection with the mid-year 2016. The assessments that were made at each acquisition date remains. The transaction price is therefore deemed to correspond to the recoverable amount. Substantial parts of the purchase price for the acquisition of the year relate to contingent additional considerations. Fair value i.e., the reported value of contingent additional considerations is based on the Group's best estimates of what the acquired companies' performance during the period pertaining to the calculation of the contingent additional consideration. The Group estimates that the acquired companies will perform at a level which will cause the contingent additional

considerations to meet the agreed cap of the contingent additional considerations. Consequently, the goodwill attributable to these acquisitions amounts to significant amounts. In case the acquired companies do not perform as expected, adjustments of the contingent additional considerations may need to be made. Such an adjustment of contingent additional considerations will be accounted for as an other revenue in the income statement. Considering that the goodwill value is also tested against future earnings, such an adjustment is likely to include a write-down of goodwill with the corresponding value.

Impairment tests have been made for goodwill attributable to Bytro and Power Challenge. Significant factors for the testing have been the estimated cash flows for the next five years, estimated growth after the forecast period (15%), EBITA margin during the forecast period and discount rate (19.5%). A sensitivity analysis shows that a margin to write-down also persists with reduced revenue of 30% or a raised discount rate to 22%.

## Note 18 Equipment, tools, fixtures and fittings

	GROUP 2016-12-31	GROUP 2015-12-31	GROUP 2014-12-31	PARENT 2016-12-31	PARENT 2015-12-31
Opening cost	2,214	2,070	1,926	0	0
Acquisitions through operations	2,948	-	-	-	-
Separate acquisitions	685	148	138	-	-
Translation differences	17	-4	6	-	-
<b>Closing accumulated cost</b>	<b>5,864</b>	<b>2,214</b>	<b>2,070</b>	<b>0</b>	<b>0</b>
Opening accumulated depreciation	-1,972	-1,846	-1,651	0	0
Depreciation	-360	-122	-193	-	-
Reclassifications	-2 748	-	-	-	-
Translation differences	-9	-4	-1	-	-
<b>Closing accumulated depreciation</b>	<b>-5,089</b>	<b>-1,972</b>	<b>-1,845</b>	<b>0</b>	<b>0</b>
<b>Closing carrying amount</b>	<b>775</b>	<b>242</b>	<b>225</b>	<b>0</b>	<b>0</b>

## Note 19 Deferred tax asset

	GROUP 2016-12-31	GROUP 2015-12-31	GROUP 2014-12-31	PARENT 2016-12-31	PARENT 2015-12-31
<b>Valuation of loss carryforward</b>					
Opening carrying amount	-	-	-	-	-
In profit/loss for the year	6,489	-	-	6,489	-
<b>Closing carrying amount</b>	<b>6,489</b>	<b>-</b>	<b>-</b>	<b>6 489</b>	<b>0</b>
<b>Current assets and liabilities</b>					
Opening carrying amount	1,049	567	581	-	-
In profit/loss for the year	3	503	-31	-	-
Through acquisitions	208	-	-	-	-
Translation differences	31	-21	13	-	-
<b>Closing carrying amount</b>	<b>1,291</b>	<b>1,049</b>	<b>567</b>	<b>-</b>	<b>-</b>
<b>Accumulated closing carrying amount</b>	<b>7,780</b>	<b>1,049</b>	<b>567</b>	<b>-</b>	<b>-</b>

For valuation of deferred tax assets, please refer to Note 2. The Group has no significant loss carryforwards for which the deferred tax asset is recognized (as of December 31, 2015, MSEK 37, as of December 31, 2014, 27 MSEK)

## Note 20 Shares in Group companies

	PARENT 2016	PARENT 2015
Opening carrying amount	65,938	65,938
Acquisition of subsidiaries	179,714	-
Acquisition of shares from minority	47,476	-
<b>Closing carrying amount</b>	<b>293,128</b>	<b>65,938</b>

All of the Group's subsidiaries are shown below. Unless otherwise indicated, their share capital consists solely of ordinary shares held directly by the Group and the share of ownership is the same as the share of votes.

SPECIFICATION OF THE PARENT COMPANY'S SHAREHOLDINGS IN GROUP COMPANIES	COUNTRY	REGISTERED OFFICE	ORG. NO.	SHARE OF OWNERSHIP	PRINCIPAL BUSINESS	CARRYING AMOUNT 2016-12-31	CARRYING AMOUNT 2015-12-31
Stillfront Online Games AB	Sweden	Stockholm	556721-9430	80%	Development and publishing of online games	0	0
Coldwood Interactive AB	Sweden	Umeå	556641-6532	100%	Development of console games	27,855	27,855
PowerChallenge Holding Ltd	England		07099333	100%	Development and publishing of online games	18,460	18,460
Bytro Labs GmbH	Germany		HRB 118884	100%	Development and publishing of online games	67,099	19,623
Simutronics	USA		0311296	52,65%	Development and publishing of online games	22,921	0
Babil Games LLC	United Arab Emirates		2987/2012 FCZ	100%	Publishing of mobile games	156,793	0
<b>Closing carrying amount</b>						<b>293,128</b>	<b>65,938</b>

Bytro Labs GmbH was owned by 51% until June 22, 2016.



### HOLDINGS WITHOUT A CONTROLLING INFLUENCE

Summarised financial information is provided below for each subsidiary with a holding without a controlling influence that is of significance to the Group. The amounts indicated for each subsidiary are before intra-Group eliminations.

CONDENSED BALANCE SHEET	BYTRO		SIMUTRONICS
	2015-12-31	2014-12-31	2016-12-31
Non-current assets	9,409	9,447	63,420
Current assets	11,598	2,597	1,977
<b>Total assets</b>	<b>21,007</b>	<b>12,044</b>	<b>65,397</b>
Non-current liabilities	2,718	2,000	23,332
Current liabilities	7,269	1,836	391
<b>Total liabilities</b>	<b>9,987</b>	<b>3,836</b>	<b>23,723</b>
<b>Net assets</b>	<b>11,020</b>	<b>8,208</b>	<b>41,674</b>
Accumulated holdings without a controlling influence	5,400	4,022	19,733

STATEMENT OF COMPREHENSIVE INCOME	BYTRO			SIMUTRONICS
	2016-12-31	2015-12-31	2014-12-31	2016-12-31
Revenue	35,724	35,866	20,165	14,274
Profit/loss for the year	11,431	3,120	3,188	116
<b>Profit attributable to holdings without a controlling influence</b>	<b>5,514</b>	<b>1,526</b>	<b>1,562</b>	<b>54</b>

## Note 21 Receivables at Group companies

SEK THOUSANDS	PARENT 2016-12-31	PARENT 2015-12-31
Opening carrying amount	14,106	7,111
Net change	12,636	6,995
<b>Closing carrying amount</b>	<b>26,742</b>	<b>14,106</b>

No portion of the receivables has fallen due for payment.

## Note 22 Trade receivables

	GROUP 2016-12-31	GROUP 2015-12-31	GROUP 2014-12-31	PARENT 2016-12-31	PARENT 2015-12-31
<b>Trade receivables</b>					
Trade receivables	6,209	3,270	832	0	0
<b>Net trade receivables</b>	<b>6,209</b>	<b>3,270</b>	<b>832</b>	<b>0</b>	<b>0</b>

At 31 Dec 2016, trade receivables totalling 6,209 SEK (31 Dec 2015 3,270 SEK, 31 Dec 2014 832 SEK) were past due but without there being any need for impairment. Based on credit history, the amounts are expected to be received by the due date. The Group does not have any pledged assets as security for these receivables.

	GROUP 2016-12-31	GROUP 2015-12-31	GROUP 2014-12-31	PARENT 2016-12-31	PARENT 2015-12-31
<b>Trade receivables past due for which no provisions are made</b>					
Overdue by 0-3 months	6,202	3,270	832	-	-
Overdue by 4-6 months	7	-	-	-	-
<b>Net trade receivables</b>	<b>6,209</b>	<b>3,270</b>	<b>832</b>	<b>0</b>	<b>0</b>

## Note 23 Prepaid expenses and accrued income

	GROUP 2016-12-31	GROUP 2015-12-31	GROUP 2014-12-31	PARENT 2016-12-31	PARENT 2015-12-31
Prepaid expenses	1,301	208	677	266	72
Accrued revenue	2,633	2,895	-	-	-
<b>Total</b>	<b>3,935</b>	<b>3,103</b>	<b>677</b>	<b>266</b>	<b>72</b>

## Note 24 Cash and cash equivalents/Cash and bank balances

	GROUP 2016-12-31	GROUP 2015-12-31	GROUP 2014-12-31	PARENT 2016-12-31	PARENT 2015-12-31
Cash and bank balances	35,774	73,454	4,286	22,755	63,513
<b>Total</b>	<b>35,774</b>	<b>73,454</b>	<b>4,286</b>	<b>22,755</b>	<b>63,513</b>

## Note 25 Other comprehensive income/Equity

### OTHER COMPREHENSIVE INCOME

Other comprehensive income consists of translation differences on the translation of foreign subsidiaries and currency from loans in foreign currency for the hedging of net investments, i.e. the net assets of the subsidiaries.

### EQUITY

#### Group

##### Share capital

Holders of ordinary shares are entitled to a dividend determined on a gradual basis and the shareholding provides entitlement to voting rights at the Annual General Meeting with one vote per share. All shares have the same entitlement to the Group's remaining net assets.

##### Other contributed capital

Other contributed capital consists entirely of amounts paid over and above the par value of shares issued at the time of issue.

##### Other reserves

Other reserves consists entirely of translation differences on the translation of foreign subsidiaries and currency from loans in foreign currency for the hedging of net investments, i.e. the net assets of the subsidiaries. See specification in note 26.

##### Retained earnings including profit/loss for the year

Retained earnings including profit/loss for the year includes profits earned at the parent company and its subsidiaries.

#### Dividend

No dividend will be proposed to the Annual General Meeting 2016.

#### Parent company

	2016-12-31	2015-12-31
<b>Share capital (KSEK)</b>	<b>4,189</b>	<b>3,505</b>
<i>Change in number of shares:</i>		
Opening balance	5,006,583	20,989,570
Reduction of share capital	2015-08-28	-304,494
New share issue	2015-10-27	5
Consolidation of share	2015-10-27	-17,601,498
New share issue	2015-11-27	1,350,000
New share issue	2015-12-09	573,000
New share issue	2016-06-22	560,724
New share issue	2016-06-23	18,851
New share issue	2016-12-09	41,769
New share issue	2016-12-16	355,848
<b>Closing balance</b>	<b>5,983,775</b>	<b>5,006,583</b>

The parent company's ordinary shares have a par value of 0.70 SEK per share. Each share provides entitlement to one vote.

#### Restricted equity.

Restricted equity may not be reduced through the payment of dividends.

#### Share premium account

The share premium account consists entirely of amounts paid over and above the par value of shares issued at the time of issue and constitutes unrestricted equity.

#### Retained earnings

Comprises unrestricted equity from previous years less any dividends paid. Together with the share premium account and the profit for the year, constitutes total unrestricted equity.

## Note 26 Other reserves

	GROUP 2016	GROUP 2015	GROUP 2014
Translation differences from the translation of foreign subsidiaries	-199	-1,116	-987
Translation differences from loans in foreign currency for the hedging of net investments, i.e. subsidiaries, before tax	2,750	-	-
<b>Total</b>	<b>2,551</b>	<b>-1,116</b>	<b>-987</b>

## Note 27 Non-current liabilities/Provisions

	GROUP 2016-12-31	GROUP 2015-12-31	GROUP 2014-12-31	PARENT 2016-12-31	PARENT 2015-12-31
<b>Contingent additional considerations</b>					
Payment within 2–5 years	128,576	-	-	-	-
<b>Total contingent additional considerations</b>	<b>128,576</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities to credit institutions</b>					
Payment within 2–5 years	-	298	-	-	-
<b>Total liabilities to credit institutions</b>	<b>0</b>	<b>298</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other non-current liabilities</b>					
Payment within 2–5 years	-	-	889	-	-
<b>Total</b>	<b>0</b>	<b>0</b>	<b>889</b>	<b>0</b>	<b>0</b>

The Group has overdraft facilities amounting to 1.6 MSEK, of which none was used as per 2016 12 31.

In the parent, contingent additional considerations are labeled as provisions.

## Note 28 Deferred tax liability

	GROUP 2016-12-31	GROUP 2015-12-31	GROUP 2014-12-31	PARENT 2016-12-31	PARENT 2015-12-31
<i>Tax in relation to:</i>					
<b>Intangible non-current assets</b>					
Opening balance	3,567	2,578	-	-	-
Acquisitions through operations	11,304	-	-	-	-
Translation differences	2,165	-99	88	-	-
Change recognised through profit and loss	7,477	1,088	2,490	-	-
<b>Closing carrying amount</b>	<b>24,513</b>	<b>3,567</b>	<b>2,578</b>	<b>0</b>	<b>0</b>
<i>Tax in relation to:</i>					
<b>Untaxed reserves</b>					
Opening balance	301	442	442	-	-
Changes in income statement	-301	-141	-	-	-
<b>Closing carrying amount</b>	<b>0</b>	<b>301</b>	<b>442</b>	<b>0</b>	<b>0</b>
<b>Total deferred tax liability</b>	<b>24,513</b>	<b>3,868</b>	<b>3,020</b>	<b>0</b>	<b>0</b>

## Note 29 Accrued expenses and prepaid income

	GROUP 2016-12-31	GROUP 2015-12-31	GROUP 2014-12-31	PARENT 2016-12-31	PARENT 2015-12-31
Accrued expenses	5,764	3,423	2,170	1,180	53
(of which personnel related expenses)	3,533	2,570	1,799	247	-
(of which other expenses)	2,230	853	371	933	-
Pre paid income	6,230	3,800	2,195	-	-
<b>Total</b>	<b>11,993</b>	<b>7,223</b>	<b>4,365</b>	<b>1,180</b>	<b>53</b>

## Note 30 Pledged assets

	GROUP 2016-12-31	GROUP 2015-12-31	GROUP 2014-12-31	PARENT 2016-12-31	PARENT 2015-12-31
Assets pledged as collateral for overdraft facilities	1,300	1,300	3,300	1,300	1,300
<b>Pledged shares in subsidiaries</b>	<b>1,300</b>	<b>1,300</b>	<b>3,300</b>	<b>1,300</b>	<b>1,300</b>

## Note 31 Non-cash items

	GROUP 2016-12-31	GROUP 2015-12-31	GROUP 2014-12-31	PARENT 2016-12-31	PARENT 2015-12-31
Depreciation	9,612	12,675	9,272	-	-
Other items	-59	1,528	-1,701	-	51
<b>Total</b>	<b>9,553</b>	<b>14,203</b>	<b>7,571</b>	<b>0</b>	<b>51</b>

## Note 32 Financial assets and liabilities

The fair values of financial assets and liabilities are shown in the table below. See also Note 3 Financial risk management.

GROUP	TRADE RECEIVABLES AND LOAN RECEIVABLES			AVAILABLE-FOR-SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST			FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS
	2016-12-31	2015-12-31	2014-12-31	2014-12-31	2016-12-31	2015-12-31	2014-12-31	2016-12-31
Other non-current securities	0	0	0	5,309				
Other non-current receivables	6,209	3,270	832					
Trade receivables	3,563	2,434	1,010					
Other receivables	2,633	2,895	677					
Cash and cash equivalents	35,774	73,454	4,286					
<b>Total</b>	<b>48,179</b>	<b>82,053</b>	<b>6,805</b>	<b>5,309</b>				
Liabilities to credit institutions						298		
Contingent additional considerations						889		
Other non-current liabilities								123,576
Trade payables					3,458	5,241	1,050	
Other liabilities					5,000	2,226	1,346	
Accrued expenses					5,764	3,423	2,170	
<b>Total</b>					<b>14,222</b>	<b>12,077</b>	<b>4,566</b>	<b>123,576</b>

PARENT COMPANY	LOAN RECEIVABLES AND TRADE RECEIVABLES		FINANCIAL LIABILITIES MEASURED AT ACQUISITION COST		FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS
	2016-12-31	2015-12-31	2016-12-31	2015-12-31	2016-12-31
Receivables from Group companies	27,511	14,328			
Other receivables	203	1,139			
Cash and bank balances	22,755	63,513			
<b>Total</b>	<b>50,469</b>	<b>78,980</b>			
Contingent additional consideration					126,304
Liabilities to group companies			7,708		
Accounts payable			219	3,880	
Other liabilities			3,432	307	
Accrued Expenses and deferred income			1,180	53	
<b>Total</b>			<b>12,539</b>	<b>4,240</b>	<b>126,304</b>

The carrying amounts on the balance sheet are deemed to correspond to the fair value.

### Note 33 Events after the balance sheet date

Events after the end of the year are deemed not to have material effect on the income statement and balance sheet.

### Note 34 Transactions with related parties

Purchase and sales transactions with related parties take place on market terms.

The following transactions have taken place with related parties:

	SALES OF GOODS OR SERVICES TO RELATED PARTIES			PURCHASES OF GOODS OR SERVICES FROM RELATED PARTIES		
	2016-12-31	2015-12-31	2014-12-31	2016-12-31	2015-12-31	2014-12-31
<b>Parent company</b>						
<i>Related party</i>						
Subsidiaries	1,688	1,020	-	-	-	-
Key personnel	-	-	-	-	-	-
Other related parties	-	-	-	-	-	-
<b>Total</b>	<b>1,688</b>	<b>1,020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	RECEIVABLES FROM RELATED PARTIES			LIABILITIES TO RELATED PARTIES		
	2016-12-31	2015-12-31	2014-12-31	2016-12-31	2015-12-31	2014-12-31
<b>Group</b>						
<i>Related-party relationship</i>						
Other related parties	-	-	-	-	-	3,300
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,300</b>
<b>Parent company</b>						
<i>Related-party relationship</i>						
Subsidiaries	27,512	14,103	7,111	7,708	-	1,360
Other related parties	-	-	-	-	-	3,300
<b>Total</b>	<b>27,512</b>	<b>14,103</b>	<b>0</b>	<b>7,708</b>	<b>0</b>	<b>4,660</b>

Other related parties refer to Acacia Asset Management. Acacia Asset Management has through one of its group companies granted the Group a loan at market terms. The loan was repaid during 2015.

Remuneration to the Board of Directors, the CEO and other senior executives are described in Note 8.

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.

## Note 35 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 re-state 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	NOTE	2015-12-31			2014-12-31			2014-01-01		
		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
<b>Assets</b>										
<b>Non current assets</b>										
<i>Non tangible assets</i>										
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
		<b>10,251</b>	<b>27,711</b>	<b>37,962</b>	<b>18,310</b>	<b>19,007</b>	<b>37,317</b>	<b>32,429</b>	<b>0</b>	<b>32,429</b>
<b>Tangible assets</b>										
Machinery, tools and installations		241	-	241	225	-	225	275	-	275
		<b>241</b>	<b>0</b>	<b>241</b>	<b>225</b>	<b>0</b>	<b>225</b>	<b>275</b>	<b>0</b>	<b>275</b>
<b>Financial Assets</b>										
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
		<b>0</b>	<b>1,049</b>	<b>1,049</b>	<b>5,309</b>	<b>567</b>	<b>5,876</b>	<b>6,159</b>	<b>580</b>	<b>6,739</b>
<b>Total non current assets</b>		<b>10,492</b>	<b>28,760</b>	<b>39,252</b>	<b>23,844</b>	<b>19,574</b>	<b>43,418</b>	<b>38,863</b>	<b>580</b>	<b>39,443</b>



GROUP FINANCIAL STATEMENTS	NOTE	2015-12-31			2014-12-31			2014-01-01		
		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
<b>Current assets</b>										
<i>Current receivables</i>										
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
<b>Cash and Bank</b>	7)	<b>73,454</b>	-	<b>73,454</b>	<b>4,286</b>	-	<b>4,286</b>	<b>7,771</b>	-	<b>7,771</b>
<b>Total Current Assets</b>		<b>82,262</b>	<b>0</b>	<b>82,262</b>	<b>6,805</b>	<b>0</b>	<b>6,805</b>	<b>11,653</b>	<b>0</b>	<b>11,653</b>
<b>Total assets</b>		<b>92,754</b>	<b>28,760</b>	<b>121,514</b>	<b>30,649</b>	<b>19,574</b>	<b>50,223</b>	<b>50,516</b>	<b>580</b>	<b>51,096</b>
<b>Shareholders' equity</b>										
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
<b>Total shareholders' equity</b>		<b>79,516</b>	<b>21,392</b>	<b>100,908</b>	<b>24,291</b>	<b>14,803</b>	<b>39,094</b>	<b>44,050</b>	<b>-1,697</b>	<b>42,353</b>
<b>Non-current liabilities</b>										
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
<b>Total non-current liabilities</b>		<b>599</b>	<b>3,567</b>	<b>4,166</b>	<b>1,331</b>	<b>2,578</b>	<b>3,909</b>	<b>1,776</b>	<b>0</b>	<b>1,776</b>
<b>Current Liabilities</b>										

GROUP FINANCIAL STATEMENTS	NOTE	2015-12-31			2014-12-31			2014-01-01		
		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
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
<b>Total current liabilities</b>		<b>12,639</b>	<b>3,801</b>	<b>16,440</b>	<b>5,027</b>	<b>2,193</b>	<b>7,220</b>	<b>4,690</b>	<b>2,277</b>	<b>6,967</b>
<b>Total shareholders' equity &amp; Liabilities</b>		<b>92,754</b>	<b>28,760</b>	<b>121,514</b>	<b>30,649</b>	<b>19,574</b>	<b>50,223</b>	<b>50,516</b>	<b>580</b>	<b>51,096</b>

ADJ TO SHAREHOLDERS' EQUITY	NOTE	2016-12-31	2015-12-31	2014-12-31
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	-
<b>Of which attributable to minority</b>		<b>-2,121</b>	<b>-1,802</b>	<b>264</b>
<b>Total adjustments of shareholders' equity</b>		<b>19,271</b>	<b>13,001</b>	<b>-1,433</b>

Attributable to:

<b>Parent company shareholders</b>		<b>19,271</b>	<b>13,001</b>	<b>-1,433</b>
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GROUP COMPREHENSIVE FINANCIAL STATEMENTS	NOTE	2015			2014		
		ACCORDING TO FINANCIAL STATEMENT	EFFECT OF CONVERSION TO IFRS	IFRS	ACCORDING TO FINANCIAL STATEMENT	EFFECT OF CONVERSION TO IFRS	IFRS
<b>Revenues</b>							
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
<b>Operating expenses</b>							
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
<b>Operational profit</b>		<b>-4,238</b>	<b>7,342</b>	<b>3,104</b>	<b>-23,149</b>	<b>18,872</b>	<b>-4,277</b>
<b>Financial items</b>							
Other interest income, Financial income and similar	7)	72		72	116		116
Interest expense, Financial expense and similar	7)	-303		-303	-734		-734
<b>Result after financial items</b>		<b>-4,469</b>	<b>7,342</b>	<b>2,873</b>	<b>-23,767</b>	<b>18,872</b>	<b>-4,895</b>
<b>Tax</b>	3,5)	<b>-1,784</b>	<b>-586</b>	<b>-2,370</b>	<b>-</b>	<b>-2,521</b>	<b>-2,521</b>
<b>Net result</b>		<b>-6,253</b>	<b>6,756</b>	<b>503</b>	<b>-23,767</b>	<b>16,351</b>	<b>-7,416</b>

## GROUP COMPREHENSIVE FINANCIAL STATEMENTS

	NOTE	2015			2014		
		ACCORDING TO FINANCIAL STATEMENT	EFFECT OF CONVERSION TO IFRS	IFRS	ACCORDING TO FINANCIAL STATEMENT	EFFECT OF CONVERSION TO IFRS	IFRS
<b>Other comprehensive income</b>							
<i>Items that later can be reversed in profit</i>							
Foreign currency translation differences	6)	-145	-168	-313	-915	149	-766
Total other comprehensive income, net after tax		-145	-168	-313	-915	149	-766
<b>Total other comprehensive income</b>		<b>-6 398</b>	<b>6 588</b>	<b>190</b>	<b>-24 682</b>	<b>16 500</b>	<b>-8 182</b>
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
<b>Comprehensive income attributable to parent shareholders</b>		<b>-7 458</b>	<b>6 270</b>	<b>-1 188</b>	<b>-24 363</b>	<b>14 434</b>	<b>-9 929</b>
<b>Comprehensive income attributable to minority</b>		<b>1 060</b>	<b>318</b>	<b>1 378</b>	<b>-319</b>	<b>2 066</b>	<b>1 747</b>

## 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 Apemndx. 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.

## Note 36 Proposed Distribution of Earnings

The Board of Directors of Stillfront Group proposes the earnings available for distribution, 207 319 875 SEK, to be treated according to the following:

	AMOUNTS IN SEK
Free Reserves	246,946,293
Retained Earnings	-54,595,815
Net Income for the Year	14,969,397
<b>Total</b>	<b>207,319,875</b>
To be Carried Forward	207,319,875
<b>Total</b>	<b>207,319,875</b>

The income statements and balance sheets will be presented to the AGM May 19, 2017 for adoption.

The board and CEO assure that the annual accounts were prepared in accordance with generally accepted principles in Sweden, and the consolidated accounts were prepared in accordance with international accounting standards described in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards. The annual accounts and consolidated accounts give a fair view of the parent company's and group's financial results and position. The directors' report for the parent company and group gives a fair view of the changes in the parent company's and group's business, position, and earnings and describes significant risks and uncertainties faced by the parent company and group companies.

The directors' report for the parent company and group gives a fair view of the changes in the parent company's and group's business, position, and earnings and describes significant risks and uncertainties faced by the parent company and group companies.

#### **Stockholm April 28 2017 Stillfront Group AB (publ)**

**Per Skyttvall**

**CHAIRMAN OF THE BOARD**

**Annette Brodin Rampe**

**BOARD MEMBER**

**Alexander Bricca**

**BOARD MEMBER**

**Jörgen Larsson**

**BOARD MEMBER, CEO**

**Fredrik Åhlberg**

**BOARD MEMBER**

Our audit report was issued April 28, 2017

**Mark Miller**

**BOARD MEMBER**

**MAZARS SET Revisionsbyrå AB**

**MICHAEL OLSSON**

**Authorized Public Accountant**

# Auditor's report

To the general meeting of the shareholders of Stillfront Group AB (Publ),  
corporate identity number 556721-3078

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Opinions

We have audited the annual accounts and consolidated accounts of Stillfront Group AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 22-69 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016, and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016, and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-21 and on page 73. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If I we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### **Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual

accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

#### **Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Stillfront Group AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### **Basis for Opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial

situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### **Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby my our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can

give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement in order to be able to assess whether the proposal is in accordance with the Companies Act.

**Stockholm April 28th 2017**

## **Mazars SET Revisionsbyrå AB**

**MICHAEL OLSSON**  
**Authorized Public Accountant**



# Annual General Meeting

The AGM of Stillfront Group AB (publ), 556721-3078, will be held May 19, 2017 at 09.00, in the offices of DLA Piper Sweden, Kungsgatan 9, Stockholm.

## Shareholders who wish to participate at the annual general meeting must:

- be recorded in the share register maintained by Euroclear Sweden AB on Friday, May 12, 2017;
- no later than Friday, May 12, 2017 16.00 (CEST), have given notice of their participation and potential assistants to Stillfront Group AB, "Årsstämma", Västra Trädgårdsgatan 15, 11153 Stockholm or by email: [ir@stillfront.com](mailto:ir@stillfront.com), stating full name, personal identification number or registration number, address, day-time phone number and, when applicable, information regarding any representative, proxy or assistant.

Shareholders whose shares are nominee-registered must, in order to have the right to attend the annual general meeting, request to be temporarily registered in the share register kept by Euroclear Sweden AB. The shareholder must instruct their nominee thereof in ample time prior to Friday, May 12, 2017, by which date such registration must be executed.

Shareholders represented by proxy shall issue a written and dated power of attorney signed by the shareholder. A power of attorney issued by a legal entity shall have a registration certificate attached, or if such certificate does not exist, equivalent documents. A power of attorney form for shareholders who wish to participate by proxy are available on the Company's website. The power of attorney shall be presented in original at the annual shareholders meeting.



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