STILLFRONT
GROUP

Annual Report
2018

SIEGE: TITAN WARS

IMPERIA ONLINE

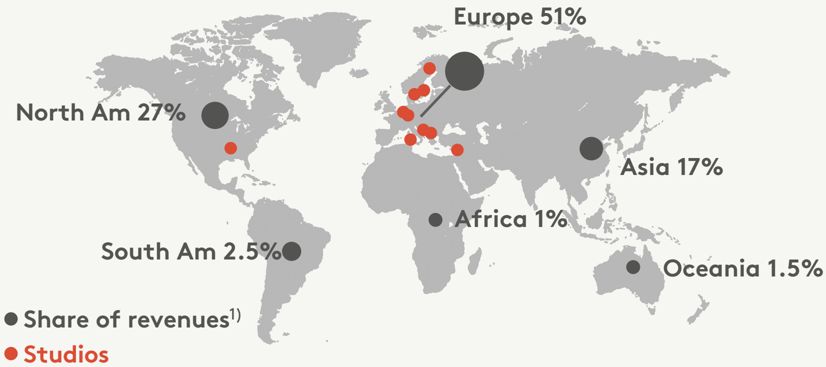
Stillfront Group
Annual Report 2018

Stillfront in brief

- A leading group of gaming studios with a loyal customer base and games with long lifetime
- 4.8 million monthly active users, MAUs, and 1.0 million daily active users, DAUs
- US, Germany, MENA (Middle East and North Africa), France and UK are main markets by revenue
- Headquarter in Stockholm with a group of eleven studios operating in Bulgaria, Germany, Jordan, Malta, Romania, Sweden and United States with a total of around 500 professionals
- The Stillfront online game Empire is one of the biggest strategy games of all time

GAME STUDIOS

GLOBAL PRESENCE



1) As of 31 December 2018, excluding Playa Games.

TRACK RECORD

Marketing spend
€200 m
with high ROI

All time
500 m
consumers to date

€>1 bn
in lifetime deposits

4.8m MAU
average #

2018 in summary

Q1

> The acquisition of Goodgame Studios is completed. Goodgame Studios is a leading German game developer and publisher, with a portfolio of two blockbuster IPS: *Big Farm* and *Empire*. Goodgame Studios employs around 270 professionals and is based in Hamburg, Germany.

GAME LAUNCHES

– *Nida Harb 3* is launched by Babil Games in Google Play Store in the MENA (Middle East and North Africa) region.

– *Call of War* is launched on Android and iOS in native apps by Bytro Labs.

– *Empire: Millennium Wars* on Android and iOS is launched by Goodgame Studios.

Q2

> The number of products in soft launch and in development is the highest ever.

GAME LAUNCHES

– *Big Farm: Mobile Harvest* was given the largest update to date by Goodgame Studios.

– *Unravel Two* is launched by Coldwood Interactive together with Electronic Arts globally.

Q3

> Stillfront acquires Imperia Online, a leading game developer and publisher in southeast Europe. The flagship title is named *Imperia Online*, a massive multiplayer online, MMO strategy game set in a medieval world for browser and mobile platforms. Imperia Online is based in Sofia, Bulgaria and employs around 50 professionals.

GAME LAUNCHES

– *Strike of Nations: Empire of Steel* on Android and iOS is launched by Babil Games together with Goodgame Studios.

– *Vietnam War: Platoons,* the new historical strategy MMO game is launched by eRepublik.

– *SIEGE: World War 2* is launched by Simutronics in cooperation with Goodgame Studios.

Q4

> A new financing package at favorable terms is secured. Stillfront issues 600 MSEK in 4-year, senior unsecured bonds and agrees on bank facilities in the amount of 600 MSEK.

Stillfront acquires Playa Games, a leading casual strategy game developer and publisher in Germany. The flagship title is *Shakes & Fidget*, a cartoon-style, MMORPG (massive multiplayer online role-player game) strategy game published on both browser and mobile platforms. Playa Games is based in Hamburg, Germany.

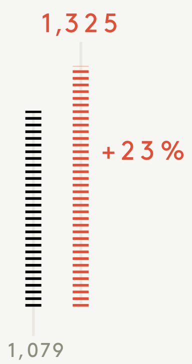
GAME LAUNCHES

– *eRepublik.com* is soft launched on mobile by eRepublik Labs

– *Supremacy 1914,* a new version of a classic title by Bytro Labs is released. The release marks the first of three milestones for a complete revamp of Supremacy 1914 – The Great War in 2019.

SALES**

2017—2018
MSEK



ADJUSTED EBIT**

2017—2018
MSEK

NET PROFIT

2017—2018
MSEK

MSEK	2018	2017	Change %
Net revenue	1,325	913	45
Adjusted EBITDA*	490	313	57
Adjusted EBITDA margin*, %	37	34	n/a
Adjusted EBIT*	364	228	60
Adjusted EBIT margin*, %	27	25	n/a
EBIT	348	116	200
EBIT margin, %	26	13	n/a
Profit before tax	265	116	129
Net profit	157	75	109
Net result per share undiluted, SEK	6.72	4.47	50
Net result per share diluted, SEK	6.68	4.47	49

PROFORMA**

Net revenue	1,325	1,079	23
Adjusted EBITDA*	490	362	34
Adjusted EBITDA margin*, %	37	34	n/a
Adjusted EBIT*	364	253	44
Adjusted EBIT margin*, %	27	23	n/a

* *Adjusted EBITDA and EBIT are defined as EBITDA and EBIT excluding items affecting comparability.*

** *Altigi GmbH (Goodgame Studios), has been consolidated into Stillfront Group as a reverse acquisition from January 1, 2018. Therefore, the 2018 financials reflect the new business combination whereas the 2017 financial numbers refer to Altigi GmbH only. The proforma numbers for 2017 represent the acquisition as if it had been completed January 1, 2017, unless stated otherwise.*

CEO COMMENTS

A transforming year for our business

Our business and M&A strategies are paying off and 2018 saw us closing in on our vision of being the leading group of indie game developers and publishers. Looking ahead, I am confident that these strategies will continue to serve us well as a low-risk game developer, publisher and operator with a diversified portfolio of mainly free-to-play strategy games. One of the tenets here at Stillfront is always to retain the passion, creativity and love for developing and producing games – but with scale and structure.

Highlights of 2018

> There are many highlights in 2018 that I would like to shine light on; in particular our completion of the acquisition of three studios. Stillfront is today a global group with eleven gaming studios with around 500 professionals. Throughout the year we have expanded the level and depth of synergies and intra-group cooperation our studios are achieving. And, of course, the amazing creativity and hard work of our studios in producing games that users love and are prepared to spend their time and money on.

Our financial development for the year was solid, with strong proforma revenue growth of 23% and adjusted EBIT margin of 27%. Our largest brands, Empire and Big generated stable revenues compared to last year and our Core products achieved outstanding growth. Our portfolio strategy of diversification is paying off.

Acquisitions in 2018

> The first quarter of 2018 marked an important milestone for Stillfront as we completed the acquisition of Goodgame Studios and reported it as a combined entity for the first time. The consolidated Group hit the ground running, with record-breaking revenues and earnings. Another key event in 2018 was the acquisition of Imperia Online, a leading game developer and publisher in Southeast Europe with its head office in Sofia, Bulgaria. The acquisition strengthened the Group and added a loyal user base of games with a proven longlife cycle to the portfolio. Imperia Online also provides the Group with a solid customer base in South America. It was consolidated into the Group from October 1, 2018. In December 2018 we announced the acquisition of Playa Games, one of Germany's leading casual strategy

game developers and publishers. Playa Games has five released games and around 70 million registered users. The company's flagship title is *Shakes & Fidget*, a cartoon-style strategy game published on both browser and mobile platforms.

Future acquisitions

> As regards future acquisitions, we are staffing up for more M&A activity and remain as confident as ever in our screening process and post-acquisition strategies. Our value acceleration agenda, combined with making acquisitions at multiples lower than our own, remain in place. We should highlight here our corporate culture; one of honesty, openness and caring and trusting in the skills, talent and creativity of our people. This makes Stillfront an attractive proposition for studios that we are interested in acquiring. In the data-driven world that we live in, and particularly in our industry, it is easy to forget that ours is a deeply personal business. We are very much a 'people business'.

Synergies

> Synergies in the Group continue to materialise and be realised at a breadth and pace that we could not have foreseen. Among the synergy areas that the Group is benefitting from are cross promotion, true cross-platform development and asset sharing as well as a world-class centre of excellence for marketing and product development. Moreover, studios in the Group are collaborating to optimise performance marketing across studios and games, as well as sharing technical insights and methods. Of the eleven studios in the Group, a majority of the studios are involved in intra-group activities, offering help, skills and experience where it is needed and forming closer ties between the studios.

Portfolio of games

> Our continuously evolving game portfolio is stable, diversified and highly profitable. We remain confident that we are well-positioned for future growth, with a portfolio of successful games and game engines across all major platforms. For the sake of clarity, we divide our portfolio of games into four categories; Empire brand, Big brand, Core Products and Other. All together, the active portfolio has some 30 games generating daily revenues.

We are well positioned

> Stillfront is well positioned to grow faster than the market in the coming years. We have strengthened our organisation and capabilities as well as secured solid financing. Our diversified portfolio of games and game engines across all major platforms, as well as our strong brands in the free-to-play model and performance marketing skills, provide a good platform for growth. Our cross-platform games are also well represented in the fast-growing mobile segment. Stillfront is very active in the fast-growing MENA in addition to the main markets of Europe and North America.

2019

> I am confident and excited about Stillfront's future. In 2019 we are aiming to be listed on the main Nasdaq Stockholm market which will create more awareness of Stillfront among institutional and international investors. I am also looking forward to guiding the company towards our vision of being the leading group of indie game developers and publishers and offering users long-term, first class entertainment with high quality cross-platform games.

To conclude, I would like to thank all of our talented individuals and teams for all the hard work they have put into achieving success and overcoming challenges. The passion that exists throughout the Group is fantastic and creates spirit, joy and results.

Stockholm, in April 2019

Jörgen Larsson, CEO

Track record

Highly successful strategy of acquiring, integrating, developing and growing game studios with proven track record of generating value.

Company under private ownership | *Company publicly traded*

2012	2013	2014	2015	2016	2017	2018
3 games 17 employees 3 studios	4 games 24 employees 4 studios	4 games 41 employees 4 studios	5 games 45 employees 4 studios 0.3 m users[1]	8 games 96 employees 6 studios 0.3 m users[1]	17 games[2] 129 employees 8 studios 0.9 m users[1]	29 games[3] ~ 500 employees 11 studios 4.8 m users[1]
Revenues SEK 17 m	*Revenues* SEK 21 m	*Revenues* SEK 29 m	*Revenues* SEK 55 m	*Revenues* SEK 95 m	*Revenues* SEK 166 m	*Revenues* SEK 1.3 bn
			MCAP SEK 328 m	MCAP SEK 444 m	MCAP SEK 1,227 m	MCAP SEK 3,155 m[4]

Source: Factset. Note: 1) Users refer to monthly active users (MAU). 2) Excluding Goodgame Studios. 3) Including Goodgame Studios and Imperia Online. 4) MCAP as of 31 December, 2018.

Financial targets

NET REVENUES

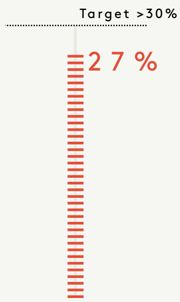
Growth

Stillfront's long-term revenue growth target is to have a yearly organic growth above market growth.

In addition to growing organically, Stillfront will continue to grow through acquisitions.

Comment: Stillfront's revenues pro-forma* increased by 20% organically. Newzoo estimates the average annual growth in the global gaming market to 9.3% in 2017-2021.

EBIT MARGIN



Profitability

Stillfront's long-term profitability target is to have an EBIT margin in excess of 30%.

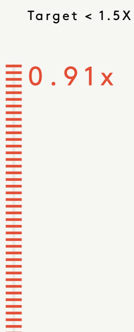
Comment: Adjusted EBIT margin in 2018 amounted to 27%.

NET DEBT/EBITDA

Leverage

Stillfront intends to maintain a Net debt/EBITDA ratio below 1.5x. The Group may however, under certain circumstances, choose to exceed such level during short time periods.

Comment: Adjusted Net debt/EBITDA ratio as of December 31, 2018 amounted to 0.91x , proforma as if all acquisitions completed during 2018 were consolidated as of January 1, 2018.



DIVIDEND

Dividend

Stillfront's dividend policy is to distribute annual dividends up to 50 per cent of the Group's net profit. Dividends may vary from year to year depending on M&A activity and the Group's financial position.

Comment: The Board of Directors proposes no dividend for 2018 in order to maintain a high degree of financial flexibility for future potential acquisitions.

* *Proforma as if the acquisition of Altigi GmbH, Goodgame Studios, had been completed January 1 2017.*

Strategies for growth

Stillfront's vision is to become the leading group of indie game developers and publishers and 2018 saw us take great strides towards it. This has been made possible through our strategy of acquiring profitable, low-risk games and studios with global reach, based on our well-proven product (PLEX), growth (HIGS^3) and market (PuB) strategies. Always cognisant that we are a leader in a fast-moving, idea-driven and dynamic industry, our prime purpose is to deliver superior shareholder value by driving strong growth, while diversifying risk. Obviously, our studios and our highly creative people are working to produce global hit titles, but bearing in mind our strategy, not at a cost that is unsustainable from a risk perspective.

STRATEGY	
Product strategy PLEX	A well-diversified product portfolio (P)
	Our games should offer a long-term gaming experience (L)
	A technical structure based on proven game engines (E)
	Stillfront provides games on several platforms Cross Platform (X)
Growth strategy HiGS^3	Scalability (S)
	Structure of organisation (S)
	Systematic M&A (S)
Marketing strategy PuB	Publishing and Brands (PuB)

STRATEGIC OBJECTIVES	SELECTED ACHIEVEMENTS IN 2018
> We reduce our title and technology risks by managing a well-diversified portfolio. We have small niche products like OFM, to mid-sized ones like *Call of War* and *Nida Harb*, to the massive brands of such as Empire and Big.	> At the end of 2018 our active game portfolio consists of 30 products in total and no single game generates more than 20% of net revenues for the Group. For instance, *Nida Harb 3* published by Babil Games strengthened and further diversified our portfolio during the year.
> Games with long lifetime provides stable revenue while user acquisition costs can be kept low relative to the expected life cycle revenue per user. Regular updates are made to continuously create new interest among users.	> *Supremacy 1914*, published by Bytro Labs, has been a profitable brand for nearly a decade. In 2018 a new version was released to ensure its continued success as a leading strategy WWI game. More than 4.5 million people have played the game since its original launch.
> We can achieve cost efficiency through scalability by re-using an engine over several games. Part of the game dynamics is managed by the engine. By using a proven engine we can reduce the title risk of the game.	> Simutronics released a new title: *SIEGE: World War II* and it represents a big step in expanding the *SIEGE* line of games from the original *SIEGE: Titan Wars.*
> Cross platforms increase engagement with existing users and adds an opportunity for acquiring new users.	> Bytro Labs has been very successful in launching *Call of War* on mobile. *Call of War* players can now access the game through browser, Steam, Android and iOS.
> Focus on organic growth in existing studios by developing new games and refining existing games.	> Good examples from launches in 2018 are *SIEGE: World War II* and *Supremacy 1914*.
> Strengthen the development of our independent gaming studios with motivated and committed professionals.	> Entrepreneurship, scale and structure are keys to success for our decentralised organisation. The offering to our professionals are governed locally but share the same platform: stimulating tasks, high performance requirements to driven and committed professionals.
> By acquiring studios that share our vision and add competence, good games and games with the potential to further diversify our game portfolio, growth is created.	> Throughout the year we have met with many interesting companies and completed three acquisitions: Goodgame Studios, Imperia Online and Playa Games.
> Aim to strengthen our position in the value chain and extending our own brands with inhouse publishing and marketing capabilities.	> We strive to develop our inhouse publishing and marketing capabilities. In the launch of Simutronics game *SIEGE: World War II* the marketing was conducted in collaboration with the sister studio Goodgames.

Low risk, long lifecycle games

Stillfront acquires and develops game studios and promotes synergies between them for the purpose of creating a diversified portfolio of games. Most of our titles are long lifecycle with a loyal user base and stable revenues. The portfolio mix engenders strong cash flow and leads to organic and acquired growth.

What is paramount for Stillfront is that we offer a diversified portfolio of games, developed and produced organically or through acquisitions, with broad appeal to gamers and that we work methodically to improve the retention of our games throughout their lifetime.

Our strategies to mitigate risk >

In an industry that produces a profusion of new releases and a few monster hits, we deploy two primary strategies to mitigate risk; the first is to have a diversified portfolio of mainly strategy games and the second is to develop games with a long lifetime value that can sustain healthy revenue levels for years and even decades to come. This, in turn, forms the basis and provides the cash-flow for developing and financing new launches.

Stillfront studios design, produce and market F2P (free-to-play) strategy games. F2P games enable us to develop games in an iterative fashion with a minor initial investment. We develop, test, iterate and optimise our games in close cooperation with our users.

F2P games allow the gamer access to the game without paying for it, or conduct micro-transactions. Some of the users are willing to make purchases, or pay for access to new content throughout the lifetime of the game. F2P strategy games usually have a longer life cycle than other games and this can be extended through continual updates. Recurring income, at a low cost, is driven by the ability to retain users over a longer period.

Highly social strategic games >

Our predominantly strategy-genre brands and titles appeal to an audience that enjoys highly social games that let them, for example, sharpen their strategy skills, forge alliances, negotiate, command armies, build nations, manage economies, manage a football club or run a farm.

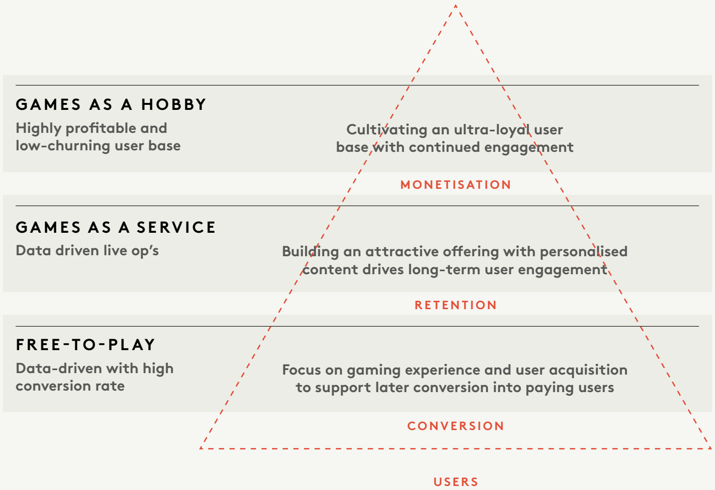
Stillfront operates in a highly competitive market in which we compete with other game developers, as well as other forms of entertainment. The industry is consolidating as the major players, especially publishers and distributors are expanding.

Positioned to grow >

Stillfront is well positioned to grow faster than the market in the coming years with our portfolio of games and game engines across all major platforms, including the mobile market, which is growing fastest of all. Our strong brands and marketing skills in the F2P model provide a good platform for growth and we are very active in the fast-growing MENA region (Middle East and North Africa), as well as Europe and North America.

STILLFRONT'S DATA DRIVEN BUSINESS MODEL

Stillfront is positioned as a low-risk game developer and publisher with a diversified portfolio of primarily F2P strategy-games.



UTILISATION OF TWO RISK-MITIGATING STRATEGIES

The gaming industry is characterised by a large number of new releases with few large-scale success stories. Stillfront uses two primary strategies to mitigate this risk.

HOW WE CREATE VALUE

INFLOW

- Loyal users
- Competence, creativity and experience of some 500 professionals at 11 studios
- Financial capacity

STILLFRONT GAME STUDIOS

GAME DEVELOPMENT

Our studios develop games in close contact with consumers/users

PUBLISHING

Our game studios publish games in-house or in cooperation with a studio in the Group

DISTRIBUTORS

- Browser
- Mobile platforms; mainly Google and Apple

500 MILLION ACTIVE USERS TO DATE

Continual interaction and reaction to news provides input to updates of games which, in turn, contributes to attracting new users.

OUTFLOW

- Some 30 entertaining games
- Satisfied users
- A global Group of gaming studios with motivated professionals and owners
- Increased shareholder value

A growing market

The gaming industry has now overtaken other forms of entertainment in terms of revenues and is bigger than the music and movie industries combined. Globally, the number of people who play online games is growing steadily and currently number more than 2.3 billion. In 2018 the gaming industry generated revenues of around 138 billion USD according to Newzoo.

The world loves gaming >

Around 2.3 billion people play online games globally and nearly 95% of them play mobile games. The number of online gamers is set to rise to around 2.7 billion in a couple of years with mobile gaming driving growth. Mobile games have posted double-digit growth in the past decade and this is likely to hold for the foreseeable future.

What can be said generally about gaming is, that in its different forms, genres and across different technologies, it has massive broad-base appeal and that it is no longer a phenomenon; it is a way of life for a significant part of the planet's population.

Mobile gaming garners more than half of the market >

The global gaming industry will post 9.3% per year growth through to 2021, according to Newzoo, and is catching up on the global sports industry, worth between USD 130 billion and USD 150 billion annually. These numbers are astonishing given that just over a decade ago the gaming industry was worth a mere USD 35 billion annually. At the current growth rate, mobile gaming will overtake the global sports industry in the next three to four years.

The games industry consists of mobile, PC, and console (PlayStation, Xbox and Nintendo). In 2018, for the first time, mobile gaming garnered more than half of the market for game revenues globally. Smartphones and tablets combined will account for 51%, or USD 70.3 billion of the market (Newzoo estimate), an increase of 8 per centage points on 2017 (43%). This segment of the market attracts 2.2 billion gamers worldwide, with the majority gaming on smartphones. According to Newzoo, this is the second largest segment generating revenues of USD 34.6 billion, or 25% of the market in 2018. The PC (boxes and browers) segment takes third spot with revenues of USD 32.9 billion, or 24% of the market. The console segment increased by 4.1% in 2018 compared with 2017 while the PC segment rose by 4.5% over the same period. Unsurprisingly, mobile gaming took market share from the PC segment.

Geographic markets >

In Europe, the games market grew by 11.1% to USD 23.9 billion according to Newzoo. The MENA (Middle East and North Africa) region is still the fastest growing market with USD 4.9 billion in revenues and growth of 23.6% in 2018.

The APAC region (Asia and Pacific Rim countries) generated USD 71.4 billion in revenues in 2018, reporting +16.8% YoY growth, or a 51.8% share of global revenues. More than 1.2 billion gamers live in the APAC region, making it by far the largest region in terms of gamer and online population.

Newzoo reports that China alone has an online population of 850 million and generated revenues of USD 37.9 billion in game revenues in 2018, compared with a combined US and Canada number of USD 32.7 billion.

THE GLOBAL GAMING INDUSTRY ANNUAL GROWTH THROUGH TO 2021

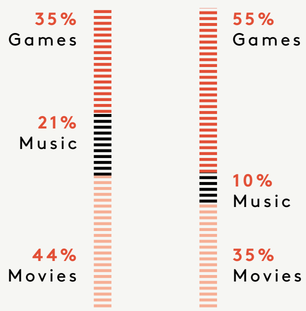
According to Newzoo

+9.3%

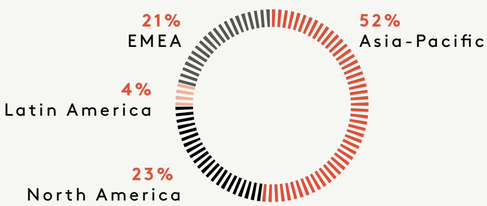
In 2018 around 2.3 billion people in the world play online games

WORLD CONSUMER SPEND ON ENTERTAINMENT

% of total

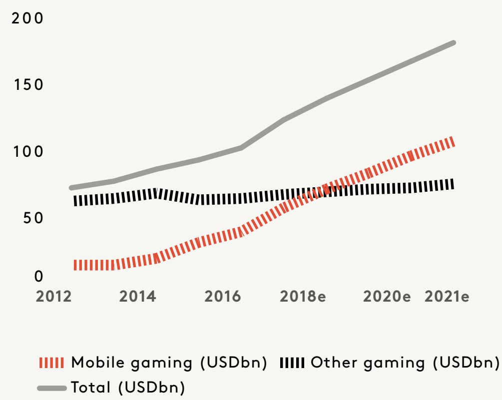


GAMING MARKET BY REGION



$137.9 Bn

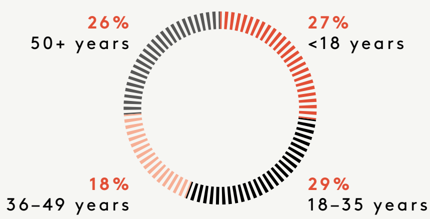
WORLD GAMING 2012—2021



PLAYER DEMOGRAPHICS GENDER[1]

1) Based on US data.

PLAYER DEMOGRAPHICS AGE[1]



1) Based on US data.

Free-to-play (F2P) games gaining market share

> F2P games give gamers free access to games, as opposed to premium games which have to be paid for prior to being played. The F2P business model relies upon three different levels of usage. The majority of the users are non-paying but can still be very dedicated to the game. The vast majority of the paying users spend small amounts for unlocking extra functions or purchasing digital currency to use within the game. A minority of the paying users are very dedicated with gaming as their hobby and they spend more money and time on playing their favourite games.

This model has been successfully applied to the browser game market for years and it has now taken over the mobile segment and is making huge inroads into the PC downloadable and console markets. In the world's single largest market, Asia, and particularly in China, the model dominates and it is gaining ground across all platforms in the rest of the world. Stillfront's games are predominantly F2P.

Who plays online games?

> People across all age demographics play online games. Gaming used to attract predominantly younger males, but the average age of a gamer is now 34 years of age and the number of under-18s is roughly equivalent to the number of over-50s. The number of female gamers is on the rise and they represent just under half of all gamers. Also on the increase is the average amount of time spent playing online games. According to comScore more than 40% of the time spent on iOS and Android units is on playing games.

A feature of the F2P segment is that only around 5% of users make in-game purchase. It is the older, more loyal and deeper-pockets gamer demographic that tends to have more money than time, and is willing to speed up, or otherwise enhance the gaming experience by paying for the privilege

Stable, diversified and highly profitable portfolio

Continuously evolving game portfolio with strong game build-up creates stable revenue base.

No single game generates more than 20% of total deposits in 2018.

EMPIRE BRAND

49%[1]

- One of the biggest strategy-game brands of all time
- 175m users
- Four products: Empire, Four Kingdoms, Millennium, World War 3
- Very strong EBIT contribution
- Transformation to HTML5 finalised after year end

- Deposits[2]: SEK 638m
- User acquisition cost: SEK 89m

1) As of 2018

2) Deposits excluding VAT.

BIG BRAND
21%[1]

- Very successful simulation brand
- 60m users
- Three products: Big Farm, Mobile Harvest and Skytopia
- Higher share of female users than most other Stillfront games
- Transformation to HTLM5 finalised
- Mobile Harvest still in growth mode

- Deposits[2]: SEK 278m
- User acquisition cost: SEK 141m

CORE PRODUCTS
30%[1]

- Products with potential
- In total 22 products, largest: Nida Harb 3: SEK 134m, Call of War: SEK 55m, War and Peace: SEK 37m
- Strong growth in Core products organically and through acquisitions
- Shakes & FIdget and Imperia Online would, on a full year basis, have achieved top three

- Deposits[2]: SEK 391m
- User acquisition cost: SEK 90m

OTHER
< 1%[1]

- Long tail products
- In total more than 10 products
- Low potential but still contributing
- No investments or live ops
- Assets can be reused

1) As of 2018

2) Deposits excluding VAT.

Data-driven product development and innovation

2018 was a successful year for Stillfront in launching new games. In addition to creating new games, we also develop products by launching existing games on new platforms. Major updates of games are also included as part of our product development initiatives.

Knowing our customers better through data

> Developing a new game in the strategy genre requires a deep understanding of the audience for the game and providing environments, details and features that unlock the power of human interaction. Understanding when and where to provide these elements within the game is also critical to the success of the game, as measured by user numbers (DAU daily active users and MAU monthly active users), conversion and revenues from in-game purchases (ARPMPU average revenue per monthly paying users). Also understanding the appeal of specific settings, whether it be historical and/or situational, such as medieval times with castles and hamlets, military strategy, or simulating a farm and its workings.

Having a highly data-driven approach allows our studios to know our customers better. For example, the advantages of event tracking, a flexible way to track campaigns and individual user actions are twofold. It provides our game designers and game balancers with the ability to identify where users regularly quit the game at a specific quest, or how a new feature that has been implemented is performing. The insights gained are used to improve the gameplay and user experience.

Testing assures customer satisfaction

> A new game is tested at an early stage to find out if it is up to scratch. We may think that we have a brilliant game on our hands, but development stops if tests show that the intended audience does not like it. With our iterative game development process, we soft launch a game before it is fully developed and continue to test, iterate and optimise it in close cooperation with consumers.

Reducing risk and achieving scalability through engines

> Using game engines is central to growing our game portfolio organically and developing our existing products. A game engine is the software framework designed for creating and developing multiple games, and allows our studios to more efficiently develop games, while reducing our development costs and therefore the risk and time-to-market. The more often we can use the same game engine, the better.

Platform independent

> Several of Stillfront's new games are developed in HTML5 which means that we develop in the same programming standard for web sites and mobile devices. We are also converting our older titles.

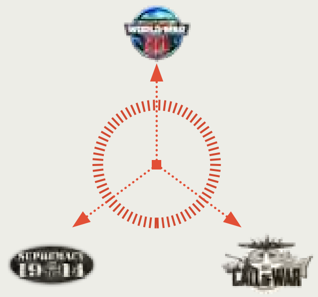
By initially separating the platform choice from game development, some of our studios can focus on their talents and efforts on creating high-quality content whilst not committing to one platform. This allows for late stage decisions regarding platform publishing in order to stay responsive to market trends. A single game can be released across multiple platforms cost-efficiently and creates added value for the users. Core game structure and features are developed on the engines, whereas only minor additions are needed to adapt the code for specific platform use. This effectively lowers the cost of having the option of platform choice.

Exploiting long lifecycle brands

> Stillfront studios typically develop high-quality games with social and challenging gameplay that engender user devotion and engagement. Ultimately, this translates into a user playing one of our games many months, years or even decades; increasing the chance of in-game purchases. It does mean that we have to develop and update the game at regular intervals, but it is an effective form of product development.

PORTFOLIO LEVERAGE IN SEVERAL DIMENSIONS

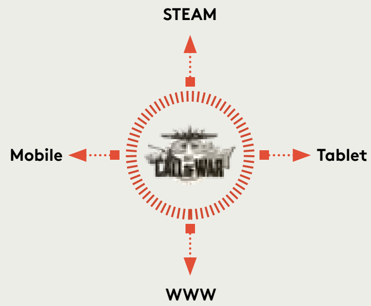
ENGINES



Potential value of engine leverage

- High scalability through re-use of engines
- Thorough theme selection processes optimise theme and graphical appeal
- Low initial investment in new games

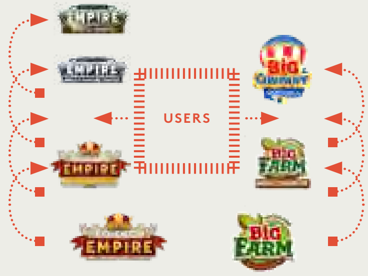
PLATFORM EXTENSION



Potential value of platform extension

- Singular game with multiple accessibility
- Leverages existing products' assets
- Improves distribution, interaction, retention, time and spend on existing product
- Mobile access could contain PWA, Native or HTML5 mobile browser

BRANDS



Potential value of brand expansion

- High scalability through re-use of very strong and well established brands
- Thorough theme selection processes optimise theme and graphical appeal
- Extensive soft launch optimisation processes

THE LIFECYCLE OF A GAME – PERFORMANCE GUIDES INVESTMENTS OVER THE DIFFERENT PHASES

DEVELOP	LAUNCH	REFINE	GROW	EARN	LEGACY
– Development Costs – Technical Launch – Soft Launch – Metrics support Launch	– High marketing spend – Growth of numbers of users – Revenue grows quickly	– Improve user lifecycle metrics based on data – Lifetime value vs. User acquisition cost – Number of users decline (userbase matures)	– Big marketing push – ...or smaller budgets – ...or pivot resources – Content expansion – Platform extension	– Less marketing spend – Content expansion – Retention, – High profitability	– No marketing invest – Profitability – Declining revenues

Marketing – capturing an audience

Our marketing strategy aims to strengthen our position in the value chain and extend our brands with in-house publishing and marketing capabilities. It is the IP owner who owns the game brand. An IP owner could be the game developer who owns the rights to its own in-house developed game, or a publisher who has acquired the game title. Around 99% of our revenues in 2018 is derived from our own IPs.

User acquisition, or UA – attracting and acquiring users to play our games - is absolutely fundamental to F2P games, as they are based on many users playing the game. Based on historical data, we predict the lifetime value, LTV of the user and decide on risk appetite and define a break-even time frame for the marketing investment. The acquisition of Goodgame Studios brought with it a competitive and world-leading performance marketing team dedicated to UA. In 2018, Stillfront's user acquisition cost, UAC, was 320 MSEK or 24% of net revenue evidencing our ability to identify and execute profitable marketing campaigns.

Data-driven marketing

> Our performance marketing team consists of around forty experts in media, search, conversion, business development and business intelligence. The team has more than a decade of experience and expertise, as well as a deep understanding of various user types and how they can be acquired. Consequently, knowing our consumers better leads to higher earnings. By deploying advanced analytics programmes, we can guarantee that the marketing investments we make are effective. Our predictive models provide us with an estimated an estmiated timeframe of when we, at the latest expect to recoup the marketing investment. We only invest in marketing when it is profitable. For example, we decreased our marketing spend during the summer months in 2018 as the gaming market is usually weaker during this period. The team is sharing its knowledge with other studios in the Group and we are already reaping the benefits of this.

Game investment level assessed on profitability

> During soft launch the game is analysed, iterated and optimized ahead of the full launch and this stage is followed by targeted marketing campaigns in various markets. After the game is launched we continue to adjust it based on user data. All decisions made about a game, pre- and post-launch are data-driven, for the purpose of recouping our investment in marketing, followed by a positive yield.

Updates essential to marketing initiatives

> Getting users to commit to a game is essential since it also increases the chance of a user spending money in the game. It is also hugely important to continuously entertain users by maintaining the game and creating greater interest in it by, for example, providing seasonal updates and events in the game. This also leads to a higher lifetime value per user and makes it easier to measure, in real-time, the impact of an update on income and reviews.

Several platforms and various distribution channels >

Stillfront's games reach users on several platforms: mobile, browser, PC, and console (Xbox and Playstation) and tablets. Games are increasingly becoming available on mobile, giving users the freedom to play on the go which, in turn, improves the game experience and increases the number of users, as well as extending the lifetime of the game.

Our mobile games are available to users via the major, global distributors such as Apple App Store and Google Play. Within the mobile games segment, distributors normally charge a fee of 30% of revenues for global distribution, operation and the payment system.

THE GAMES INDUSTRY VALUE CHAIN

STILLFRONT

GAME DEVELOPER

Develops and produces games and may partly or fully own the development project, or is contracted to develop a game.

PUBLISHER

Fully or partly finances the development of a game. Monitors and quality assures development and responsible for marketing and sales.

DISTRIBUTOR

Owns distribution channels and sometimes the platforms where the game is played. Distribution of browser games is essentially fully controlled by Stillfront, whereas mobile games predominantly are distributed by external platforms.

Successful acquisition know-how

Growth through acquisitions is a vital part of our strategy. We excel at acquiring profitable and well-run game studios. Following acquisition, our studios retain their management, culture, name and entrepreneurial spirit and by leveraging on our support and industry skills, they become even better at what they do.

A fragmented industry

The games industry is highly fragmented, consisting of many small and a number of larger companies at various stages of development. Stillfront continuously screens the market for potential acquisitions. Since being founded we have screened more than 1,200 companies, of which we have acquired eleven to date. Our evaluation focuses on the potential acquisition target's existing products, its development potential and the potential of products under development. Most essential for our evaluation is however the people who run the company we want to acquire. They must have proven experience in developing and running successful games, as well as sharing Stillfronts cultural values, vision and strategy.

What we are looking for

The cornerstones of Stillfront's culture are openness, honesty and caring. We believe in entrepreneurship, independence and passion combined with focus and structure. A typical target company is a gaming company run by dedicated owners who are willing to continue to develop their business but would appreciate and benefit from working in decentralised corporate structure corporate structure. Ideally, the target company has already released at least two successful games, reports stable revenues of between EUR 5–100 million and has a loyal user base. Target companies must also share and support our product strategy of focusing on long lifecycle games with a low technical risk profile i.e. built on established game platforms.

Stillfront is primarily interested in acquiring studios owned by founders who are eager to continue to develop their company post-transaction. We normally use shares as a part of the acquisition consideration to ensure common incentives for all our studio heads, therefore most of our current portfolio studio founders are shareholders in Stillfront. This strategy aims at retaining the commitment of these talented and creative people to continue to manage their studio and, as a part of Stillfront's family, to contribute to the successful development of Stillfront.

Stillfront is also interested in acquiring attractive games/IPs which are for some reasons not prioritised by their current owners who might e.g. wish to focus on the development of new titles and therefore lack time or resources to continue developing certain legacy games. Such assets may however fit extremely well within Stillfront's current studios and leverage on our extensive expertise within development, publishing, distribution, marketing and live ops.

Synergies exceed our expectations

The studios that we acquire can expect a financially strong and sizable partner in Stillfront; something that is especially important within the publishing business. We offer independence combined with structure and scale, resulting in multiple opportunities to benefit from synergies within the Group. The majority of our studios actively cooperate within the Group. The major existing synergy areas are technology, marketing, distribution, analytics and data sharing.

As our studios form closer ties, they gradually identify and realise synergy effects. At the same time, we are keen for the studios to continue to work independently because we believe that the best decisions are made by the people who know their company, professionals and users.

OUR ACQUISITION PROCESS

PRE-TRANSACTION

- Comprehensive screening process
- Find companies and assets where we can add value
- People that share our culture and acceleration agenda
- Secure financing

TRANSACTION

- All acquisitions at multiples below Stillfront
- Acquisition consideration consists of cash, equity and a conditional earn-out component

POST-TRANSACTION

- ”Kill your darlings, fuel your stars”
- Streamlining of non-core business processes
- Improving operations through active involvement in key areas for example data driven decision making

SYNERGIES

- Cross-promotion and asset sharing among studios
- Centre of Excellence for marketing, development and product management
- Greater volumes enable improved trading conditions

ACQUISITIONS IN 2018

In 2018 we completed three substantial acquisitions that add considerable value to our business and game portfolio.

GOOD GAME

> The most important deal of 2018 was completing the acquisition of Germany's Goodgame Studios in January. The acquisition increased our size substantially and resulted in synergies in marketing, monetization, distribution and technology. At the time of acquisition, Goodgame Studios' game portfolio consisted of two major brands; *Empire* and *Big Farm*, with seven titles, generating stable revenues and profit. Goodgame Studios is based in Hamburg.

Imperia Online
Game Production Company

> In September we announced the acquisition of Imperia Online JSC. Imperia Online is one of Southeast Europe's leading game developers and publishers with 25 released games and over 45 million users globally. The company's flagship title is *Imperia Online*, a medieval 'Massively Multiplayer Online' (MMO) strategy game for browser and mobile platforms. Imperia Online is based in Sofia, Bulgaria.

Playa Games

> In December 2018 we announced the acquisition of Playa Games, one of Germany's leading casual strategy game developers and publishers with five released games and approximately 70 million registered users. The company's flagship title is *Shakes & Fidget*, a cartoon-style massive multiplayer online role-playing game (MMORPG) strategy game published on both browser and mobile platforms. Playa Games is based in Hamburg.

The Studios

Stillfront consists of 11 game studios in Europe, North America and the MENA (Middle East and North Africa) region, publishing on a multitude of platforms.

Our studios are Bytro Labs, Goodgame Studios, OFM and Playa Games in Germany, Coldwood Interactive in Sweden, Power Challenge in the UK and Sweden, Dorado Games in Malta, Simutronics in the United States, Babil Games in UAE and Jordan, eRepublik Labs in Ireland and Romania, and Imperia Online in Bulgaria.

Stillfront's games are distributed globally with the main markets being Germany, North America, France, the UK and the MENA region.

BABIL GAMES

Babil Games, based in Dubai and Amman, Jordan is a leading game publisher and expert localiser in the MENA region for both browser and mobile platforms. The studio of 25 people was founded by hardcore gamers and passionate entrepreneurs MJ Fahmi and AJ Fahmi in 2012. Babil Games helps developers from around the world to successfully navigate the MENA market, the world's fastest-growing games market, and bring Arabic gamers culture-adapted, high-quality entertainment in their native tongue.

BYTRO LABS

Bytro Labs in Hamburg, Germany, develops and publishes deeply immersive F2P strategy games such as *Supremacy 1914* and *Call of War* from its studio. Originally designed for browsers, Bytro has extended the reach and platforms of its games to mobile and Steam and boosted player engagement by making them available on multiple platforms. The studio employs around 30 people.

COLDWOOD INTERACTIVE

Coldwood Interactive is a game studio based in Umeå, in northern Sweden. Founded in 2003 by a tight-knit group of veteran game developers, it has a passion for creating entertaining and innovative games.

Coldwood has grown to become one of Sweden's most successful and productive game studios, while staying true to the friendly vibe, dedication and creative spirit when founded. The studio employs around 15 people.

DORADO GAMES

Dorado Games is based in Malta and was founded in 2007. It designs, develops and markets digital online games with a focus on mid-core users around the globe.

The Dorado Games team around 20 people, has worked on more than sixty titles across all platforms, including *Conflict of Nations: World War 3*.

eREPUBLIK LABS

eRepublik Labs is an award-winning games studio. Its first game, *eRepublik.com* was a pioneer in online free-to-play browser games, when it launched at the end of 2007 and more than 7 million users worldwide have played it. eRepublik Labs now has an international team of around 30 people with offices in Dublin, Bucharest and Madrid.

The studio develops and publishes for example the game, *World at War: WW2 Strategy MMO*, a mobile strategy game has over 5 million users.

GOODGAME STUDIOS

Goodgame Studios, with approximately 270 people from more than 40 countries, is one of Germany's most successful game developers and publishers. In total, games by Goodgame have generated player payments exceeding USD 1 billion from more than 340 million users. Goodgame's biggest games are under the brand names *Empire* and *Big*.

IMPERIA ONLINE

Imperia Online is a leading game developer and publisher in Southeast Europe with its head office in Sofia, Bulgaria. The studio, employing around 50 people, has released 25 games and has over 45 million users globally. The company's flagship title is *Imperia Online*, a medieval MMO strategy game for browser and mobile platforms.

OFM STUDIOS

OFM Studios, with 4 employees, is based in Cologne, Germany and was founded in 2006 by Maik Dokter. OFM, *Online Fussball Manager*, is a very well-established brand in the football manager-genre with a long history of solid revenues and results, and a large, loyal user base. The game has won several awards, among them MMO of the year in 2012 and 2013.

PLAYA GAMES

Playa Games, with around 25 professionals, is one of Germany's leading casual strategy game developers and publishers with five released games and approximately 70 million registered users. The company's flagship title is *Shakes & Fidget*, a cartoon-style MMORPG strategy game published on both browser and mobile platforms. Playa Games is based in Hamburg, Germany.

POWER CHALLENGE

Power Challenge is a leading game developer and publisher of sports-based, online multiplayer games. Founded in 2001. The company's games, *ManagerZone Football* and *Hockey* are great successes and have two million registered users.

SIMUTRONICS

Simutronics created its first game, the multi-user dungeon (MUD) title *GemStone*, which debuted on GEnie in 1987.

Simutronics is one of the longest-running independent game development studios in North America. It is a leader in massively multiplayer games, with persistent worlds that have been played for over 30 years. The company of 25 people has also created critically acclaimed mobile titles and garnered more than one million paying users through the web. Development partners over the years include Universal Studios, Sony, Viacom, Time Warner, and Microprose.

LET THE GAME BEGIN

CASE

Big Farm: Mobile Harvest

—

Call of War

—

Nida Harb III

BIG FARM Goodgame Studios

THE BELOVED BIG FARM
F2P multiplayer farm simulation on browser and mobile

Goodgame Big Farm is an MMO farm simulation game launched in 2012 that has attracted more than 50 million players, with a high proportion of female user, and which has generated more than EUR 100 million in accumulated revenues over its lifetime. During 2017 we launched Big Farm: Mobile Harvest for mobile.

In Big Farm the user inherits a run-down farm that they have to rebuild from scratch to make a profit. Unlike other games in the genre, iit is story-driven, so called NPCs, non-player charcaters that help with quests, missions and objectives through the game tutorial. Managing resources is the name of the game: planting seeds, harvesting crops, tending farm animals and the game offers realistic production cycles and the chance to sell farm products all over the world. There are more than 45 buildings that are unlockable for more content and over 90 different products and 100 decorations that the user can personalise their farm with.

The player can also join farming cooperatives and work with others to make their farms bigger and better and interact with more than 50 million players worldwide. The game has a community of very active, devoted users.

MAJOR UPDATE DRIVES CONTINUED GROWTH

Big Farm: Mobile Harvest was given its largest feature update yet in May 2018. The update provides fresh and exciting content for new and seasoned users alike, adding a new dynamic to the game and giving users more options for their farm produce and entrepreneurial strategies. It continues a trend of regular, relevant updates for the game that have allowed Big Farm: Mobile Harvest to post continuous performance gains since its launch in 2017.

On the back of the update we can report significant revenue growth and it is a huge boost for our mobile community of over 9 million users in 22 languages.

CALL OF WAR Bytro Labs

REAPING THE REWARDS OF TRUE CROSS-PLATFORM EXTENSIONS

Call of War, developed and produced by Bytro Labs, is a browser-based MMO war strategy game inspired by WW2 and was launched in 2015. The game, which is supported in twelve languages, has an award-winning game mechanic and its loyal following can enjoy the gameplay of rebuilding cities, raising armies, building nations and forging alliances. Call of War shares the same SUP engine as other Bytro Labs titles such as Supremacy 1914 and Conflict of Nations. It continues to perform very well and in Q3 2018 generated all-time-high revenues, following the successful platform extension to Steam and mobile.

CALL OF WAR ON MOBILE

Extending the success of browser-based Call of War to mobile has resulted in a steady increase in mobile usage with between 50% and 55% of MAUs (monthly average users) partly or solely using a mobile device to play the game. With some 25% of transactions and between 20% and 25% of revenues coming from mobile, these numbers are on the rise. Also pleasing to note is the profitable performance marketing achieved for native mobile apps, as is the true cross-platform knowledge and expertise that Bytro Labs is now sharing with other studios in the Group.

CALL OF WAR ON STEAM

With the launch of Call of War on Steam in 2018, the game garners a very attractive audience and some 5%-10% of revenues are now derived from this platform. Leveraging Bytro Lab's SUP engine, Conflict of Nations has also been launched on Steam.

True cross-platform extensions are now paying off by way of increased player engagement, which is driving monetisation. Additional distribution channels for existing products are also creating a steady influx of users and the platform extensions complement one another, with no cannibalisation.

NIDA HARB 3 Babil Games

EFFICIENT SOURCING ON WELL-ESTABLISHED NIDA HARB IP

Babil Games' Nida Harb 3: Empire of Steel is an engaging MMO-RTS (Massively multiplayer online real-time strategy game) and the third instalment of the highly successful *Nida Harb* franchise, a quality third-party product developed by an Asian partner. As with its predecessors, the game is set in a modern warfare theme, where users are given command of a military base to build and train massive armies in a quest for world domination. Babil Games has localised all three iterations of the games, translating and otherwise culturally adapting all aspects of the game, including live op's, features, events and graphics to regional norms. These factors, combined with efficient sourcing, means that the initial investment in the game was only SEK 1 million, leading to a highly efficient use of capital and ROI.

HIGHEST GROSSING GAMES ACCUMULATED REVENUES OF SEK 100 MILLION IN LESS THAN 12 MONTHS

Nida Harb 3 is one of the MENA region's highest grossing strategy games. In 2018 Nida Harb 3 was the Group's fourth highest grossing games. Released in Q4 2017, Nida Harb 3 generated more than SEK 100 million in accumulated revenues less than twelve months after its launch. Monetisation and KPIs for the game are also exceptionally strong. Babil Games has secured the global rights to Nida Harb and in line with our synergy strategy Goodgame Studios is helping it with performance marketing expertise to make the game a global hit.

1 Group

—

11 Studios

—

30 Active Games

—

500 million Gamers

Unravel Two, developed by Coldwood Interactive, was awarded "Family Game of the the Year" at D.I.C.E. Awards in the beginning of 2019.

Corporate culture - entrepreneurial spirit is key

Stillfront is a global group of well-managed gaming studios that, with support and knowledge-sharing, can grow and be even better. Together we create a flat, decentralised group that builds upon interaction and exchange.

Our core values form the basis of our group culture and are derived "*Still in Front*".

– We are a protitable, rapid growth company with around 500 people working in different studios around the world.

– We are a diversified group but we share a common set of characteristics.

– We are awesome people: skilled, entrepreneurial, driven and open to new ideas and change.

– We believe that the entrepreneurial spirit is key to our success.

– We are a decentralised company. A flat organisation that builds upon interaction and exchange between studios.

– We believe in long-term relationships.

Our people

> Stillfront operates in a fast-moving, constantly evolving industry. New technology, new competitors, challenging customers; all place high demands on us. We are a knowledge company that is dependent upon the creativity and motivation of our professionals. The employee offering is locally governed by the studios but they all share a common platform: stimulating tasks, with high performance requirements, to driven and committed employees.

Our studios

> Being part of the Stillfront means that the studios retain their original identity, including their name, culture and management. The responsibilities of all studios are clearly decentralised which promotes flexibility and an entrepreneurial spirit. The prerequisites for this are talented professionals who are personally driven to take responsibility.

Group culture

> Stillfront´s group culture is the foundation of who we are and everything we do. The starting point is values-based leadership with a focus on decentralisation. A major feature of our culture is embodied in informal actions and our conduct towards each other. During the acquisition process we put strong emphasis on getting to know the company and its management and professionals – to gain an understanding of whether they share our values and views of sustainable business. For us, it goes without saying that the employer/employee interaction should be characterised by mutual respect, openness and influence. A high degreee of autonomy allows a strong entrepreneurial spirit to grow and flourish within our studios. Since the studios are run independently, each company can preserve its unique culture.

We are a profitable, rapid growth company with around 500 people working in different studios around the world.

A sustainable business model and long-term relationships

Games, for example backgammon and chess, have been a popular pursuit for thousands of years. Playing games lets us enjoy the company of others, sometimes in friendly rivalries, while entertaining ourselves. Views vary on whether ours is a 'new' industry, or not, but it is constantly changing and evolving. New technology, new markets and new competitors challenge our innovation abilities, as well as our ground-breaking games and system solutions. Stillfront's business model is built on long-term relationships as regards our ownership role, our perspective of our co-workers and our approach to users.

We challenge ourselves to take the long-term view and to act sustainably. One reason for this is to retain and attract the best talents in the industry. As active, long-term owners we are convinced that we can create the optimal conditions to be able to offer superior products and services and out-compete our competitors.

Code of Conduct

> Stillfront supports international standards for human rights, working conditions, the environment and anti-corruption. We base our Code of Conduct on the ten principles of the United Nations Global Compact. Stillfront is a decentralised organisation but strives to act as one company through a shared set of values, business principles and policies. However, our games studios should operate as local companies that identify and manage local business risks and opportunities.

Our Stakeholders

> Stillfront's most important stakeholders are our consumers (users), professionals and shareholders because they are a prerequisite for our business. Other stakeholders include suppliers, partners and the general public. We are in continual dialogue with our important stakeholders.

Material areas

> Given the many acquisitions that Stillfront has made since the founding of the company, our role as a responsible owner and therefore our efforts in the area of sustainability, have changed and developed. On the page to follow we identify the areas we prioritise as regards our stakeholders and market risks/opportunities and sustainability.

Long-term ownership

> Stillfront believes in a long-term ownership role and decentralised leadership that is grounded in clear and shared basic values. Our corporate culture is built upon strong relationships between our studios and it is promoted through informal contact and how we treat each other.

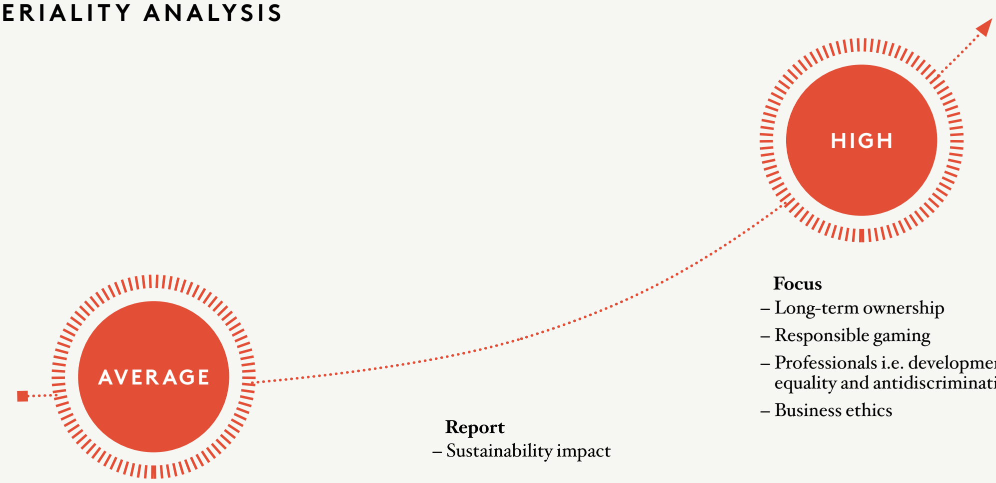
In the acquisition process, we place great emphasis on getting to know the studio and its management so that we ensure that they share our values and our views on sustainable business.

Our studios are given a high degree of autonomy and this engenders a strong entrepreneurial spirit. We are also keen for them to preserve their own culture. In 2019, we will be augmenting this by implementing a shared Code of Conduct, that will play an important part in describing and implementing these shared principles, as well as promoting the basic values in the areas we deem as important. In future, these will also be part of our due diligence process.

STAKEHOLDER KEY SUSTAINABILITY ISSUES

	CUSTOMERS/USERS	PROFESSIONALS	SHAREHOLDERS AND INVESTORS
Material areas	– Product quality and service – Continuous updates and events – Secure payments	– Stimulating roles – Stimulating working environment – Skills development – Health – Diversity and equality – Financial stability	– Financial stability – Long-term, sustainable profitability – Transparency – Sound business ethics – Sustainability in general
Actions and communication	– Customer dialogue – Analysis – Secure, continuous operation – Product design	– Decentralised responsibility for professionals – Skills development – Succession planning – Diversity	– Financial communication via reports, press releases, web site, investor meetings

MATERIALITY ANALYSIS



Focus
- Long-term ownership
- Responsible gaming
- Professionals i.e. development, equality and antidiscrimination
- Business ethics

Report
- Sustainability impact

Inform
- Transparency/ corporate governance

Responsible gaming

> At Stillfront we are fully committed to delivering digital entertainment. With a few exceptions, our games are of the F2P genre. This means that they are not gambling games, but games that are played for free and, during the course of the game, products and tools can purchased to enhance the gaming experience. As such, our games are purely for entertainment and contain no elements of gambling. We offer our consumers a fun way of spending their spare time playing our games, mainly of the strategy genre, in which users can create a social network. The vast majority of our consumers never make in-game purchases. A user can opt to pay for further advancement in a game.

Stillfront´s games are targeting mainly adults.

When marketing a game Stillfront complies with the labels and recommendations in each market, for example PEGI in the EU and ESRB in the US, as regards content and age. The marketing of our games should be ethical, honest and reflect generally accepted social standards.

Development of our professionals

> As a parent company, it is our goal that our studios take a long-term approach. Stillfront encourages its studios to be strong and well-run by supporting them to develop and face new challenges. One of the most important factors of this long-term approach to the studios' development is to ensure that they have the right competence, in terms of existing competence and being able to attract new talents.

For Stillfront, it goes without saying that the interaction within the Group is one of mutual respect, openness and influence. Commitment and cooperation between the studios are also key to the Stillfront culture.

To access the talent we need, we must be able to offer equal opportunities and diverse workplaces. The games industry is male-dominated and therefore the male/female mix could be improved. In 2018 137 of 491 professionals were female. Each individual, regardless of gender, ethnicity, religion, sexual orientation or disability, is treated equally. In cases of discrimination, or harassment, it is the responsibility of management to take action for further investigation and to put in place appropriate disciplinary measures in accordance with local policy.

Clearly, people perform better when they feel good and many of our studios inspire our professionals to lead a healthy lifestyle.

Business ethics and anti-corruption

> The Code of Conduct that the Board has adopted during 2019 guides us on who we want to be and how we want to be perceived. It covers all Group professionals in all the countries where we operate.

Stillfront is a decentralised organisation but strives to act as one group, based on a common set of values, business principles, policies and management. Wherever we operate we act as a local company, identifying and working with local business risks and opportunities. We comply with laws and regulations in all territories where business is conducted.

We do not accept any form of fraud or corruption. We comply with all laws and regulations on money-laundering and take appropriate measures to assess the integrity of our business models to ensure that no illegal funds are hidden. We also expect business partners, distributors, suppliers, consultants and independent contractors to follow standards similar to our own code in their business.

Should a professional observe behaviour that does not comply with our Code of Conduct it must be reported immediately. This is done through a "Whistleblower" function to protect the integrity of the professional.

Environmental impact

> Stillfront's core business; producing and developing games across the whole value chain, are distributed on digital channels and have very little environmental impact. Stillfront does not own properties but instead leases its workplaces and the leaser is, according to the leasing contract, responsible for the electricity supply, waste disposal and, in some cases, for waste recycling.

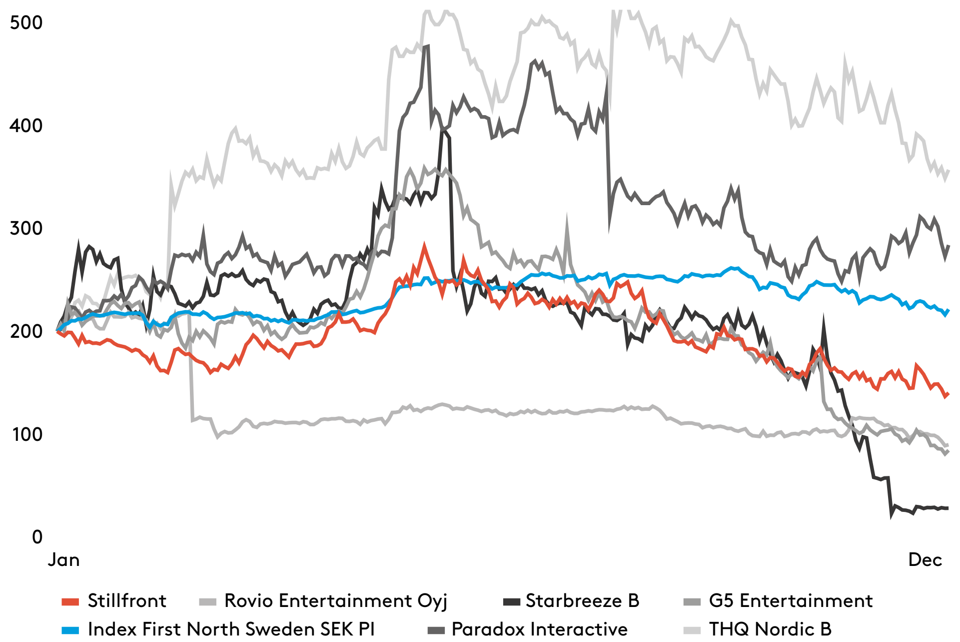
The share

Stillfront shares have been listed on Nasdaq First North since 8th December, 2015. Since 29th June, 2017 the shares have been listed on First North Premier. On 29th December, 2018 the share price was SEK 131.20, a decrease of 31% during 2018. In 2018, the total amount of traded Stillfront shares were 24,096,702 on Nasdaq Stockholm. The daily average turnover was SEK 16,868,361. The share price high was SEK 279.00, with a low of SEK 126.20.

Dividend policy > Stillfront's dividend policy is to distribute annual dividends up to 50 per cent of the Group's net profit. Dividends may vary from year to year depending on M&A activity and the Group's financial position.

Dividend in 2018 > The Board of Directors proposes no dividend for 2018 in order to maintain a high degree of financial flexibility for future potential acquisitions.

SHARE PRICE PERFORMANCE 2018



Share data

Marketplace	Nasdaq First North
Date of listing	2017-06-29
Ticker symbol	SF
ISIN code	SE0007704788
Currency	SEK
No. of shares issued	24 048 240
Highest price paid in 2018	279.00
Lowest price paid in 2018	126.20
Last price paid 2018	131.20

ANALYSTS THAT COVER STILLFRONT

Carnegie	Oscar Erixon
Pareto	Lars-Ola Hellström
Redeye	Kristoffer Lindström
Nordea	Predrag Savinovic

Ten largest shareholders at 31 December 2018

	No. of shares	Capital and votes
Laureus Capital	6,283,570	26.1%
Handelsbanken Fonder	2,265,897	9.4%
Första AP-fonden	2,092,599	8.7%
Swedbank Robur Fonder	2,030,804	8.4%
SEB Fonder	730,233	3.0%
Carnegie Fonder	693,712	2.9%
Global Founders Capital GmbH & Co	638,104	2.7%
Avanza Pension	467,040	1.9%
Prioritet Finans	429,089	1.8%
Livförsäkringsbolaget Skandia	402,905	1.7%
Total top 10	**16,033,953**	**66.6%**
Others	8,014,287	33.4%
Total	**24,048,240**	**100.0%**

Size categories at 31 December 2018

	No of shares	Capital and votes	No of shareholders	Share of
1–100	66,039	0.3%	1,896	59.5%
101–1,000	362,100	1.5%	1,013	31.8%
1001–10,000	626,732	2.7%	207	6.5%
10,001–100,000	1,190,810	5.0%	41	1.3%
100,001–1,000,000	7,277,967	30.3%	25	0.8%
1,000,001–	12,672,870	52.7%	4	0.1%
Unknown	1,851,722	7.5%		
Total	**24,048,240**	**100.0%**	**3,186**	**100.0%**

Shareholders by country at 31 December 2018

	No of shares	Capital and votes	No of shareholders	Share of
Sweden	12,969,895	54.1%	3,011	94,5%
Germany	8,262,529	34.4%	15	0,5%
Bulgaria	253,517	1.1%	9	0,3%
Other countries	710,577	3.0%	151	4,7%
Unknown	1,851,722	7.5%		
Total	**24,048,240**	**100.0%**	**3,186**	**100,0%**

Risk Factors and Risk Management

There will always be uncertainty about future events in any business operations. Stillfront is no exception. Future events may have positive impact on the business, thus enabling increased value creation. Future events may also be negative, and may potentially have negative impact on Stillfront's operations and earnings.

Stillfront's Board of Directors is responsible for the Group's risk management. Matters regarding risks associated with business development and long-term strategic planning are prepared by Group management, and decided by the Board of Directors. A number of key policies form the basis for operational risk management in the organisation. Stillfront works continually on assessing and evaluating the risks to which the Group is or could become exposed. Critical risks in Stillfront's business environment are managed strategically through product and business development, and operationally through daily processes.

The tables below present some of the risks that could have implications for the Group's future development. The risks are not arranged by order of importance or potential financial impact on the Group's profit or financial position. For financial risk factors that affect the company's business, see Note 3.

Strategic Risks

RISK	MITIGATION
ACQUISITION RELATED RISKS > The Group's growth is based on organic growth and acquisitions. The Group has acquired several businesses. These acquisitions may fail to meet the expectations regarding growth and/or profitability, management and staff retention and quality, product development and capacity.	> Acquisitions are made after conclusion of comprehensive due diligence. Considerations in acquisitions normally cotain an earn-out component for several years for the sellers, who are usually a member of the management of the acquired company, thus incenting sellers/management to deliver results. Part of the consideration is paid in Stillfront shares subject to lock-up, thus ensuring alignment of interest.
REGULATORY RISKS > Stillfront's line of business is gaming. Thus, regulatory impact is limited, with the exception of data privacy regulations.	> Stillfront adheres to relevant data privacy regulations. Stillfront continuously follows the potential development of regulations regarding gaming.
USER PREFERENCES, PRODUCT MAINTENANCE AND PRODUCT DEVELOPMENT > Stillfront's financial performance is dependent on the attractiveness of the products marketed by the Group. Decreasing attractiveness could lead to unfavorable development of the Group's financial performance.	> Stillfront monitors gamers' appreciation of the games and develops games in an incremental fashion, taking gamer feedback into the product design and development.
PUBLIC PERCEPTION > Public perception of Stillfront's games and gaming in general could, if negative, impact Stillfront's ability to operate profitably. Also, public attitudes to online marketing could impact Stillfront's ability to attract new gamers.	> Stillfront follows public debate on gaming and online marketing closely, in order to be prepared to adjust to public opinion.

Financial Risk

RISK	MITIGATION
CURRENCY EXPOSURE Stillfront operates in several countries and has customers in more than 100 countries. Most of the Group's costs are in EUR and USD, whereas revenues are generated in numerous other currencies. Hence, the Group is exposed to currency risks. Stillfront partly has assets and liabilities in foreign currencies. Currency fluctuations can affect Stillfront's results positively or negatively.	Most of the Group's revenues are in EUR and USD, thus there is some balance with regards to currency exposure. Stillfront reports in SEK. Should the SEK be strengthen against other currencies, the Group's reported revenues and profits would be negatively impacted, the latter less so. Liabilities related to conditional contingent considerations are in the same currency as the related asset. Stillfront's borrowings are partially in foreign currency.
INTEREST RISKS Stillfront is exposed to interest rate risk, primarily through the bond loan that amounted to SEK 600 million on December 31. Interest on this bond is linked to STIBOR, which may fluctuate over time. The bond's tenor is May 2022.	Stillfront closely monitors the development of market interest rates in order to plan for alternative measures should it be necessary.
CREDIT RISKS Stillfront has a credit risk regarding receivables from payment providers and banks.	Counterparties are in general well reputable and stable with marginal financial risk.
FUNDING RISKS Stillfront is dependent on funding for acquisitions and development of games, in those circumstances where cash flow generated by Stillfront does not suffice.	Acquisitions are partly funded by new share issues directed to the sellers, thus reducing the need for cash funding. Stillfront has secured a revolving credit facility of 500 MSEK, most of which is unutilised.
PRICING RISKS The Group is exposed to a price risk, primarily through the contingent conditional considerations that are related to some of the Group's acquisitions. Contingent conditional considerations are based on the financial results of the acquired entities.	All conditional contingent considerations have a cap. The payment of the conditional contingent considerations is partially financed through the cash flow from the acquired entity.
CAPITALISED GAME DEVELOPMENT EXPENSES In accordance with IFRS, Stillfront capitalises product development expenses. The failure of a developed product may lead to write-downs.	Stillfront's incremental development model reduces the investment needed to take a product to the market. Due to Stillfront's broad portfolio of games, a single game's failure – and subsequent write down – has only limited impact on the profits.

Financial Risk, continued

RISK	MITIGATION
TAX RISK Stillfront's tax expense is affected by the countries where its operations generate profits and the tax laws in these countries. New laws, taxes or rules could give rise to limitations in operations or place new and higher requirements. There is also a risk that Stillfront's interpretation of applicable tax laws, tax agreements and regulations will not correspond to the interpretations made by the tax authorities.	Together with external experts, Stillfront has assessed how different tax rules affects its operations, to ensure an accurate tax status. Stillfront reports and pays tax to the tax authorities in the amounts that Stillfront and its advisors deem correct.
GOODWILL VALUATION Stillfront's growth strategy is partly based on acquisitions. Acquisitions might result in goodwill items in the balance sheet. Impairment of goodwill might lead to considerable write downs and therefore financial losses.	Acquisitions are made subject to careful due diligence. Acquisitions are often subject to earnout arrangements, and as estimated earnout amounts are recorded as debts in the group accounts, an impairment of goodwill could partly be offset by the elimination of parts or the whole earnout related debt.

Market and Operational Risks

RISK	MITIGATION
MARKET CONDITIONS The gaming market is very competitive and hit-driven. In order to maintain growth and profitability, Stillfront must continue to develop and publish games that attract gamers.	Stillfront's product strategy PLEX aims to mitigate some of the market risks by maintaining a broad portfolio of games. Further, Stillfront's incremental development model enables us to evaluate games at an early stage, and the games can be adapted be designed to meet gamers' preferences. Stillfront uses of game engines to reduce technical and functional risks in the game development.
POLITICAL RISK Stillfront has customers in more than 100 countries and operations in [eight] countries. Political changes may impact Stillfront.	Given the number and spread of countries where Stillfront operates and sells its products, political risk is reduced.
PORTFOLIO The portfolio of games marketed by Stillfront must attract gamers in order for Stillfront to grow its business and operate it profitably.	Stillfront has chosen to primarily work in a game genre with proven long-term profitability, free-to-play online strategy games. In addition, Stillfront continuously explores new genres with characteristics that fit Stillfront's strategies.
COMPETITION Competition in the gaming sector is fierce. At an overall level, gaming also competes with other entertainment forms, such as social media and video streaming.	Stillfront strives to develop and publish games that attract a mature audience with high loyalty to the games.

Market and Operational Risks, continued

RISK	MITIGATION
DISTRIBUTION CHANNELS	
> Stillfront develops and publishes browser and mobile games. Essentially, the distribution of mobile games is conducted by Apple Appstore, Steam and Google Play whereas browser games are distributed by Stillfront.	> Stillfront strives to maintain good relations with the mobile platform distributors. In parallel, Stillfront evaluates other means to reach the mobile market.
DELAY IN GAME DEVELOPMENT	
> All game development encompasses some element of uncertainty with regards to time and resources required to complete the game. Delay in product launch can impact Stillfront adversely.	> Stillfront's incremental model for developing games reduces the risk of "scope creep" – one common cause of delay in development projects. Further, Stillfront's frequent use of proven game engines reduces the development risks.
INTELLECTUAL PROPERTY	
> Stillfront may be subject to infringement of intellectual property or may unintentionally infringe others´ intellectual property.	> As Stillfront's games are predominantly free-to-play online games, it is marginally vulnerable to infringement of intellectual property. Key domain names are secured. In Stillfront's product development work, care is taken not to infringe on others´ intellectual property.
TECHNICAL DEVELOPMENTS	
> Technical developments in the gaming market could make Stillfront's games obsolete or outdated.	> Stillfront evaluates technical developments in the market and the potential impact on Stillfront's business. Based on the evaluations, Stillfront takes appropriate measures.
CYBERCRIME AND MALICIOUS ATTACKS	
> 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.	> Stillfront applies customary counter measures against these threats. Stillfront's IT operations are designed to be robust.
DEPENDENCY ON KEY INDIVIDUALS	
> Key individuals may have critical competencies and their departure could be detrimental to Stillfront's business.	> Stillfront has a wide portfolio of studios and games. The loss of a key individual would typically only impact one studio and few games. Working procedures are designed to reduce reliance on key individuals.
INSURANCE RISK	
> Stillfront has adequate insurance cover but there exists the risk that this may not suffice for unforeseen claims.	> Stillfront reviews its insurance coverage regularly, with the assistance of expert advisors.

Corporate governance report

Stillfront complies with the Swedish Code for Corporate Governance (the Code) since June 2017. Stillfront complies with the Code without deviations. Corporate governance defines the decision-making systems through which shareholders, directly or indirectly, control the company. This corporate governance report has been established by Stillfront's Board of Directors and was approved for publication April 17, 2019. The Corporate governance report is neither a part of the Directors' report nor the Annual Report.

Principles for corporate governance

Corporate governance at Stillfront is based on external regulations, such as the Swedish Companies Act, the Swedish Bookkeeping Act, the Swedish Annual Accounts Act, the Swedish Code of Corporate Governance and Nasdaq Stockholm's regulations for issuers on First North. Stillfront's Articles of Association are also key regulatory documents for Stillfront's corporate governance. The Articles of Association establish, among other things, the name of the company, headquarters of the Board of Directors, the operations of the company and aspects of the share capital.

Shareholding

As of 31 December, 2018, Stillfront had 24,048,240 shares, each with one vote. The largest owner was Laureus Capital GmbH, which owned 26.1% of the shares at year-end. Laureus Capital GmbH was the only shareholder with an ownership greater than 10% of outstanding shares. In connection with the acquisition of Playa Games GmbH, completed in December 2018, a total of 425,913 shares were issued, which were registered with the Swedish Companies Registration Office in January 2019. These shares are included in the above number of shares as of 31 December, 2018.

Annual general meeting

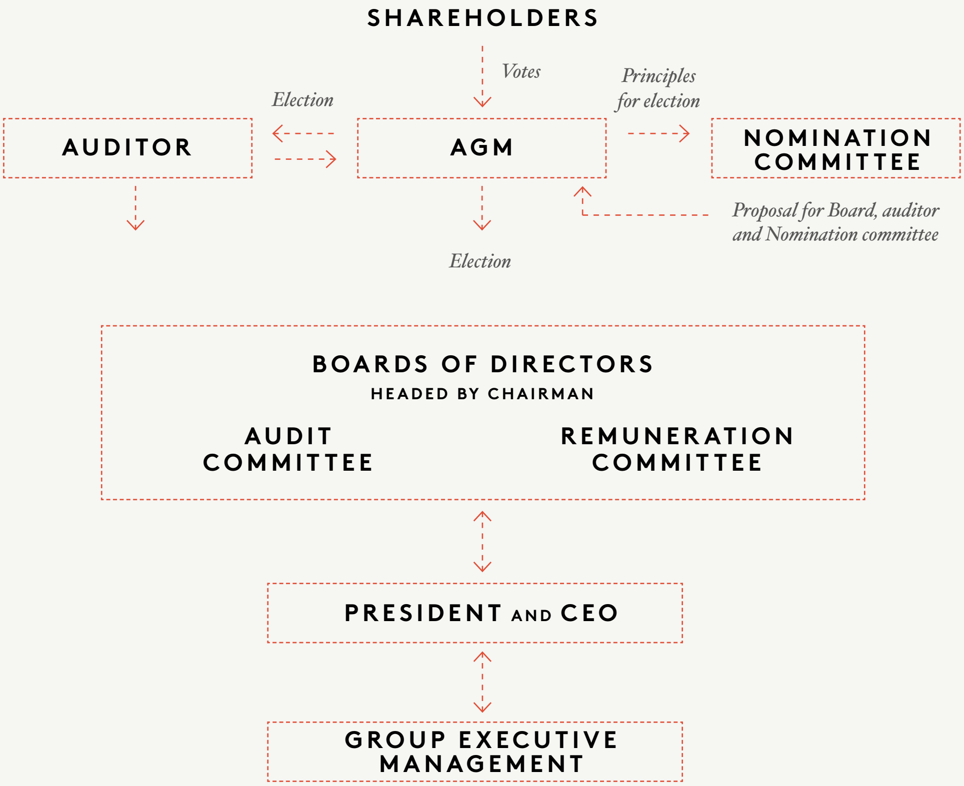
The highest decision-making body is the Annual General Meeting (AGM). Notice of the AGM is issued no earlier than six and no later than four weeks before the meeting. The notice contains information on registration, participation and voting at the AGM, an agenda with the issues to be addressed, information on the proposed dividend and the main content of other recommendations. Shareholders or their proxies may vote for the full number of shares they own or represent.

At the AGM, Stillfront's shareholders should determine the following, among other things:

- Who shall serve on Stillfront's Board and who shall be company auditors
- Determination of directors' and auditors' fees
- Adoption of the Income Statement and Balance Sheet and
- Consolidated Income Statement and Consolidated Balance Sheet
- Appropriation of profits or losses
- Discharging the members of the Board of Directors and the president from liability
- Guidelines for remuneration to leading executives

In addition, shareholders resolve upon any changes to the Articles of Association of the company. The Articles of Association establish, inter alia, the operations of the company, aspects of the share capital, the shareholders' right to participate in the AGM and what matters shall be dealt with at the AGM. Extra general meetings can be summoned when necessary. Information, including the notice and suggestions for the AGM, as well as minutes from previous AGM/EGMs are available on Stillfront's website, stillfront.com.

CORPORATE GOVERNANCE MODEL



IMPORTANT EXTERNAL REGULATIONS

- > The Companies Act
- > The Annual Accounts Act
- > Nasdaq's regulations for issuers on First North.
- > The Swedish Code of Corporate Governance (the Code)

IMPORTANT INTERNAL REGULATIONS AND INSTRUCTIONS

- > Articles of Association
- > Rules of procedure for the Board of Directors, Committee instructions
- > CEO instructions including reporting instruction
- > Information security policy, finance policy, financial handbook, etc.
- > Code of Conduct
- > Processes for internal control and risk management
- > IR and insider policy

Annual general meeting 2018 >

The AGM 2018 was held at the offices of the law firm DLA Piper Sweden, Kungsgatan 9, Stockholm, Sweden, on May 30. During the meeting shareholders were provided the opportunity to ask the Chairman of the Board and the CEO questions. A total of 29 shareholders who were entitled to vote participated at Stillfront's AGM 2018. They represented 14,338,971 shares or approximately 61.6% per cent of the capital and votes.

At the AGM, the Chairman of the Board and four Board Members and the CEO participated. The elected auditor also participated. Chairman of the AGM was the Attorney at Law, Peder Grandinson.

At the AGM, the shareholders resolved the following inter alia:

- That the Board shall consist of six members elected by the AGM, with no deputies.
- That Board members Birgitta Henriksson and Ulrika Viklund were re-elected and Jan Samuelson, Katarina Bonde, Erik Forsberg and Fabian Ritter were elected until the end of the next AGM.
- That Jan Samuelson was elected as Chairman of the Board.
- That remuneration to the Board shall be according to the proposal from the Nomination Committe.
- That accounting firm Mazars SET Revisionsbyrå was appointed as auditors with Michael Olsson appointed as chief auditor. Bengt Ekenberg was also appointed auditor.
- A fee to the auditors in accordance with approved invoices.
- Authorisation for the board of directors to, with or without deviation from the shareholders' preferential rights, on one or several occasions, resolve to issue shares, convertible instruments and/or warrants. The increase in the share capital may correspond to a dilution of a maximum of 10 per cent of the share capital.

The AGM also resolved on a directed issue of up to 300,000 warrants intended for an incentive programme. The warrants give the holder the right to subscribe to shares at a price of 472.20 SEK during the period May 15, 2021 – June 1, 2021.

Extra general meeting 2018 >

At an extra general meeting on January 9, 2018, it was resolved to issue shares to be used as part of the consideration in conjunction with the acquisition of Altigi GmbH. 16,868,623 shares were issued. Further, it was resolved that the board should have 7 members and Dr Christian Wawrzinek was elected as board member.

Annual general meeting 2019 >

The AGM 2019 will take place May 9, 2019 at 16.00 at the offices of the law firm DLA Piper Sweden, Kungsgatan 9, Stockholm, Sweden. All shareholders wishing to raise an issue during the AGM may make suggestions to the Chairman of the Board, or present nominations to the Nomination committee. It will not be possible to follow or participate from other locations with the help of communication technology. Information regarding the AGM is published on the website, Stillfront.com.

Nomination committee >

In accordance with the resolution of the AGM on May 30, 2018, the Chairman of the Board, shall convene at the end of the third quarter, Stillfront's three largest registered shareholders to elect one representative each for the Nomination committee.

The Nomination committee for the AGM 2019 consisted of
— Jan Samuelson, Chairman of the Board and convener
— Dr. Kai Wawrzinek, Laureus Capital GmbH (Chairman)
— Joachim Spetz, Swedbank Robur Fonder
— Niklas Johansson, Handelsbanken Fonder

The duties of the Nomination committee are to propose, for the AGM 2019, the Chairman of the AGM, the Board members to be elected by the AGM, the Chairman of the Board, Directors' fees, auditors' fees and the Nomination committee's procedures.

The Nomination committee proposes the following to the AGM 2019: re-election of the board members Birgitta Henriksson, Ulrika Viklund, Katarina Bonde, Erik Forsberg and Jan Samuelson and election of Dr. Kai Wawrzinek. Fabian Ritter has declined re-election. Jan Samuelson is proposed as Chairman.

The Nomination committee has attached weight to the matter of equal gender distribution on the Board. If the AGM adopts the committee's suggestion, the proportion of female Board Members will be 50 per cent.

The Nomination committee proposes that remuneration be paid to the Board Members in the total amount of 1,425,000 SEK, distributed as follows: 425,000 is allocated to the Chairman, 200,000 to each of the members elected at the AGM. Board members that have other remuneration from the company shall not be entitled to board remuneration. In addition, 100,000 SEK shall be paid to the chairman of the Audit committee and 50,000 SEK each to the members of the committee. Further, 60,000 SEK shall be paid to the chairman of the Remuneration committee and 30,000 SEK each to the members of the committee.

Board of directors

> According to Stillfront's Articles of Association, the Board of Directors shall consist of at least three and at most eight members, with a maximum of eight deputies, elected each year at the AGM to serve until the end of the next AGM. There is no rule on the maximum period a Director may serve on the Board.

The AGM 2018 re-elected Birgitta Henriksson and Ulrika Viklund and elected Jan Samuelson, Katarina Bonde, Erik Forsberg and Fabian Ritter. The AGM elected Jan Samuelson as Chairman.

The Nomination committee considers all board members except Fabian Ritter independent in relation to the company and management, in accordance with the Swedish Code of Corporate Governance. Fabian Ritter is Managing Director of Laureus Capital GmbH which is Stillfront's largest shareholder. Further information on the Board and management can be found on pages 50-53 of Stillfront's annual report.

Board work

> During 2018, 26 meetings were held. At its scheduled meetings, the Board agenda was in compliance with its rules of procedure, such as business performance, liquidity, annual accounts and interim reports.

ATTENDANCE BOARD MEETINGS 2018

	Attendance	of total
Annette Brodin Rampe	8	8
Alexander Bricca	7	8
Birgitta Henriksson	26	26
Mark Miller	5	8
Dr. Christian Wawrzinek	6	7
Sture Wikman	8	8
Ulrika Viklund	24	26
Fabian Ritter	17	18
Erik Forsberg	18	18
Katarina Bonde	17	18
Jan Samuelson	18	18

Four of the Board meetings were held prior to the release of interim reports. One meeting addressed the Company's operational planning and budget. A constitutional meeting was held in conjunction with the AGM resolving signatories, working procedures of the board, CEO instructions and schedule for the meetings of the year. The other board meetings were dedicated to, inter alia, acquisitions and financing.

Prior to Board meetings, the Directors have received written material regarding the issues to be discussed. Part of this material for the meetings that deal with the interim reports is the CEO's written report on operations.

The CEO of Stillfront takes part in Board Meetings to submit reports. Up to the AGM 2018, the CEO served as secretary for the Board. After the AGM 2018, Stillfront's CFO served a secretary.

The Board resolves on written rules of procedure for its work as well as CEO instructions including reporting instructions for the CEO. The rules of procedure determine the work that is required over and above the Companies Act and Articles of Association.

The chairman's role >

The Chairman organises and manages the Board's work so that is conducted in accordance with the Swedish Companies Act, other legal acts and regulations, The Code and the Board's internal governing documents. The Chairman monitors operations through continuous contact with the CEO and is responsible for ensuring that the other Board Members receive relevant information. The Chairman ensures that the Board's and CEO's work is evaluated annually and that the Nomination Committee is informed about the results of the evaluation.

Evaluation of the board's work >

Once a year, the Chairman of the Board carries out an evaluation of the Board's work through individual discussions with the members. Several different issues are highlighted, such as the climate of cooperation, the breadth of knowledge and how the board work has been carried out. The intention is to get a picture of how the members perceive that the board work has been carried out and what measures can be taken to streamline and improve the work. The Chairman reports the evaluation to the Board and, in addition, to the Nomination Committee.

The Board evaluates the work of the CEO by monitoring the development of the business and by reviewing the CEO's written reports.

The corporate management's working methods

> Group management consists of CEO, CFO, CCO, COO, Head of M&A and Head of IR & Communications. Group management has ongoing meetings with subsidiaries. In the management meetings, business development, financial monitoring and business plans are discussed. The subsidiaries have high operational freedom within the agreed framework. Group management monitors that these boundaries are not crossed. Effective management structures have been established within each subsidiary.

Remuneration

> Remuneration to the Board of Directors is determined for the next year during the AGM. For 2018, the AGM determined a total fee of 1,425,000 SEK, distributed as follows: 425,000 SEK is allocated to the Chairman, 200,000 SEK to each of the members elected at the AGM. Board members that have other remuneration from the company shall not be entitled to board remuneration. In addition, 100,000 SEK shall be paid to the chairman of the Audit committee and 50,000 SEK each to the members of the committee. Further, 60,000 SEK shall be paid to the Chairman of the Audit committee and 30,000 SEK each to the members of the committee.

A Remuneration Committee was established after the 2018 AGM consisting of Jan Samuelson (chair), and Katarina Bonde. The remuneration committee has the responsibilities and authority that follows the Swedish Companies Act and the Code. Both committee members have attended all meetings.

Remuneration to the CEO and other officials consists of a base salary, a variable performance remuneration, other benefits and pension. The AGM 2018 adopted guidelines for the remuneration of executives. These guidelines have been adhered to without deviations during the year.

The Chairman of the Board negotiates the remuneration and terms of employment for Stillfront CEO and CFO. The remuneration is approved by the Board.

The CEO negotiates the remuneration and terms of employment for the heads of subsidiaries who report to the CEO. For further information, see Note 10 in Stillfront's annual report.

Audit

> One or several auditors are elected by the AGM, for a term running up until the end of the AGM during the financial year after the election. The auditor is assigned to review Stillfront's annual report, accounting records and the administration performed by the Board and CEO. The auditor(s) deliver(s) a report to the AGM. Shareholders have the opportunity to ask the auditor(s) questions during the AGM.

The AGM 2018 re-elected accounting firm Mazars SET Revisionsbyrå as auditor until the end of the AGM 2019. The chief auditor is Michael Olsson. Bengt Ekenberg was also elected auditor. Mazars SET has conducted the audit of Stillfront and the majority of its subsidiaries.

In 2018, the auditors have, in addition to reviewing the company's books, performed review of the company's third interim report and of the Year-End Report. The auditors have participated at [two] Board meetings during the year, ahead of the Year-End Report and again in connection with the third interim report, in which they reported significant observations from their audit.

Audit committee

> The Audit Committee consists of Erik Forsberg (Chair) and Birgitta Henriksson. The audit committee has the responsibilities and authority that follows the Swedish Companies Act and the Code. Both committee members have attended all meetings. Prior to the 2018 AGM, the entire board acted as audit committee.

Internal control and risk assessment regarding financial reporting

The Board is charged with ensuring the company's internal control and review and that financial reporting follows the regulations and rules applicable to companies traded on the Nasdaq First North Premier in Stockholm, as well as Swedish legislation such as the Companies Act, the Annual Accounts Act and the Code of Corporate Governance. In addition, there are internal instructions, routines, and a system for delegating roles and responsibility, to ensure good internal control.

Control environment

> Stillfront's operations are organised in independent subsidiaries. The CEO of the Group appoints an entity head in charge of the subsidiary's governance, development and management.

Stillfront's decentralised organization, with many subsidiaries, entails demanding requirements on the management teams of subsidiaries, as well as their competence, values and ethics. Further, this requires understanding and respect for delegation of roles. This also requires that the division of responsibility within and between the group management team and the management teams of the subsidiaries is well-defined and that the communication between all these units works well.

Instructions on governing documents, accounting principles, guidelines and routines are regularly communicated to affected employees.

The authorisation instructions in place Stillfront and all its subsidiaries regulate the decision-making process for important contracts, major investments and other significant decisions, thus becoming an important part of the group's control environment.

Risk management

> Stillfront's operations are affected by a number of risk factors that cannot be fully controlled by the company. The Board has a work agenda determined at the constituting meeting. It provides the basis for the Board's work and for effective handling of the risks to which the company is exposed. For a more comprehensive description of financial risks, see Note 3 in Stillfront's annual report.

The Board is responsible for identifying and managing significant financial risks and risks of errors in the financial reports. Its efforts focus on significant income and balance items, transactions of high complexity and/or where the effects of any errors could be significant.

Stillfront's CFO annually reviews the company's minimum requirements for internal control and routines for financial reporting. These minimum requirements serve to prevent, uncover and correct errors and deviations in the financial reporting. Reviews include, i.a., approval of significant agreements, follow-up of risk exposure, checking account balances and analysing financial results.

Information and communication

> The group CFO has for the major part of 2018 been responsible for the implementation of group policies regarding internal information and communication. During 2018, a Group Head of IR and Communications has taken over these responsibilities.

The Group's financial position is discussed at Board meetings in conjunction with interim reports.

Follow-up

> The subsidiaries' observance of Stillfront's requirements of internal review and processes for financial reporting is monitored continuously by the CFO during visits to subsidiaries, which are selected based on particular needs and timed depending on internal reviews already performed.

The Group's subsidiaries report income and balance sheets in a monthly basis, as well as relevant key figures. The monthly reports of the subsidiaries and the consolidated monthly report of the group are analyzed by corporate management.

Internal review

> Given the Group's structure and processes for internal review of financial reporting, the Board has not assessed it necessary to establish a special function for internal review. This assessment is revisited yearly by the board.

Information

> The Company's external information follows the communication policy for Stillfront established by the Board. The policy states what should be communicated, by whom and in what manner – to ensure that both external and internal information is correct and complete.

Stillfront provides information to shareholders and other stakeholders through published press releases, interim and year-end reports, the annual report and the Company's website (stillfront.com). The press releases, financial reports and presentation materials for the past few years are all published on the website, along with information on corporate governance. Interim reports, annual reports and press releases are translated into English and published on the company website.

Board of Directors

JAN SAMUELSON
CHAIRMAN OF THE BOARD

Born 1963.

Board member since 2018.

Education: BA Finance, Stockholm School of Economics, LL.M. Master of Law, Stockholm University.

Former positions, selection: Previously co-founder and senior partner Accent Equity Partners AB, SVP EF Travel at EF Education First, Management Consultant Carta Corporate Advisors AB, Management Consultant Indevo AB.

Other current assignments: Chairman Resurs Bank AB, Resurs Holding AB (publ.), and Sdiptech AB (publ.). Board member Saltå Kvarn AB.

Shareholding: 10,000.

Chairman of the Remuneration Committee.

Independent in relation to the company, company management and major shareholders.

KATARINA BONDE

Born 1958.

Board member since 2018.

Education: M.Sc. Physics and Mathematics, KTH Royal Institute of Technology, Mathematics and Social history, Salem College, North Carolina, Economics, Stockholm University.

Former positions, selection: CEO and Chair at UniSite Software, Managing Director Captura Software Inc., Marketing Director at Dun & Bradstreet Software Inc., VP Sales and Marketing at Timeline Inc. CEO Programmator Industri AB

Other current assignments: Chairman of Opus Group, IMINT Image Intelligence AB, Propellerhead and Mentimeter AB, Board member of Micro Systemations AB (publ.), Mycronic AB (publ.).

Shareholding: –

Member of the Remuneration Committee

Independent in relation to the company,company management and major shareholders.

ERIK FORSBERG

Born 1971.

Board member since 2018.

Education: M.Sc. Business and Administration, Stockholm School of Economics

Former positions, selection: CFO Intrum AB, CFO Cision AB and Business Area CFO, Group Treasurer and Business Controller at EF Education.

Other current assignments: –

Shareholding: –

Chairman of the Audit Committee.

Independent in relation to the company, company management and major shareholders.

BIRGITTA HENRIKSSON

Born 1963.

Board member since 2017.

Education and work experience: Bachelor's degree, Economics, Business Administration, Uppsala University.

Former positions, selection: Partner of Brunswick Group, Head of Investor Relations and Corporate Communications, Carnegie Investment Bank.

Other current positions: –

Shareholding: 2,250.

Member of the Audit Committee.

Independent in relation to the company, company management and major shareholders.

FABIAN RITTER

Born 1977.

Board member since 2018.

Education: Economics, Mannheim

Former positions, selection: Co-founder of Goodgame Studios. Industrial management assistant at Hermes. Freelance programmer and administrator.

Other current assignments: Director of Laureus Capital GmbH.

Shareholding: No shares directly held by Fabian Ritter. Fabian Ritter is Director of Laureus Capital GmbH.

Dependent in relation to the major shareholders. Independent in relation to company and company management.

ULRIKA VIKLUND

Born 1981.

Board member since 2017.

Education: B Sc, Mittuniversitetet, Systems development and Project Management, Amsterdam University of Applied Sciences.

Former positions, selection: Co-Founder House Be. General Manager Magine Consumer Group Global. CEO "Plejmo". Director International Growth, Spotify.

Other current positions: Board member of God El i Sverige AB, Idea2Innovation Sweden AB, Spira Globalt AB, House Be i Åre AB, E14 Invest AB, NorthWorx AB and Adgie Consulting AB.

Shareholding: –

Independent in relation to the company, company management and major shareholders.

Group management

JÖRGEN LARSSON
CEO AND PRESIDENT

Born 1964.

Board member 2007 – 2017. CEO since 2015.

Education: Master of Science in Industrial Engineering from Linköpings Tekniska Högskola.

Former positions, selection: Co-Founder & Chairman ESN, Partner Deseven, Founder & CEO, Mind AB.

Shareholding: 166,330.

Warrants: 60,000.

MARINA ANDERSSON
HEAD OF M&A

Born 1972.

Head of M&A since 2019.

Education: Two master degrees from Stockholm University and Russian Herzen State Pedagogical University.

Former positions, selection: Director Deloitte Corporate Finance Advisory team, Director ICECAPITAL Securities, Associate partner & Investment manager, Deseven and analyst, Carnegie.

Shareholding: 155.

ALEXIS BONTE
COO

Born 1976.

COO since 2019.

Education: BA Honors Degree International Business & Languages, European Business School, London, Global Leadership and Public Policy, Harvard University, Transformational Leadership Program University of Oxford/Said Business School.

Former positions, selection: Co-founder and CEO eRepublik Labs, various positions at lastminute.com: Head of Business Development, UK, Marketing and Sales Director, France and MD, Italy.

Shareholding: 86,715.

CHRISTIAN KAUL
CCO

Born 1981.

CCO since 2019.

Education: PhD in Neuroscience, University College London and Neuroscience department, New York University.

Former positions, selection: VP Corporate Development Goodgame Studios, MD Airbnb UK & Ireland, MD of Groupon, Australia.

Shareholding: -

STEN WRANNE
CFO

Born 1961.

CFO since 2010, full time since 2015.

Education: Master of Science in Engineering Physics from Chalmers University of Technology.

Former positions, selection: CFO, Adcore AB, Connecta AB and Vod-dler Group AB.

Shareholding: 69,759.

Warrants: 40,000

SOFIA WRETMAN
HEAD OF IR & COMMUNICATION

Born 1977.

Head of IR & Communication since 2018.

Education: Master of political science, Stockholm University

Former positions, selection: Head of IR & Communications, Alimak Group, Senior Consultant Halvarsson & Hallvarsson, Communication Manager, SAS Institute.

Shareholding: –

Auditor's report on the corporate governance statement

To the annual meeting of the shareholders in Stillfront Group AB (publ).
Corporate identity number 556721-3078

Engagement and responsibility

> It is the board of directors who is responsible for the corporate gover¬nance statement for the financial year 2018 on pages 42–53 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

> Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

> A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm April 17 2019

Mazars SET Revisionsbyrå AB

Michael Olsson	Bengt Ekenberg
AUTHORIZED PUBLIC ACCOUNTANT	AUTHORIZED PUBLIC ACCOUNTANT

Directors' Report

Stillfront Group AB (publ) is an independent creator, publisher and distributor of digital games – with a vision to become a leading group of indie game creators and publishers.

Stillfront operates through eleven subsidiaries: Babil Games, Bytro Labs, Coldwood Interactive, Dorado Games, eRepublik Labs, Goodgame Studios, Imperia Online, OFM Studios, Playa Games, Power Challenge, and Simutronics. The main markets are Germany, the United States, France, UK and MENA (Middle East and North Africa).

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 existing games and studios as well as on a structured process for the acquisition of new studios.

In January, the acquisition of Altigi GmbH was finalised. Altigi GmbH operates under the brand Goodgame Studios. Goodgame Studios is a leading German game development company that develops and publishes strategy games. At the time of the acquisition, Goodgame Studios had four successful products on two major game IPS; *Goodgame Empire* and *Big Farm*, both available for both browsers and mobile. Goodgame Studios reported net sales of 913 MSEK for 2017 and an adjusted EBIT margin of 25 per cent.

The acquisition of Goodgame Studios was paid by 390 MSEK in cash and 16,868,623 newly issued shares. The cash element was financed by a tap issue of the 2017/2020 bond loan. Issue resolutions were taken at an Extraordinary General Meeting on January 9, 2018.

The Board of Directors of Stillfront Group has deemed, according to IFRS 3 Business Combinations, Altigi GmbH to be the accounting acquirer and Stillfront Group AB to be the legal acquirer i.e. a reverse acquisition. Consequently, 2017 and earlier numbers pertain to Altigi GmbH, unless stated otherwise. The acquisition is described in Note 17.

In October, the acquisition of the Bulgarian studio Imperia Online was finalised. Imperia Online is a successful games developer and publisher. Its bestselling game is the free-to-play online strategy game title *Imperia Online*. Imperia Online had approximately 50 employees at the time of the acquisition and during the first eight months of 2018 had net revenues of 4.1 MEUR. The initial purchase price for the acquisition was 97 MSEK, of which 45 MSEK was paid in the form of 269,412 newly issued shares. Furthermore, Stillfront will pay, given that certain targets are reached in 2018, 2019, 2020 and 2021, a contingent conditional consideration up to a maximum of 17.5 MEUR. The contingent conditional consideration will be paid with a combination of shares and cash. The acquisition is described in Note 17.

In December, the acquisition of the German studio Playa Games was finalised. Playa Games is a successful free-to-play casual online strategy games developer and publisher. Its best selling game is *Shakes & Fidget*. Playa Games had approximately 14 employees at the time of the acquisition and during the first nine months of 2018 had net revenues of 7.7 MEUR. The initial purchase price for the acquisition was 202 MSEK, of which approximately 58 MSEK was paid in the form of 425,913 newly issued shares.

Furthermore, Stillfront will pay, given that certain targets are reached in 2019 and 2020, a contingent conditional consideration up to a maximum of 25 MEUR. The contingent conditional consideration will be paid with a combination of shares and cash. The acquisition is described in Note 17.

Efforts to identify and evaluate potential acquisitions continues. The evaluation of the potential acquisitions pays particular attention to the object's fit into Stillfront, the PLEX strategy and that management and owners share Stillfront's values.

Stillfront's existing portfolio of studios and games continued the development and launch of new and enhanced games. During the year, *Empire: Millennium Wars, Unravel Two, Big Company: Skytopia, Vietnam War: Platoons, Siege: World War II, Strike of Nations* and others were launched.

In November 2018, Stillfront issued bonds in the 2018/2022 series of 600 MSEK within a framework of 1,000 MSEK. The proceeds of the issue were used for an early redemption of the 2017/2020 bonds. The 2018/2022 bonds have lower interest rates than the 2017/2020 bonds. The terms and conditions for 2018/2022 bond are more favorable than those of the 2017/2020 bonds, particularly regarding additional debt financing. In conjunction with the issue of the 2018/2022 bonds, Stillfront secured bank financing by means of a revolving credit facility amounting to 500 MSEK. The terms and conditions of the bond are further described in Note 29.

Revenues and profit/loss

> Net revenues during 2018 were 1,325 MSEK (2017: 913), an increase of 45%. All figures with 2017 pertain to Altigi GmbH. The increase in revenues pertains mainly to the acquisition of Altigi GmbH.

Other revenues amounted to 23 MSEK (10 MSEK). Other revenues primarily pertain revenues on restating contingent considerations and foreign exchange effects.

EBIT amounted to 348 MSEK (116 MSEK) during the year. EBIT excluding items affecting comparability amounted to 364 MSEK (228 MSEK), which is an increase of 60%. This corresponds to an EBIT margin of 27% (25%). Items affecting comparability primarily pertains to costs related to the refinancing of the 2017/2020 bond, acquisition/merger costs, revaluations of conditional contingent considerations and preparations for the move to the main market. The EBIT margin has been strengthened by strong profits in Goodgame Studios.

The profit after financial items amounted to 265 MSEK (116 MSEK). The net result for the year amounted to 157 MSEK (75 MSEK). One-time costs for refinancing the 2017/2020 bond and related financing activities have been charged with 36 MSEK during the fourth quarter.

Cash flow and financial position

> Cash flow for the year was 62 MSEK (23 MSEK). Cash flow from operations was 210 MSEK (211 MSEK). Cash and cash equivalents for the Group amounted to 246 MSEK (176). Unutilised credit facilities amounted to 421 MSEK (197). Cash and cash equivalents including unutilised credit facilities were, at the end of the year, 667 MSEK compared to 373 MSEK as of December 31, 2017.

The interest coverage ratio (defined as EBITDA divided by net financial items for the past 12 months, (excluding one-off financial costs)) was as of December 31, 2018 6x. In this context, financial items related to conditional contingent considerations are excluded. As of December 31, 2017, Altigi had no material interest bearing debt, and therefore the interest coverage ratio is not relevant.

Leverage ratio (defined as adjusted net debt as of 31 December divided by EBITDA for the past 12 months) was 0.9 percent on 31 December, proforma as if all acquisitions completed during 2018 were consolidated as of January 1, 2018.. As of December 31, 2017, the leverage ratio was negative, i.e. the company did not have a net debt. In this context, adjusted net debt is defined as interest bearing liabilities excluding contingent considerations reduced by cash and bank.

Investments and Depreciation

During the year investments have been made that have been capitalised with 156 MSEK (67 MSEK). Investments include, inter alia, the games Empire: Millennium Wars, Siege: World War II, Strike of Nations, and Vietnam War: Platoons. Furthermore, investments have been made both in a number of other new games, as well as new functionality and content in existing games.

Depreciation and amortisation of 125 MSEK (85 MSEK) was charged during the year. Depreciation and amortisation primarily pertain to intangible assets acquired by the Group related to the Group's acquisitions of subsidiaries and to capitalisation of product development expenses.

During the year, the Group increased intangible assets (capitalised product development expenses, goodwill and game rights) by 2.029 MSEK and the Group's non-current liabilities increased by 1,078 MSEK. The increase in intangible assets pertains mainly to the acquisition of Altigi, Imperia Online and Playa Games, as well as capitalised product development costs. The change in non-current liabilities is essentially attributable to conditional contingent considerations related to the Group's acquisition of Imperia Online and Playa Games, as well as to the issue of a bond loan and utilisation of credit facilities. Please refer to Note 18 and 29 for further details.

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, and the Swedish Corporate Governance Code (the Code).

The corporate governance is exercised, inter alia, through the general meeting, the Board of Directors and the CEO. The Company's auditor, who is appointed by the annual general meeting, supervises the Company's accounts and the management of the Company by the Board of Directors and the CEO.

For more informations, see the Corporate Governance on pages 42–53.

Remuneration to the Board and senior management

Fees and other compensation for Board Members, including the Chairman, are resolved by the annual general meeting. Please refer to pages 41-53 for further details.

Parent Company

Standard group management functions and group wide services are provided via the parent company. The net revenues for the parent during the year were 19 MSEK (5 MSEK). The yearly profit/loss before taxes amounted to –84 MSEK (–12 MSEK).

The Share and Shareholders

Stillfront Group's shares are traded on Nasdaq First North since December 8, 2015. As of June 29, 2017 the share is traded on First North Premier. Closing price as of December 31, 2018 was 131.20 SEK/share.

The largest shareholders as of December 31, 2018 were Laureus Capital GmbH with 26.1 per cent of the shares in Stillfront Group AB, Handelsbanken Fonder (9.4%), Första AP-Fonden (8.7%), Swedbank Robur Fonder (8.4%) and SEB Fonder (3.0%). The total number of shares as of December 31, 2018 was 24,048,240.

Sustainability

> Stillfront strives to develop and conduct sustainable business practices. Key stakeholders have been identified as well as important areas and related actions. Stillfront is not required to submit a sustainability report.

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.

PRODUCTS

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. Technology shifts may force Stillfront of convert or to re-engineer products or may make products obsolete. New games may not appeal to gamers as expected and thus not generate expected revenues.

MARKETING

Stillfront is dependent on attracting new users to its games. The majority of the marketing is done by means of online marketing. Any restrictions on online marketing and / or changing attitudes to online marketing among the public may affect Stillfront's ability to attract new users negatively.

FINANCIAL POSITION

Stillfront operates in several countries and has customers in more than 100 countries. Most the Group's costs are in EUR and USD, whereas revenues are received in numerous other currencies. Hence, the Group is exposed to a currency risk.

Stillfront is exposed to interest rate risk, primarily through the bond loan that amounted to 600 MSEK on December 31. Interest on this bond is linked to STIBOR, which may fluctuate over time. The bond's tenor is November 2022. Further, Stillfront has bank credit facilities , of which 179 MSEK had been utilised as of December 31. Interest on these facilities are linked to STIBOR, which may fluctuate over time. The bank facilities have tenors of 1 – 3 years.

The Group is exposed to a price risk, primarily through the contingent conditional considerations that are related to some of the Group's acquisitions. Contingent conditional considerations are based on the financial results of the acquired entities and have a cap.

Stillfront has a credit risk regarding receivables from payment providers and banks.

The Group is exposed to a liquidity risk primarily related to bond loans, credit facilities and contingent conditional considerations. Please refer to Note 3.

Outlook

Stillfront does not provide any forecasts. Stillfront believes it is operating in a growing and profitable market. Stillfront has communicated financial targets: higher than market organic growth, EBIT margin of 30% over time and a leverage ratio lower than 1.5x.

Proposed Distribution of Earnings

The Board of Directors proposes that the disposable funds of SEK 3,298,573,761 are appropriated as follows:

SEK	31 Dec. 2018
Share premium reserve	3 440 832 890
Profit/loss brought forward	–48 200 197
Profit/loss for the year	–94 058 932
Total	**3,298,573,761**
Carried forward	3,298,573,761
Total	**3,298,573,761**

Annual General Meeting

The annual general meeting of Stillfront Group AB (publ), 556721-3078, will be held of May 9, 2019 at 16.00, at the offices of DLA Piper Sweden, Kungsgatan 9, Stockholm.

Multi-year summary

GROUP CONSOLIDATED

MSEK	2018	2017
Net revenues	1,325	913
Operating result	348	116
Operation results after financial items	265	116
Total capital	2,598	408
Shareholders' equity	1,096	64

PARENT COMPANY

MSEK	2018	2017	2016	2015	2014
Net revenues	19	5	2	1	–
Operating result	–5	–7	–6	–3	–3
Operation results after financial items	–84	–18	350	145	79
Total capital	4,461	370	350	141	76
Shareholders' equity	3,315	234			

Comparable numbers for 2016 and earlier are not available.

Consolidated Statement of Comprehensive Income

SEKm	NOTE	2018	2017
	1, 2, 3, 4		
Revenues			
Net revenues	6	1,325	913
Work performed by the company for its own use and capitalized		118	67
Other revenue	5	23	10
Operating expenses			
Other external expenses	7, 9	–738	–523
Personnel expenses	10	–236	–265
Depreciation, amortization and impairment		–125	–85
Other expenses	8	–19	0
Operating profit		**348**	**116**
Profit/loss from financial items			
Financial income	11	3	0
Financial expenses	12	–86	0
Net financial items		**–83**	**0**
Operating profit after financial items		**265**	**116**
Tax	15	–107	–40
Profit for the year		**157**	**75**
Other comprehensive income	27		
Items that may subsequently be reclassified into profit or loss			
Foreign currency translation differences		2	0
Total comprehensive income for the year		**159**	**75**
Profit for the year attributable to:			
Equity holders of the parent		156	75
Non-controlling interests		1	0
Comprehensive income for the year attributable to:			
Equity holders of the parent		157	75
Non-controlling interests		2	0
Average number of shares	16		
Undiluted		23,256,070	16,868,623
Diluted		23,386,780	16,868,623
Earnings per share attributable to the equity holders of the parent			
Undiluted, SEK/share		6.72	4.47
Diluted, SEK/share		6.68	4.47

Consolidated Statement of Financial Position

SEKm	NOTE	31 Dec. 2018	31 Dec. 2017
ASSETS			
Non-current assets			
Intangible assets	18		
Game products		225	–
Market and customer-related assets		50	–
Franchises, patents, licenses and similar assets		8	7
Capitalized development expenditure		222	143
Goodwill	19	1,674	–
Total intangible assets	6	**2,179**	**150**
Property, plant and equipment	20		
Equipment, tools, fixtures and fittings		14	10
Total property, plant and equipment	6	**14**	**10**
Deferred tax assets	21	**5**	**0**
Current assets			
Current receivables			
Accounts receivable	24	98	58
Current tax asset		1	–
Other receivables		40	6
Prepaid expenses and accrued income	25	15	8
Cash and cash equivalents	26	246	176
Total current assets		**400**	**248**
TOTAL ASSETS		**2,598**	**408**

Consolidated Statement of Financial Position Continued

SEKm	NOTE	31 Dec. 2018	31 Dec. 2017
EQUITY AND LIABILITIES			
Equity	27		
Share capital		16	1
Other paid-up capital		1,247	32
Other reserves	28	1	0
Retained earnings incl. profit for the year		–184	31
Total equity attributable to equity holders of the parent		**1,081**	**64**
Non-controlling interests	22	15	–
Total equity		**1,096**	**64**
Non-current liabilities			
Deferred tax liability	31	102	24
Bond loans	29	588	–
Liabilities to credit institutions	29	144	–
Other long-term loans	29	279	–
Other provisions	30	7	18
Total non-current liabilities		**1,120**	**42**
Current liabilities			
Overdraft facility		35	0
Accounts payable		66	73
Current tax liabilities		22	6
Other current liabilities		146	110
Accrued expenses and deferred income	32	113	113
Total current liabilities		**382**	**302**
TOTAL LIABILITIES AND EQUITY		**2,598**	**408**

Consolidated Statement of Changes in Equity

SEKm	Share capital	Other paid-up capital	Other reserves	Retained earnings incl. profit of the year	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Opening balance, 1 Jan. 2017	1	32	–	149	182	–	182
Profit for the year				75	75		75
Total comprehensive income				**75**	**75**	**0**	**75**
Dividend				–194	–194		–194
Total transactions recognized directly against equity				**–194**	**–194**	**0**	**–194**
Closing balance, 31 Dec. 2017	**1**	**32**	**0**	**31**	**64**	**0**	**64**
Opening balance, 1 Jan. 2018	1	32	0	31	64	0	64
Profit for the year				156	156	1	157
Currency translation differences			1		1	1	2
Total comprehensive income			**1**	**156**	**157**	**2**	**159**
New share issue		11			11		11
Issue expenses		–53			–53		–53
Current share issue		103			103		103
Issue for non-cash consideration		1,186			1,186		1,186
Warrants		1			1		1
Dividend **		0		–388	–388		–388
Re-classification to legal parent structure*	16	–32		16	0	13	13
Total transactions recognized directly against equity	**16**	**1,215**	**0**	**–371**	**859**	**13**	**873**
Closing balance, 31 Dec. 2018	**16**	**1,247**	**1**	**–184**	**1,081**	**15**	**1,096**

* *Purchase consideration in reverse acquisition of Altigi GmbH (see note 17).*
** *Due to the reverse acquisition, cash consideration paid to the sellers of Altigi GmbH is classified as dividend.*

Consolidated Cash Flow Statement

SEKm	NOTE	2018 Jan–Dec	2017 Jan–Dec
Operating activities			
Profit after financial items		270	118
Restatement for non-cash items, etc.	34	129	137
Tax paid		–97	–49
Cash flow from operating activities before changes in working capital		**301**	**206**
Cash flow from changes in working capital			
Increase(-)/decrease (+) in operating receivables		–28	8
Increase (+)/decrease (-) in operating liabilities		–64	–3
Cash flow from changes in working capital		**–92**	**5**
Cash flow from operating activities		**210**	**211**
Investing activities			
Acquisition of operation	17	–124	0
Purchase/sale of property, plant and equipment		–4	1
Purchase of intangible assets	18	–160	–68
Cash flow from investment activities		**–288**	**–67**
Financing activities	34		
New loans		1,129	–
Repayment of loans		–500	–
Overdraft facilities		35	–
Issue expenses		–53	–
Warrants		1	–
Dividend		–85	–120
Dividend, reverse acquisition		–388	0
Cash flow from financing activities		**140**	**–120**
Cash flow for the year		**62**	**23**
Cash and cash equivalents at beginning of year		176	153
Exchange rate difference in cash and cash equivalents		9	0
Cash and cash equivalents at end of year		**246**	**176**

Parent Company Income Statement

SEKm	NOTE	2018 Jan–Dec	2017 Jan–Dec
Revenues			
Net revenues		19	5
Other operating income	5	–	3
Total operating income		**19**	**8**
Operating expenses			
Other external expenses	7, 9	–12	–8
Personnel expenses	10	–13	–7
Operating profit/loss		**–5**	**–7**
Profit from financial items			
Interest income, etc.	11	3	1
Interest expenses, etc.	12	–82	–12
Total financial items		**–79**	**–12**
Profit/loss after financial items		**–84**	**–18**
Appropriations			
Group contributions	14	–	7
Total appropriations		**–**	**7**
Profit/loss before tax		**–84**	**–12**
Tax for the year	15	–10	3
Profit for the year/comprehensive income for the year		**–95**	**–9**
Parent Company Statement of Comprehensive Income			
Profit/loss for the year		–95	–9
Other comprehensive income		–	–
Total comprehensive income		**–95**	**–9**

Parent Company Balance Sheet

SEKm	NOTE	31 Dec. 2018	31 Dec. 2017
ASSETS			
Non-current assets			
Intangible assets			
Franchises, patents, licenses, etc.		1	–
Total intangible assets		**1**	**–**
Financial assets			
Participations in group companies	22	3,906	71
Receivables from group companies	23	493	257
Deferred tax asset	21	–	10
Total financial assets		**4,399**	**338**
Total non-current assets		**4,400**	**338**
Current assets			
Current receivables			
Receivables from group companies		20	3
Other receivables		12	6
Prepaid expenses and accrued income	25	3	3
Total current receivables		**35**	**12**
Cash and bank balances	26	26	20
Total current assets		**61**	**32**
TOTAL ASSETS		**4,461**	**370**

Parent Company Balance Sheet Continued

SEKm	NOTE	31 Dec. 2018	31 Dec. 2017
EQUITY AND LIABILITIES			
Equity	27		
Restricted equity			
Share capital		16	4
Total restricted equity		**16**	**4**
Non-restricted equity			
Share premium reserve		3,440	278
Accumulated profit or loss		–46	–40
Profit/loss for the year		–95	–8
Total non-restricted equity		**3,299**	**230**
Total equity		**3,315**	**234**
Provisions			
Other provisions	30	406	25
Total provisions		**406**	**25**
Non-current liabilities			
Bond loans	29	588	103
Total non-current liabilities		**588**	**103**
Current liabilities			
Overdraft facility		35	–
Accounts payable		9	1
Liabilities to group companies		95	4
Accrued expenses and deferred income	32	13	3
Total current liabilities		**152**	**8**
TOTAL LIABILITIES AND EQUITY		**4,461**	**370**

Parent Company Statement of Changes in Equity

	Restricted equity	Non-restricted equity		
SEKm	Share capital	Share premium reserve	Retained earnings incl. profit of the year	Total
Opening balance, 1 Jan. 2017	4	247	–40	211
Profit/loss for the year			–8	–8
Total comprehensive income for the year	**0**	**0**	**–8**	**–8**
New share issue		33	–	33
Issue expenses		–3	–	–3
Warrant premiums		1	–	1
Total transactions recognized directly against equity	**0**	**31**	**0**	**31**
Closing balance, 31 Dec. 2017	**4**	**278**	**–48**	**234**
Opening balance, 1 Jan. 2018	**4**	**278**	**–48**	**234**
Profit/loss for the year			–95	–95
Total comprehensive income			**–95**	**–95**
New share issue	12	3,215	–	3,227
Issue expenses		–53	–	–53
Warrants			1	1
Total transactions recognized directly against equity	**12**	**3,162**	**1**	**3,175**
Closing balance, 31 Dec. 2018	**16**	**3,440**	**–141**	**3,315**

Parent Company Cash Flow Statement

SEKm	NOTE	2018 Jan–Dec	2017 Jan–Dec
Operating activities			
Profit after financial items		–84	–17
Restatement for non-cash items, etc.	34	4	0
Tax paid		0	0
Cash flow from operating activities before changes in working capital		**–80**	**–17**
Cash flow from changes in working capital			
Increase(–)/decrease (+) in operating receivables		–6	–8
Increase (+)/decrease (–) in operating liabilities		19	–4
Cash flow from changes in working capital		**12**	**–12**
Cash flow from operating activities		**–68**	**–29**
Investing activities			
Purchase of property, plant and equipment		–1	0
Acquisition of operation	17	–595	–40
Payment, previous year's acquisitions		–11	–
Lending/net settlement to subsidiaries		125	–33
Cash flow from investing activities		**–483**	**–73**
Financing activities	34		
New loans		985	103
Repayment of loans		–500	–
Overdraft facility		35	–
Issue expenses		–53	–3
Warrants		1	–
Net lending to Group companies		90	0
Cash flow from financing activities		**556**	**100**
Cash flow for the year		**6**	**–2**
Cash and cash equivalents at beginning of year		**20**	**23**
Cash and cash equivalents at end of year		**26**	**20**

Notes

Note 1. General information

Stillfront Group AB, corporate indentification number 556721-3078 and its subsidiaries (collectively termed the Group) is an independent developer, publisher and and distributor of digital games—with the vision of being the leading group of indie game developers and publishers. Stillfront is active through 11 subsidiaries; Altigi GmbH (under the Goodgame Studios brand), Playa Games GmbH, Bytro Labs GmbH, Coldwood Interactive AB, Power Challenge AB, Dorado Online Games Ltd, Simutronics Corp., Babil Games, eRepublik Labs Ltd, Imperia Online JSC and OFM Studios GmbH.

The parent company is a limited company registered in Sweden, with its registered office in Stockholm. The address of the head office is Sveavägen 9, 111 57 Stockholm, Sweden. The parent company has been listed on Nasdaq First North, with the ticker SF, since 8 December 2015.

Stillfront's bonds, with ISIN code SE0011897925, are listed on Nasdaq OMX Stockholm.

The Board of Directors approved these consolidated accounts for publication on 17 April 2019.

Note 2. Critical accounting policies

The financial statements are presented in SEK, which is the functional currency of the Parent Company. All amounts, unless otherwise stated, are rounded to the nearest million (SEK m.). Due to rounding, numbers presented throughout these consolidated financial statements may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures

The critical accounting policies applied when preparing these annual accounts are stated below. The policies have been applied consistently for all years presented, unless otherwise stated. The parent company's accounting policies are consistent with the Group's unless otherwise stated. Any discrepancies are listed at the end of this summary.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Stillfront's consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act, the Swedish Financial Reporting Board's (RFR) recommendation RFR1 Supplementary Accounting Rules for Groups, as well as the International Financial Reporting Standards (IFRS) and Interpretations from the IFRS Interpretations Committee (IFRS IC) as endorsed by the EU. The accounts have been prepared in accordance with acquisition accounting, apart from contingent considerations, which are measured at fair value through profit or loss.

Preparing accounts consistent with IFRS requires the application of significant estimates for accounting purposes. This also requires management to make certain judgements on the application of the Group's accounting policies. The segments involving a high degree of estimation, that are complex or such segments where assumptions and estimates are of material significance to the consolidated accounts are stated in note 4.

IFRS—NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED BY THE GROUP

Stillfront is issuing its consolidated accounts in accordance with IFRS. The Group has been applying IFRS 9 and IFRS 15 since 1 January 2018, but otherwise, the accounting policies in the published annual accounts for 2017 are being applied for presented comparative figures (comparative figures are for legal subsidiary Altigi GmbH, please refer to the section Consolidated Accounts for a description of the reverse acquisition). The new Standards applying effective 1 January 2018 do not have any material impact on the Group's financial reporting, apart from the new concepts and supplementary disclosures. IFRS 16 Leases is the new standard for leases and applies from 1 January 2019. The Group judges that other standards that come into effect after 31 December 2018 will not have any material impact on the consolidated financial statements, and accordingly, are not presented below. The impact of IFRS 9, IFRS 15 and IFRS 16 is summarized below.

IFRS 9 “Financial Instruments” deals with the classification, measurement and recognition of financial assets and liabilities, and introduces new rules for impairment model and hedge accounting. Stillfront’s revenues are mainly from advance payments, and historically, the Group has incurred very low credit losses. For this reason, no historical figures are being restated, and nor is IFRS 9 expected to have any significant impact on future results of operations. Stillfront will continue to hedge net investments in foreign operations, and is not impacted by altered regulations governing hedge accounting. The new classification of financial instruments will not impact measurement of the Group’s financial instruments; all the Group’s financial assets will remain classified and measured at amortized cost, and all financial liabilities apart from contingent considerations will be classified and measured at amortized cost. Contingent considerations will remain classified and measured at fair value with restatements recognized in profit or loss. For more information see the ‘Financial instruments’ section.

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 revenues are recognized when the customer gains control over the sold good or service—a policy that replaces the policy of revenues being recognized when the risks and rewards transfer to the purchaser.

To determine when revenues should be recognized, Stillfront has conducted in-depth analysis of standard contracts against the different types of sales channel that it utilizes, to evaluate when revenues from them should be recognized. The Group’s accounting policy has not altered due to the introduction of IFRS 15. A description of revenue recognition proceeding from IFRS 15 is in the ‘Revenue recognition’ section.

IFRS 16 “Leases” is the new Standard for leases and applies from 1 January 2019. Stillfront reviewed and assessed the Group’s lease arrangements in 2018, and analyzed the effects of adopting IFRS 16.

When the standard comes into effect, Stillfront will apply the modified transition approach, which means that comparative information for previous periods will not be restated. The lease liability consists of the discounted remaining lease payments as of 1 January 2019. For all leases, the right-of-use asset is an amount corresponding to the lease liability restated for prepaid or accrued lease payments recognized in the Statement of Financial Position on the date of initial application (DOIA). The transition to IFRS 16 does not have any effect on equity.

Stillfront will be applying practical expedients for those lease arrangements where the underlying asset is a low-value item and short-term leases, which also includes leases concluding in 2019. The leases where the underlying assets are of low value are for office equipment, for example.

Stillfront’s material leases mainly consist of leases for the rent of office premises, but there are a limited number of other leases on office equipment, for example. As a result of the application of IFRS 16, the Group’s total assets will increase through the inclusion of right-of-use assets and lease payments. Lease payments recognized as other external expenses through profit or loss under IAS 17 are being replaced by the amortization of right-of-use assets, which is recognized as an expense in operating profit or loss, and interest on the lease liability, which is recognized as a financial expense. The lease payment is allocated between amortization of the lease liability and payment of interest.

The present value of all remaining lease payments has been measured on the transition to IFRS 16 using Stillfront’s incremental borrowing rate. This rate was 3.5% as of 1 January 2019. On the DOIA of the Standard, the following restatements have been made in Stillfront’s Statement of Financial Position:

SEK	GROUP, 1 Jan. 2019
Right-of-use assets	50
Lease liabilities	50

CONSOLIDATED ACCOUNTS

Subsidiaries are all entities that the Group has a controlling influence over. The Group controls an entity when it is exposed, or is entitled, to variable returns from its participation in the entity, and is able to affect returns through its influence over the entity. Subsidiaries are included in the consolidated accounts from the date controlling influence transfers to the Group. They are deconsolidated from the date the controlling influence ceases.

Acquisition accounting is used for recognizing the Group's business combinations.

The purchase consideration for the acquisition of a subsidiary consists of the fair value of the transferred assets, liabilities the Group incurs to the previous owner of the acquired operation and any shares issued by the Group. The purchase consideration also includes the fair value of all assets or liabilities that result from an agreement on a contingent consideration. Identifiable acquired assets and liabilities taken over in a business combination are initially measured at fair value on the acquisition date. For each acquisition—i.e. acquisition by acquisition—the Group determines whether the non-controlling interest in the acquired entity is recognized at fair value, or at the participating interest's proportional share of the carrying amount of the acquired entity's identifiable net assets.

In certain circumstances, the legal acquirer is treated as the group subsidiary and the legally acquired subsidiary is treated as the acquirer. This is termed a 'reverse acquisition', which means that the consolidated accounts are prepared with the legal subsidiary as acquirer and the legal parent as the acquired entity. A purchase price allocation is prepared based on the legal parent's financial statements. The consolidated accounts are prepared as an extension of the legal subsidiary's financial statements. When judging which entity is the acquirer from a group perspective, analysis is based on a number of factors, such as the relative voting-shares in the merged entity after the business combination, the composition of management bodies, the entities' relative size (measured by assets or revenues or earnings, for example). Stillfront's acquisition of the subsidiary Altigi GmbH has been treated as a reverse acquisition, and for more information on this transaction, see note 17.

Acquisition-related expenditure is expensed as it occurs.

In cases where all or parts of a purchase consideration are deferred, the future payments are discounted to present value at the acquisition date. The discount rate is the company's incremental borrowing rate, which is the interest rate the company would have paid to finance a loan for the corresponding periods, and on similar terms.

Contingent considerations are classified either as equity or a financial liability. Amounts classified as financial liabilities are restated at fair value in each period. Subsequent restatements of the fair value of a contingent consideration that is classified as an asset or liability are recognized in profit or loss. For more information, see the separate section "contingent considerations."

If a business combination is conducted as a step acquisition, the previous equity interest in the acquired entity is restated to fair value at the acquisition date. Any gain or loss arising from these restatements is recognized through profit or loss.

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

Non-controlling interests in subsidiary earnings and equity are recognized separately in the Consolidated Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Balance Sheet.

CHANGES IN PARTICIPATION IN A SUBSIDIARY WITHOUT CHANGE OF CONTROLLING INTEREST

Transactions with non-controlling interests that result in loss of control are recognized as equity transactions, i.e. as transactions with owners in their capacity as owners. A change in participation is recognized by restating the carrying amounts of the non-controlling interests so that they reflect changes in their relative participation in subsidiaries. On acquisitions from non-controlling interests, the difference between fair value of the consideration and the actual acquired participation in the carrying amount of the subsidiary's participations is recognized in equity. Gains and losses on sales to non-controlling interests are also recognized in equity.

ACCOUNTING WHEN CONTROLLING INFLUENCE CEASES

When the Group no longer has a controlling interest, each remaining participation is measured at fair value on the date when the controlling influence ceases. The change in the carrying amount is recognized in profit or loss. The fair value is used as the first carrying amount and is the basis for subsequent accounting of the remaining holding as an associated company, joint venture or financial asset. All amounts in the sold entity previously recognized in other comprehensive income, are recognized as if the Group had directly sold the related assets or liabilities. This may imply that amounts previously recognized in other comprehensive income are reclassified as profit or loss.

TRANSLATION OF FOREIGN CURRENCY

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

Items in the financial statements of entities within the Group are measured in the currency used in the economic environment where each entity mainly conducts operations (functional currency). Swedish kronor (SEK) is used in the consolidated accounts, which is the Group's presentation currency.

TRANSACTIONS AND BALANCE SHEET ITEMS

Transactions in foreign currency are restated to the functional currency at the rates of exchange ruling on the transaction date. Exchange gains and losses occurring on payments of such transactions and on the translation of monetary assets and liabilities in foreign currencies at closing date rates, are recognized in the Income Statement.

Exchange rate gains and losses relating to loans and cash and cash equivalents are recognized in the Income Statement as financial income or expenses. All other exchange rate gains and losses are recognized in the other operating income and other operating expenses item.

INTANGIBLE ASSETS

GAME PRODUCTS

Completed games that Stillfront has acquired through business combinations and recognized at fair value on the acquisition date. A purchase price allocation is conducted for each business combination, which measures the value of the game products included in the acquisition. Accordingly, rights to games are recognized less accumulated amortization and impairment. On the sale of an entity, the amount of game products is included in the gain/loss arising.

Amortization is over a term of 5-10 years, and is on a straight-line basis over this period.

MARKET AND CUSTOMER-RELATED ASSETS

Stillfront has acquired market and customer-related assets through business combinations, which are recognized at fair value on the acquisition date. An acquisition analysis is conducted for each business combination, whereby for example, the value of what are designated as paying gamers included in the business combination is measured. The measurement of paying gamers is allocated by game product, and amortized over the same period as them. Recognition is at cost less accumulated amortization and impairment. On the sale of an entity, the carrying amount of market and customer-related assets is included in the gain/loss arising.

Amortization is over a period of 5-8 years and is on a straight-line basis over this period.

FRANCHISES, PATENTS, LICENSES AND SIMILAR ASSETS

This item largely consists of licenses acquired through subsidiary Altigi GmbH, mainly software licenses. Accounting is at cost less accumulated amortization and impairment. On the sale of an entity, the carrying amount of these assets is included in the gain/loss arising.

Amortization is over a period of 3-5 years and is on a straight-line basis over this period.

CAPITALIZED DEVELOPMENT EXPENDITURE

The capitalized development expenditure items consists of technology acquired through business combinations and internally developed technology including game products.

The following basis of capitalization applies for internal development:

Expenditure for maintenance of software is expensed as it occurs. Development expenditure directly relating to the development and test of identifiable and unique software products (game development projects) that are controlled by the Group, are recognized as capitalized development expenditure when the following criteria are satisfied:

– technological feasibility for completing the asset for use or sale has been achieved,

– the entity intends to complete and use or sell the asset,

– the entity has the ability to use or sell the asset,

– the entity understands that the asset will generate probable future economic benefits,

– technical, financial, and other resources are available to complete development of the asset,

– the entity has the ability to reliably measure the expenditures.

Normally, the entity does not commence development process before the above criteria are satisfied, which means that in most cases, capitalization is from the starting date.

Directly related expenditures that are capitalized mainly consist of expenditure for employees, external subcontractors, user testing and a reasonable portion of indirect expenses.

Intangible assets are recognized at cost less accumulated amortization and potential impairment. The cost of an internally generated intangible asset is the total of the expenditure arising from the date when the intangible asset first satisfies the above capitalization criteria. On the sale of an entity, the carrying amount of goodwill is included in the gain/loss arising.

Amortization begins when the asset is ready for use, which is coincident with the date test launch is complete. Useful life is judged on the basis of the period the expected benefits are expected to flow to the Group.

The useful life of completed development is 3-5 years, with amortization on a straight-line basis for this period.

Development expenditure that does not satisfy these criteria is expensed as it arises. Development expenditure previously expensed is not recognized as an asset in subsequent periods.

GOODWILL

Goodwill that arises in business combinations is included in intangible assets. Goodwill is the amount by which the purchase consideration exceeds the fair value of identifiable assets, liabilities and any obligations in the acquired entity.

Goodwill is not amortized, but subject to impairment tests yearly, or more often, if events or changed circumstances indicate impairment may have occurred. Accordingly, goodwill is recognized at cost less any impairment. On the sale of an entity, the carrying amount of goodwill is included in the gain/loss that arises.

To test for impairment, goodwill acquired in a business combination is divided between cash-generating units or groups of cash-generating units expected to benefit from synergies from the acquisition. Each unit or group of units that goodwill has been allocated to is the lowest level in the Group at which the goodwill in question is monitored for internal management purposes.

Goodwill is impairment tested each year, or more often if events or changed circumstances indicate impairment may have occurred. The carrying amount of the cash-generating unit is compared to the recoverable amount, which is the greater of value in use and fair value less selling expenses. Any impairment is recognized immediately as an expense and not reversed.

PROPERTY, PLANT AND EQUIPMENT

All tangible non-current assets are recognized at cost less depreciation. Cost includes expenditure directly related to the purchase of the asset.

Additional expenditure is added to the carrying amount of the asset, or recognized as a separate asset as appropriate, only when it is likely that future economic benefits associated with the asset will flow to the Group, and the asset's cost can be measured reliably. The carrying amount of the replaced portion is derecognized from the Balance Sheet. All other forms of repair and maintenance are recognized as expenses in the Income Statement in the period they occur.

Depreciation is on a straight-line basis as follows: equipment, tools, fixtures and fittings: 3-5 years

The residual values and useful lives of assets are tested at each reporting date and restated as required. The carrying amount of an asset is depreciated immediately to recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount.

Gains and losses on sale are determined through a comparison between sales revenue and the carrying amount, and are recognized in other operating income and other operating expenses in the Income Statement.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets with indefinite useful lives, as well as goodwill and uncompleted capitalized development expenditure, are not amortized, but subject to yearly impairment tests. Amortized assets are tested for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. These assets are impaired by an amount by which the asset's carrying amount exceeds recoverable amount. The recoverable amount is the greater of the asset's fair value less selling expenses and value in use. When evaluating impairment, assets are grouped at the lowest level where there are largely independent cash flows (cash-generating units). For assets (other than goodwill) previously impaired, a test for reversal is conducted at each reporting date.

FINANCIAL ASSETS

IFRS 9 Financial Instruments came into effect in the year, and in some contexts, concepts and descriptions, as well as policies, have altered compared to IAS 39 Financial Instruments. Accordingly, in the following sections, each segment states the regulations applying until 31 December 2017 and those applying from one January 2018 onwards. Where nothing is stated, policies are unchanged for all years. As stated previously, the transition to IFRS 9 did cause any material changes to amounts, and accordingly there have been no restatements.

Effective 2018, the Group classifies all its financial assets in the category of 'Financial assets measured at amortized cost.' In previous years, all financial assets were classified in the category of loans receivable and accounts receivable.

Management determines the classification of financial assets on first-time recognition.

CLASSIFICATION OF FINANCIAL ASSETS

CLASSIFICATION OF FINANCIAL ASSETS EFFECTIVE THE FINANCIAL YEAR 2018

Financial assets measured at amortized cost

Stillfront recognizes those assets held within a business model whose objective is to hold financial assets to collect contractual cash flows, and the contractual terms of the assets give rise to cash flows that are only payments of principal and interest on the outstanding amounts at predetermined times, in this category.

Financial assets measured at amortized cost are included in current assets apart from those items with maturities more than 12 months after the reporting date, which are classified as non-current assets. Measurement after the acquisition date is at amortized cost less potential provisioning for credit losses. The group's financial assets mainly consist of accounts receivable, other receivables, accrued income and cash and cash equivalents.

CLASSIFICATION UNTIL THE FINANCIAL YEAR ENDING 31 DECEMBER 2017

Loan receivables and accounts receivable

Loan receivables and accounts receivable are non-derivative financial assets that have fixed or determinable payments and that are not listed on an active market. They are included in current assets apart from items with maturities more than 12 months from the end of the reporting period, which are classified as non-current assets. Mainly, the Group's loan receivables and accounts receivable consist of accounts receivable, other receivables, accrued income and cash and cash equivalents.

RECOGNITION AND MEASUREMENT

Purchases and sales of financial assets are recognized on the transaction date—the date the Group undertakes to buy or sell the asset. The first-time recognition of financial instruments is at fair value plus transaction costs, which applies to all financial assets not recognized at fair value through profit or loss. Financial assets measured at amortized cost, loan receivables and accounts receivable stated above, are recognized at amortized cost after the acquisition date, by applying the effective interest method. Applying the effective interest method means that receivables that are interest free or accrue interest that differs from market interest rates, and have maturities exceeding 12 months, are recognized at a discounted present value and the change in time value is recognized as interest income in the Income Statement. For receivables with maturities of less than 12 months, the discount effect is treated as insignificant.

OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and recognized at a net amount in the Balance Sheet, only when there is a legally enforceable right to offset the recognized amount and there is an intention to settle them with a net amount, or simultaneously realize the asset and settle the liability. This legally enforceable right may not be dependent on future events, and must be legally binding for the entity towards the counterparty, both in normal business activities and in the case of non-payment, insolvency or bankruptcy.

IMPAIRMENT OF FINANCIAL ASSETS

Impairment model effective the financial year 2018

Effective 1 January 2018, the Group is measuring expected future credit losses related to investments in debt instruments (for Stillfront, this means financial assets measured at amortized cost) based on future-oriented information. Stillfront utilizes the provisioning method based on whether there has been a material increase in credit losses or not. Pursuant to the provisions of IFRS 9, Stillfront uses the practical expedient for impairment testing of accounts receivable and other contractual assets. This expedient means that provisioning for expected credit losses are measured based on the loss risk for the term of the whole receivable, and reported on first-time recognition of the receivable. Stillfront has no material credit losses, and the method applied did not involve any material difference against previously applied policies. See note 3 Financial risk management.

Impairment model applied until the financial year ending 31 December 2017

Assets recognized at amortized cost. At each reporting date, the Group judges whether there is objective evidence of impairment of a financial asset or group of financial assets. A financial asset or group of financial assets is impaired and written down only if there is objective evidence of value impairment due to the occurrence of one or several events after first-time recognition (a "loss event"), and that 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 measured reliably.

Objective evidence of impairment includes indications that a debtor or group of debtors is in significant financial difficulty, that payments of interest or principal are either not made or delayed, that it is likely that the debtor or group of debtors will become insolvent or undergo another form of financial restructuring, or there is observable data indicating that there is a measurable reduction in estimated future cash flow such as changes in overdue liabilities or other economic conditions that correlate with credit losses.

For the loan receivables and accounts receivable category, impairment is computed as the difference between the asset's carrying amount and present value of estimated future cash flows (excluding future credit losses that have not occurred), discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is impaired and the impairment amount is recognized in the Consolidated Income Statement.

If impairment decreases in a subsequent period and this decrease can be objectively related to an event that occurred after the impairment was recognized (such as an improvement in debtor creditworthiness), a reversal of the previously recognized impairment is accounted in the Consolidated Income Statement.

ACCOUNTS RECEIVABLE

Accounts receivable are amounts to be paid by customers for goods sold or services rendered in operating activities. Sales to end-customers are either via platforms owners, mainly Apple and Google for mobile games, or payment intermediaries such as PayPal and WorldPay. Payments from platform owners and payment intermediaries are executed after the end-customer (gamer) has made a purchase. If payment is expected within one year or earlier (or during a normal business cycle if longer), they are classified as current assets. If not, they are recognized as non-current assets.

CASH AND CASH EQUIVALENTS

In the Balance Sheet and Statement of Cash Flows, cash and cash equivalents include cash, bank balances and other investments in securities, etc. Other investments in securities, etc. are classified as cash and cash equivalents when they have a maturity within three months of the acquisition date, they can be readily converted into cash for a known amount, and are exposed to an insignificant risk of value fluctuations. In the Balance Sheet, the overdraft facility is recognized as loan liabilities in current liabilities. Stillfront does not hold any material investments in securities, etc. for the financial year.

SHARE CAPITAL

Ordinary shares are classified as equity. Transaction expenses directly related to the issue of new ordinary shares are recognized in equity net of tax as a deduction from the issue proceeds.

ACCOUNTS PAYABLE

Accounts payable are obligations to pay for goods or services that have been purchased from suppliers in operating activities. Accounts payable are classified as current liabilities if they become due within one year or earlier (or during a normal business cycle if this is longer). If not, they are recognized as non-current liabilities.

Accounts payable are initially recognized at fair value, and subsequently at amortized cost by applying the effective interest method.

BORROWING

Largely, bond loans, overdraft facilities, other credit facilities and contingent considerations, are recognized as borrowings in the Group.

Borrowing is initially recognized at fair value net of transaction costs. Borrowing is subsequently recognized at amortized cost and any difference between the amount received (net of transaction costs) and the repayment amount is recognized through profit or loss allocated over the loan term, by applying the effective interest method. For the financial year 2017 there were no bond loan, overdraft facility, other credit facilities or contingent consideration balance sheet items.

CONTINGENT CONSIDERATIONS

Stillfront has contingent considerations from acquisitions. Contingent considerations are settled with cash and shares in Stillfront, with the number of shares transferred on settlement of additional contingent considerations based on an amount of SEK, which is determined by the terms & conditions applying for computing the contingent consideration.

Contingent considerations are classified as a financial liability, which is classified as current if it is to be settled within 12 months of the reporting date (the liability is recognized in the other non-current liabilities and other current liabilities items). This liability is measured at fair value, and changes in value are recognized in profit or loss as other operating income or other operating expense.

PROVISIONS

A provision is a liability that is uncertain in terms of maturity date or amount. A provision is recognized when the Group has an existing legally enforceable or constructive obligation resulting from an event that has occurred, and it is likely that an outflow of resources will be necessary to settle the obligation, and this amount can be measured reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation. A discount rate before tax that reflects current market estimates of the time value of money and the risks associated with the provision is used for this. The increase in the provision due to the passage of time is recognized as an interest expense.

HEDGE ACCOUNTING

Stillfront applies hedging of net investments. This means that loans, in this case contingent considerations, are hedging instruments. To the extent a gain or loss (currency translation effect) on the hedging instrument is treated as an effective portion of hedging, this is recognized in other comprehensive income.

CURRENT AND DEFERRED INCOME TAX

The tax expense for the year includes current and deferred tax. Tax is recognized in the Income Statement, apart from when tax relates to items recognized in other comprehensive income or directly in equity. In such case, tax is also recognized in other comprehensive income and equity.

The current tax expense is measured on the basis of those tax rules that are enacted or substantively enacted on the reporting date. Management regularly evaluates the claims made in self-assessments for situations where applicable tax rules are subject to interpretation. When considered appropriate, management provisions for amounts likely to be paid to the tax agency.

Deferred tax is recognized on all temporary differences arising between the taxable value of assets and liabilities and their carrying amounts in the consolidated accounts. However, a deferred tax liability is not recognized if it occurs due to first-time recognition of goodwill.

Deferred tax assets are recognized to the extent it is likely that future taxable surpluses will be available that the temporary differences can be used against.

Deferred tax assets and liabilities are set off when there a legally enforceable right to set off the relevant tax assets and tax liabilities, and when the deferred tax assets and tax liabilities relate to taxes charged by the same taxation authority, and are either for the same taxable entity or different taxable entities, where there is an intention to settle the balances through net payments.

EMPLOYEE BENEFITS

RETIREMENT BENEFIT OBLIGATIONS

Stillfront has defined contribution plans only. A defined contribution pension plan is a pension plan where the Group pays fixed contributions to a separate legal entity. The group has no legally enforceable or constructive obligation to pay contributions if this legal entity has insufficient assets to pay all benefits to employees associated with employee service during the current or previous periods. Charges are recognized as personnel expenses when they become due for payment. Prepaid contributions are recognized as an asset to the extent cash repayment or reduction of future payments may benefit the Group.

TERMINATION BENEFITS

Termination benefits are due when employment is terminated by the Group before the normal retirement age, or when an employee accepts voluntary termination in exchange for such benefits. The Group recognizes severance pay at the earliest of the following times: (a) when the Group is no longer able to withdraw the offer of benefits; and (b) when the entity recognizes expenditure for restructuring that lies within the scope of IAS 37, and involves the payment of termination benefits.

The Group recognizes a liability as an expense for its bonus program and variable remuneration. The group recognizes a provision when there is a legally enforceable obligation or constructive obligation due to previous practice.

REVENUE RECOGNITION

Revenue is recognized at the fair value of what has been received or will be received.

Stillfront's main revenue streams are from games that Stillfront has developed itself or acquired, designated 'Developing/publishing online games' below. There is also small-scale contracting, involving Stillfront developing games for independent publishers.

DEVELOPING/PUBLISHING ONLINE GAMES

Mainly, Stillfront offers free-to-play games, which means that gamers can use the base platform without paying an entry fee. Gamers can play without paying a license fee. Instead, revenues are generated when a gamer makes a purchase in the game to access additional content, functionality or game advantages. When gamers make payments in a game, they receive various types of in-game currency (IGC). IGC can be exchanged for various types of virtual good, i.e. tools for use in the game, or services in the game. Some can be used either immediately or on an unlimited basis throughout gameplay (which can be or time-infinite or time-finite).

ACCESS TO GAME PLATFORM

The license to use the game on the base platform means gamers can access all updates of the game. Stillfront's opinion is this that this license should be treated as the right to access the game platform in its current form throughout the license term, which would involve revenue recognition over time, i.e. allocation over the term of usage. However, the price of this license is SEK 0, which means that no policy for revenues needs to be adopted.

VIRTUAL GOODS

The right to utilize virtual goods is considered as a license within a license, and the purchase does not include any future updates of the specific purchase, or the specific license. Accordingly, Stillfront's opinion is that this license should be treated as "a right to use goods in existing condition at the time of purchase," and that accordingly, revenue should be recognized on acquisition, i.e. when IGC is used to pay for the goods.

PREMIUM SUBSCRIPTION (PS)

The purchase of PSs should also be treated in the same way as purchasing virtual goods, i.e. revenue recognition is when IGC is used as payment for the subscription.

ADVANCE PAYMENTS FROM GAMERS

Deposits are expensed, i.e. deposits from gamers, through payment intermediaries. Revenue recognition is then immediately after the deposit is exchanged, i.e. utilized for purchasing the items or functionality accessible in the game, and reviewed above. Accordingly, revenue recognition is at the same time as previously, i.e. when IGC is utilized to purchase virtual goods or sign up for a PS.

To measure the portion of the payment received that is deferred income, i.e. advance payments from gamers, requires certain estimates and judgements of a gamer's activity. Gamers are classified as inactive after a period of inactivity in each game. The length of these periods is determined by game based on gaming patterns. After a gamer has been classified as inactive, the value of this player's advance payment is zeroed.

ADVERTISING REVENUE

A very low share of Stillfront's revenues are sourced from in-game advertising. The scale of these revenues usually depends on how many gamers are exposed to the advertising.

CONTRACTING

Contracting involves Stillfront developing a game for a publisher independent of Stillfront. Typically, contracting assignments involve two payment components from the publisher to Stillfront. One is based on the labor involved in building the game, and the second is sales-based royalty.

Stillfront's labor from its workforce is constant, or almost constant, over project life-times. Stillfront recognizes revenue in the period when the expense occurs, which for these assignments, involve revenue being recognized over time proceeding from when the incurred expense is recognized.

Royalty is recognized in the period that is the basis for computing royalties. The amount of royalties recognized is consistent with what is documented in a royalty statement issued by the publisher.

CONTRACTUAL ASSETS AND LIABILITIES

Revenue streams from proprietary games mainly generate contractual assets in the form of accounts receivable (receivables from payment intermediaries), and contractual liabilities in the form of advances from gamers (deferred income).

In addition to recognized advances from gamers, i.e. contractual liability, there are no unsatisfied performance obligations on the Group's side. Normally, all advances are settled during the current year, i.e. within one year from the payment date, i.e. advances recognized as of 31 December 2017 were settled during the financial year 2018, and advances recognized as of 31 December 2018 are assumed to be settled during the financial year 2019.

Mainly, revenue streams from contracting generate contractual assets in the form of accounts receivable and deferred income. Current contracts have a maximum term of one year. In this context, Stillfront applies the following practical expedient:

Disclosures on total unsatisfied performance obligations are stated, unrelated to the following exemptions:

- The performance obligation is part of the contract that has an original expected maximum term of one year, and
- The company is entitled to compensation from a customer at an amount directly corresponding to the value of the company's performance to date for the customer.

OTHER TYPES OF REVENUE

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

LEASES

Leases where a material portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made during the lease term (after deducting for any incentives from the lessor) are expensed in the Income Statement on a straight-line basis over the lease term.

Lease arrangements are non-current assets, where essentially, the Group retains the economic risks and rewards of ownership, are classified as finance leases. At the beginning of the lease term, finance leases are recognized at the lower of the leased item's fair value and the present value of minimum lease charges in the Balance Sheet.

Stillfront has arrangements that are classified as operating leases.

CASH FLOW STATEMENT

The Cash Flow Statement has been prepared in accordance with the indirect method. Recognized cash flow only covers transactions involving payments received or made. The company's cash and cash equivalents consist of cash and bank balances.

EARNINGS PER SHARE

Basic earnings per share are computed by dividing earnings attributable to equity holders of the parent by a weighted average number of outstanding ordinary shares.

For computing diluted earnings per share, the weighted average number of outstanding ordinary shares is restated for the dilution effect of all potential ordinary shares. The parent company has issued share options that have a potential dilution effect. For share options, the number of shares that could have been purchased at fair value for an amount corresponding to the monetary value of the subscription rights associated with outstanding share options is computed. The number of shares computed as above is compared to the number of shares that would have been issued assuming that the share options had been exercised. However, options and share warrants have a dilution effect only when they result in an issue of ordinary shares at a price that is lower than the average price for the period. Additionally, potential ordinary shares only give rise to a dilution effect in cases where the conversion of them results in lower earnings per share or a higher loss per share.

SEGMENTS

Stillfront's operations are conducted through subsidiaries. Subsidiary Presidents report to Stillfront's CEO. However, operational monitoring is focused on individual games rather than the subsidiaries themselves.

Stillfront markets games worldwide. Wherever gamers are located, the games and distribution channels are identical. Revenues are monitored closely by game, but all costs are not allocated by game. Additionally, games have certain shared components that cannot be allocated to individual games. Accordingly, Stillfront's financial position and results of operations cannot be presented by segments in a way that would improve analysis of the company.

The CEO is Stillfront's chief operating decision-maker (CODM). Monitoring and management of the Group is based on the Group's overall financial position, because as stated above, it is not possible to allocate operations into segments that are meaningful from a monitoring/management perspective. Accordingly, all operations are treated as a single segment.

PARENT COMPANY ACCOUNTING POLICIES

The parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Application of RFR 2 means that as far as possible, the parent company applies all IFRS as endorsed by the EU within the auspices of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and considering the relationship between accounting and taxation.

The annual accounts have been prepared in accordance with the cost method.

Differences between the parent company's and the Group's accounting policies are reviewed below.

PARTICIPATIONS IN SUBSIDIARIES

Participations in subsidiaries are recognized according to the cost method, which means that participations are recognized at cost less potential impairment in the Balance Sheet. Cost includes acquisition-related expenses. When there is an indication of value impairment of participations in subsidiaries, recoverable amount is measured. If this is less than carrying amount, impairment is taken. Impairment is recognized in the "profit/loss from participations in group companies" item. Dividends from subsidiaries are recognized as dividend income.

DEFERRED TAX

Amounts provisioned to untaxed reserves are taxable temporary differences. However, due to the relationship between accounting and taxation, legal entities account the deferred tax liability on untaxed reserves as part of untaxed reserves. Appropriations in the Income Statement are also recognized including deferred tax.

ACCOUNTING GROUP CONTRIBUTIONS

Group contributions are accounted pursuant to the alternative rule of RFR 2, which means that Group contributions made and received are recognized as appropriations in the Income Statement.

FINANCIAL INSTRUMENTS

The measurement provisions of IFRS 9 are not applied by the parent company, and financial instruments are measured at cost.

EFFECT OF ALTERED EXCHANGE RATES

Liabilities in foreign currencies that are hedging instruments for investment in subsidiaries are recognized at the historical rate of exchange assuming that the hedge is considered effective.

FORMAT OF INCOME STATEMENT AND BALANCE SHEET

The Income Statement and Balance Sheet are consistent with the formats stipulated by the Swedish Annual Accounts Act. The Statement of Changes in Equity is consistent with the Group's format, but should contain those components stated in the Swedish Annual Accounts Act. Additionally, differences in designation compared to the consolidated accounts are mainly for financial income, financial expenses and equity.

CONTINGENT CONSIDERATIONS

In the parent company, contingent considerations are recognized as a provision, unlike the Group, where the corresponding item is recognized as a financial liability at fair value. A change in this provision is recognized as a restatement of the carrying amount of shares in subsidiaries.

Note 3. Financial risk management

Through its operations, the Group is exposed to a number of financial risks such as market risk (mainly involving currency risk and interest rate risk), credit risk and liquidity risk. Risk management is in accordance with predetermined principles, and the Group's overall risk management policy endeavors to minimize unforeseen unfavorable effects on the Group's results of operations and financial position.

CURRENCY RISK

The Group operates internationally and is exposed to currency risks from various currency exposures. Currency risk arises through future business transactions, recognized assets and liabilities, as well as net investments in foreign operations. Currency risk occurs when future business transactions, recognized assets and liabilities are denominated in currencies other than the Group's functional currency. In the financial years presented, the Group has not employed currency forward contracts. The main currencies the Group is exposed to are EUR and USD.

The Group's risk exposure in foreign currency at the end of the financial year, expressed in Swedish kronor (SEK 000), was as follows:

SEKm	31 Dec. 2018 EUR	31 Dec. 2018 USD	31 Dec. 2017 EUR	31 Dec. 2017 USD
Accounts receivable	1	6	–	8
Accounts payable	0	10	–	23
Other liabilities	144	–	–	–

If the USD exchange rate had been 5% higher or lower versus the SEK with all other variables constant, net profit due to the exposure of the Group's balance sheet items would have been SEK 0.2 m higher or lower respectively. If the EUR exchange rate had been 5% higher or lower versus the SEK with all other variables constant, net profit due to exposure of the Group's balance sheet items would have been SEK 7.1 m higher or lower respectively.

INTEREST RATE RISK

Interest rate risk means the risk that fair value or future cash flows fluctuate due to altered market interest rates. The Group has during the year had outstanding bond loans amounting to up to SEK 600 m. These bond loans have Stibor as the basis of their coupon rate. A 2% increase in Stibor based on the value at year-end would negatively impact profit by SEK 11 m. The risk of variable interest rates on cash and cash equivalents is considered marginal because interest rates are low, and in certain cases, actually negative.

PRICE RISK

FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

The Group has contingent considerations measured at fair value (principles reviewed in note 29). In cases where assumptions regarding EBIT margin change by 2% for those operations where contingent considerations have been measured for payment based on earnings in 2019 and 2020, this would impact net profit by SEK 14 m.

CREDIT RISK

Credit risk means exposure to receivables in the form of investments of surplus liquidity and accounts receivable. The Group's accounts receivable and contract assets are limited when the majority is paid advances and repayments are only made to a very limited extent. The Group's counterparties are stable and reputable companies such as Apple, Google, PayPal and credit card companies.Accordingly, the Group judges that the risk of bad debt is limited.

The largest total exposure to all financial instruments with a single bank was SEK 83 m (118).

Maximum exposure to credit risk

SEKm	GROUP 31 Dec. 2018	GROUP 31 Dec. 2017	PARENT COMPANY 31 Dec. 2018	PARENT COMPANY 31 Dec. 2017
Accounts receivable	98	58	–	–
Receivables from group companies	–	–	281	260
Accrued income	4	–	–	–
Other receivables	40	6	12	6
Cash equivalents/cash and bank balances	246	176	26	20
Total	**388**	**240**	**319**	**286**

LIQUIDITY RISK

Liquidity risk means the risk that the Group encounters problems in fulfilling the obligations relating to the Group's financial liabilities. Financing risk means the risk that the Group is unable to arrange sufficient finance for a reasonable cost. To a significant extent, the Group finances its operations with new share issues, bond loan issues and bank facilities. New operations are partly financed through contingent considerations, i.e. parts of payments are deferred and these amounts are computed on the basis of the acquired entity's estimated future financial performance. To minimize liquidity risk, agreements include maxima.

The following tables analyze the Group's financial liabilities allocated by the time remaining until agreed due dates on the reporting date. The amounts stated in the table are contractual undiscounted cash flows.

Maturity analysis of contractual payments for financial liabilities

31 Dec. 2018	0-3 MTH.	3-12 MTH.	1-5 YR.	5 YR. -
Bond loans	–	–	590	–
Contingent consideration	–	127	279	–
Other liabilities	17	84	144	–
Accounts payable	62	4	–	–
Total	**79**	**215**	**1,013**	**–**

All the Group's financial liabilities as of 31 December 2017 became due in the period 0- 12 months.

CAPITAL

The Group's target for its capital structure is to safeguard the Group's ability to continue its operations so that they can generate returns for shareholders and benefit for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. To maintain or alter its capital structure, the Group can alter dividends paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce liabilities. Capital is estimated based on the Group's equity/assets ratio. The company's Board of Directors and Management continuously evaluates the Group's long-term need for capital and finance alternatives.

The bond loan issued in 2017 had covenants implying that leverage should remain below 4.50:1 at the end of each quarter. In this context, leverage is defined as net debt (excluding expensed but not definitive contingent considerations) divided by EBITDA over the past 12 months. The covenants were satisfied during the year. The above bond loan was refinanced in November 2018. This new loan has no covenant regarding leverage.

The company has also arranged credit facilities with thanks. Some of these facilities have covenants regarding leverage. The covenants were satisfied during the year.

FAIR VALUE MEASUREMENT

The following table illustrates how financial instruments measured at fair value on the basis of classification in the fair value hierarchy. The different levels are defined as follows:

- Level 1 Quoted prices of identical assets or liabilities on active marketplaces
- Level 2 Observable data for the asset or liability other than listed prices included in level 1, either directly (i.e. as price quotations) or indirectly (i.e. sourced from price quotations).
- Level 3 Data for the asset or liability not based on observable market data (i.e. non-observable data).

	LEVEL 1	LEVEL 2	LEVEL 3
Financial liabilities			
Contingent considerations, 31 Dec. 2018	–	–	404

The following table illustrates restatements for instruments in level 3:

	LEVEL 1	LEVEL 2	LEVEL 3
Contingent considerations			
Opening balance, 1 Jan. 2018			–
Acquisition of operation in the year			414
Settled in the year			–22
Restatement, fair value			6
Other restatements (currency/interest)			6
Closing balance, 31 Dec. 2018			**404**

Note 4. Critical accounting estimates and judgements

> Stillfront's financial statements are prepared in accordance with IFRS. This means that the preparation of financial statements and application of accounting policies is often based on estimates and assumptions considered reasonable and well-balanced at the time they are made. However, given other judgements, assumptions and estimates, results of operations may differ, and events may occur that require material restatement of the carrying amounts of the affected asset or liability. The critical segments where estimates and judgements have been made, assessed to have the most impact on the financial statements, follow.

CAPITALIZATION AND IMPAIRMENT TESTS OF DEVELOPMENT EXPENDITURE

The timing of capitalization of development; the Group's expenditure for game development is capitalized when games are sufficiently technologically specified to enable evaluation of their commercial potential. The judgement of commercializability and returns is based on experience of previous games.

Incomplete development; because the Group's capitalized expenditure for development has not yet commenced amortization (as yet unready for use), it is subject to yearly impairment tests. The most important underlying assumption of these estimates may alter, and accordingly, have a material impact on the Group's results of operations and financial position. The carrying amount of capitalized development expenditure is stated in note 18.

IMPAIRMENT TESTS OF GOODWILL AND OTHER ACQUISITION-RELATED ASSETS

Each year, Stillfront investigates whether goodwill and other acquisition-related assets are impaired pursuant to the accounting policies stated in note 2. Measurement is conducted in tandem with impairment tests based on estimates and assumptions. The critical assumptions underlying these judgements are the growth rate, gross margin and discount rate. Estimates other than those management conducted may result in completely different results of operations and a different financial position. More information in note 19.

MEASUREMENT OF LOSS CARRY-FORWARDS

Deferred tax assets for tax losses are only used in cases where it is likely that future tax surpluses will be available that the temporary difference can be used against. Carrying amounts at each reporting date are stated in note 21.

ACQUISITION OF OPERATIONS (BUSINESS COMBINATIONS)

The measurement of identifiable assets and liabilities in acquisitions of operations includes items in the acquired entity's Balance Sheet, and various types of item that have not been recognized in the acquired entity's Balance Sheet, such as intangible assets. Firstly, which intangible assets that may have value need to be identified, such as game products, other technical processes and market-related assets, for example.

Normally, there are no quoted prices for the assets and liabilities to be measured, and accordingly, different measurement techniques must be applied. These techniques are based on differing assumptions such as future cash flows, growth rates for revenues, EBIT margins as well as tax rates and discount factors in different countries. Measurements of this kind involve a high degree of estimation, which all need thorough examination, measurement and analysis. This also means that preliminary measurement may need to be conducted, and subsequently restated. All acquisition measurements are subject to final restatement by no later than one year after the acquisition date.In acquisitions, an acquirer also needs to be identified, which is not always the legal parent company. A number of factors need to be evaluated in this context, as reported in note 1. The Board's judgment for the financial year 2018 was that the legally acquired subsidiary should be viewed as a reverse acquisition, i.e. where the legal subsidiary is treated as the parent company for accounting purposes. For more information on acquisitions, see note 17.

CONTINGENT CONSIDERATIONS

For certain business combinations, Stillfront as agreed on contingent considerations. These are continuously measured at fair value, and measurement is based on a number of judgements and assumptions. The critical assumptions underlying these judgements are stated in note 29. Estimates other than those made by management may result in different results of operations and financial position.

Note 5. Other operating income

SEKm	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Exchange rate fluctuations	4	4	–	–
Restatement of contingent consideration	16	0	–	–
Other	2	6	–	3
Total	**23**	**10**	**–**	**3**

Note 6. Classification of net revenues and non-current assets

NET SALES

SEKm	GROUP, 2018
Bulgaria	14
UAE	147
Malta	1
Ireland	70
Sweden	17
Germany	1,048
US	28
Total	**1,325**

NON-CURRENT ASSETS EXCL. TAX

SEKm	GROUP, 2018
Bulgaria	218
UAE	20
Malta	20
Ireland	48
Sweden	1,176
Germany	644
US	68
Total	**2,193**

The allocation of net revenues and non-current assets is based on the countries where the group company has its registered office.

Note 7. Audit fees and reimbursement

SEKm	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Mazars				
Audit	2	1	1	1
Tax consultancy	0	–	–	–
Other auditing	1	–	0	–
Other	0	0	–	–
Sub-total, Mazars	**3**	**1**	**1**	**1**
Other audit firms				
Audit	0	–	–	–
Tax consultancy	–	–	–	–
Other auditing	0	–	–	–
Other	–	–	–	–
Sub-total, other audit firms	**0**	**–**	**–**	**–**
Total	**3**	**1**	**1**	**1**

Auditing means fees for the statutory audit, i.e. work necessary for presenting an audit report, and audit consultancy provided in tandem with the audit. Other auditing means fees for various types of quality-assurance service. Other means anything not included in auditing, other auditing or tax consultancy.

Note 8. Other operating expenses

SEKm	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Restatement of contingent consideration	–22	–	–	–
Other	3	–	–	–
Total	**–19**	**–**	**–**	**–**

Note 9. Operating leases

SEKm	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Lease expense	22	99	1	0
The nominal value of future lease payments is allocated as follows:				
Remaining term as of 31 December:				
Due within 1 year	22	31	2	0
Between 2 and 5 yr.	31	8	6	–
Later than 5 yr.	0	0	–	–
Total remaining term as of 31 December	**53**	**39**	**8**	**0**

Material agreements are mainly contracts on the lease of office premises. For 2017, this amount contains expenses for advance termination of office premises.

Note 10. Average number of employees, personnel expenses, pensions etc.

> AVERAGE NO. OF EMPLOYEES, GROUP

	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Bulgaria				
Women	20	–	–	–
Men	29	–	–	–
Total	**49**	**–**	**–**	**–**
UAE				
Women	8	–	–	–
Men	15	–	–	–
Total	**23**	**–**	**–**	**–**
Malta				
Women	4	–	–	–
Men	16	–	–	–
Total	**20**	**–**	**–**	**–**
Romania				
Women	14	–	–	–
Men	19	–	–	–
Total	**33**	**-**	**–**	**–**
Sweden				
Women	–	–	–	–
Men	26	–	2	2
Total	**26**	**-**	**2**	**2**
Germany				
Women	89	89	–	–
Men	227	229	–	–
Total	**316**	**318**	**–**	**–**
USA				
Women	2	–	–	–
Men	22	–	–	–
Total	**24**	**–**	**–**	**–**
All countries				
Women	137	89	–	–
Men	354	229	2	2
Total	**491**	**318**	**2**	**2**

Cont. note 10

GENDER DIVISION IN MANAGEMENT

	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Board members	6	–	6	6
of which men	3	–	3	3
President and other senior executives	2	10	2	2
of which men	2	9	2	2
Total	**8**	**10**	**8**	**8**
of which men	**5**	**9**	**5**	**5**

SALARIES AND OTHER BENEFITS

SEKm	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Boards of Directors, Presidents and senior executives	8	18	8	3
Other employees	195	169	0	2
Total	**203**	**187**	**8**	**5**

SOCIAL SECURITY CONTRIBUTIONS

SEKm	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Pension expenses for Boards of Directors, Presidents and senior executives	0	–	0	0
Pension expenses for other employees	2	–	0	0
Other legislated or contractual social security contributions	33	30	3	1
Total	**35**	**30**	**4**	**2**

THE GROUP'S PENSION PLANS

All the Group's pension plans are defined contribution.

REMUNERATION TO THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Fees are payable to the Chairman of the Board and other Board members in accordance with resolutions by shareholders' meetings. Remuneration to the CEO is decided by the Board of Directors, and remuneration to other senior executives, by the CEO. The CEO and senior executives have defined-contribution pension insurance policies. The CEO is entitled to a 6 month notice period. Mutual notice periods of 3-6 months apply to other senior executives. Remuneration and benefits to the Board of Directors and senior executives are summarized below.

Cont. note 10

2018, SEK 000	Salary/ director's fee	Other benefits	Pension expense	Total
Chairman of the Board				
Jan Samuelson (from June 2018)	283	–	–	283
Annette Brodin Rampe (until May 2018)	63	–	–	63
Board members				
Katarina Bonde (from June 2018)	134	–	–	134
Birgitta Henriksson	177	–	–	177
Erik Forsberg (from June 2018)	175	–	–	175
Fabian Ritter (from June 2018)	117	–	–	117
Ulrika Viklund	148	–	–	148
Alexander Bricca (until May 2018)	31	–	–	31
Mark Miller (until May 2018)	31	–	–	31
Dr Christian Wawrzinek (until May 2018)	–	–	–	0
Sture Wikman (until May 2018)	31	–	–	31
Chief Executive Officer	3,883	–	300	4,183
Other senior executives	2,866	–	180	3,046
Total	**7,939**	**–**	**480**	**8,419**

2017, SEK 000	Salary/ director's fee	Other benefits	Pension expense	Total
Managing Directors*	6,589	–	–	6,589
Other senior executives	10,435	–	–	10,435
Total	**17,024**	**–**	**–**	**17,024**

Altigi GmbH did not have a Board of Directors in 2017. The company had three (four in January) managing directors (Geschäftsführer).

Note 11. Financial income/other interest income, etc.

SEKm	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Financial income				
Interest income	0	–	1	–
Exchange gain	3	–	1	1
Total	**3**	**–**	**3**	**1**

Note 12. Financial expenses/other interest expenses, etc.

SEKm	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Financial expenses				
Interest expenses	–43	0	–43	–6
Transaction expenses	–39	–	–39	–
Other financial expenses	–4	–	–0	–6
Total	**–86**	**0**	**–82**	**–12**

Note 13. Exceptional items

SEKm	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Revenues				
Restatement of contingent consideration[1]	16	–	–	–
Total exceptional items, revenues	**16**	**–**	**–**	**–**
Expenses				
Restatement of contingent consideration[2]	–22	–	–	–
Restructuring expenses[3]	–	–48		–
Costs related to acquisitions[4]	–11	–64	–3	
Refinancing expenses[5]	–38	–	–38	
Total exceptional items, expenses	**–71**	**–112**	**–41**	**–**
Total exceptional items	**–55**	**–112**	**–41**	**–**

1 Revenues on restating contingent considerations (reference to the other operating income line of the Income Statement)
2 Expenses on restating contingent considerations (reference to the other operating expenses line of the Income Statement)
3 Relates to personnel expenses and severance pay (reference to the personnel expenses line of the Income Statement)
4 Acquisition expenses for 2018 relate to the acquisitions of Altigi GmbH, Imperia Online & Playa Games GmbH. Acquisition expenses for 2017 are selling expenses of Altigi GmbH (reference to the other external expenses line of the Income Statement)
5 Refinancing expenses relating to the redemption of previous bond loans and arranging a new bond loan in 2018 (reference to the financial expenses line of the Income Statement)

Note 14. Appropriations

SEKm	PARENT COMPANY 2018	PARENT COMPANY 2017
Group contributions	–	7
Total	**–**	**7**

Note 15. Tax on profit for the year

SEKm	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Tax expense				
Current tax expense	97	47	–	–
Deferred tax (notes 19 and 28)	10	–7	10	–3
Total tax expense	**107**	**40**	**10**	**–3**
Profit or loss before tax	**265**	**116**	**–84**	**–12**
Reconciliation of effective tax				
Tax at applicable rate (22%)	58	25	–19	–3
Effect of foreign tax rates	22	12	–	–
Non-deductible expenses	0	–	–	–1
Non-taxable revenues*	0	–	–	–
Group items*	3	–	–	–
Effect of altered tax rate	1	–	–	–
Unrecognized loss carry-forwards	18	–	19	–
Effect of use of previously unrecognized loss carry-forwards	0	–	–	–
Restatement of deferred tax	5	–	10	1
Other items	–	3	–	–
Total tax expense	**107**	**40**	**10**	**–3**

** Essentially pertaining to restatement of contingent considerations*

Note 16. Earnings per share

Basic earnings per share is computed by dividing earnings attributable to equity holders of the parent by a weighted average number of outstanding ordinary shares in the period. For diluted earnings per share, the amount used for computing basic earnings per share is restated by considering the effect of dividends and interest expenses on potential ordinary shares, and the weighted average of the additional ordinary shares that would be outstanding given conversion of all potential shares.

Share warrants only cause dilution if they result in an issue of ordinary shares at a price that is below the average price for the period. Additionally, potential shares only cause dilution if conversion of a number of potential ordinary shares results in lower earnings per share or a higher loss per share. Stillfront has share warrants that cause dilution.

	GROUP 2018	GROUP 2017
Weighted number of outstanding shares before dilution	23,256,070	16,868,623
Weighted number of outstanding shares after dilution	23,368,780	16,868,623
Profit for the year attributable to equity holders of the parent (SEKm)	**156**	**75**
Basic earnings per share (SEK)	6.72	4.47
Diluted earnings per share (SEK)	6.68	4.47

Note 17. Acquisitions

ACQUISITION OF GOODGAME STUDIOS

The acquisition of Altigi GmbH was completed in January 2018. These operations are conducted under the corporate name Goodgame Studios. The purpose of the acquisition was to increase the scope of Stillfront's operations, and to benefit from Goodgame Studios' marketing skills.

The purchase consideration for the acquisition follows:

SEKm	
Purchase consideration	
Cash and cash equivalents	390
Issued shares	3,112
Total purchase consideration	**3,502**

In tandem with the acquisition of Altigi GmbH, Stillfront conducted an issue of 16,868,623 shares at a price of SEK 184.60 per share. The cash portion of the purchase consideration was funded through an additional issue of Stillfront's corporate bond of SEK 390 m. The acquisition was conducted on a debt free cash free basis.

REVERSE ACQUISITION

Pursuant to IFRS 3 Business Combinations, in the opinion of the Board of Directors of Stillfront Group, Altigi GmbH is the accounting acquirer, and Stillfront Group AB is the legal acquirer, i.e. a reverse acquisition.

The purchase price allocation of a reverse acquisition proceeds from the legal subsidiary being the acquirer, and the parent company being the acquired entity. The purchase price allocation is based on the Stillfront Group's most recent financial statements, as of 31 December 2017.

After the reverse acquisition, the consolidated accounts are issued in the name of parent company Stillfront Group AB, but in the notes, Stillfront Group AB is described as an acquired operation. This means that all comparative figures until 31 December 2017 inclusive are for Altigi GmbH.

EQUITY

The purchase consideration of the reverse acquisition is computed on the basis of how many shares it would have been necessary to issue in the legal subsidiary to acquire the Stillfront Group, and this value has been measured at SEK 1,186 m. The compensation that Stillfront paid in cash for its acquisition of the legal subsidiary, of SEK 388 m, is treated as a dividend in the reverse acquisition, i.e. the accounting parent. All equity is based on comparative figures from the legal subsidiary, with a supplement for the Stillfront Group. However, the accounted closing balance of share capital should reflect the share capital in the legal parent, explaining an SEK 16 m transfer from retained equity to share capital, for example.

Cont. note 17

PURCHASE PRICE ALLOCATION

A purchase price allocation has been completed. No restatement was made compared to the most recent published report, from the third quarter. The purchase consideration in the following purchase price allocation differs from the purchase consideration presented above, because it is treated as a reverse acquisition for accounting purposes.

SEKm	
Fair value of acquired assets and liabilities taken over (SEK m):	
Intangible assets	222
Property, plant and equipment	1
Deferred tax assets	12
Current receivables, excl. cash and cash equivalents	32
Cash and cash equivalents	66
Non-current liabilities	–164
Deferred tax liabilities	–59
Current liabilities	–51
Total net assets acquired, excluding goodwill	**59**
Total net assets attributable to non-controlling interests	**–13**
Total net assets attributable to equity holders of the parent excluding goodwill	46
Accounted goodwill	**1,140**
Total purchase consideration	**1,186**

From an accounting perspective, the previously consolidated group, Stillfront, is the acquired operation and is included in the new Group's consolidated net sales at SEK 385 m, and in net profit/loss at SEK -38 m. Net profit/loss was charged with SEK 84 m in net financial income/expense, of which SEK 36 m is refinancing expenses in the fourth quarter.

ACQUISITION OF IMPERIA ONLINE

The acquisition of Imperia Online was completed in October 2018. The purpose of this acquisition is to expand Stillfront's portfolio with studies and games, bringing characteristics that encourage long-lasting gamer relationships.

The purchase consideration follows:

SEKm	
Total purchase consideration	
Cash and cash equivalents	52
New shares issued	45
Contingent consideration	134
Total purchase consideration	**231**

269,412 shares were issued in tandem with the acquisition of Imperia Online, at a price of SEK 167 per share. SEK 52 m of the purchase consideration was financed in cash. The acquisition was conducted on a debt free cash free basis.

Cont. note 17

The contingent consideration is based on the entity's EBIT growth in 2018, 2019, 2020 and 2021. The maximum total contingent consideration is EUR 17.5 m.

PRELIMINARY PURCHASE PRICE ALLOCATION

A preliminary purchase price allocation of Imperia Online follows. This analysis is preliminary, mainly because the measurement and allocation of intangible assets is not definitive. Completion is expected coincident with reporting for the second quarter 2019.

SEKm	
Fair value of acquired assets and liabilities taken over	
Intangible assets	61
Property, plant and equipment	1
Current receivables excluding cash and cash equivalents	5
Cash and cash equivalents	15
Deferred tax liabilities	–6
Current liabilities	–5
Total acquired net assets excluding goodwill	**71**
Goodwill	160
Total acquired net assets	**231**
Minus	
Cash and cash equivalents	–15
New shares issued	–45
Contingent consideration	–134
Net cash flow on acquisition of operation	**37**

Goodwill attributable to Imperia Online consists of the value of the skills within the company in terms of its capability to develop and publish long-lasting MMORPGS.

Acquisition expenses amounted to SEK 1 m, and are recognized in the Income Statement as other external expenses.

The acquired operations of Imperia Online are included in Stillfront's consolidated net sales at SEK 14 m, with profit of SEK 10 m. If the acquired operation had been consolidated effective 1 January, Imperia Online would have contributed sales of SEK 61 m and profit of SEK 25 m.

ACQUISITION OF PLAYA GAMES

Stillfront acquired 100% of the shares of Playa Games GmbH, one of Germany's leading casual strategy developers and publishers, in December 2018. This acquisition was completed on 18 December 2018.

The purchase consideration for the acquisition is as follows:

SEKm	
Purchase consideration	
Cash and cash equivalents	144
New shares issued	58
Contingent consideration	197
Total purchase consideration	**399**

425,913 shares were issued in tandem with the acquisition of Playa Games, at a price of SK136 per share. SEK 144 m of the purchase consideration was financed with cash. The acquisition was conducted on a debt free cash free basis.

Cont. note 17

The contingent consideration is based on the company's EBIT growth in 2019 and 2020. The total contingent consideration may not exceed EUR 25 m.

PRELIMINARY PURCHASE PRICE ALLOCATION

A preliminary purchase price allocation of Playa Games follows. The analysis is preliminary, mainly due to the measurement and allocation of intangible assets not being definitive. Completion is expected coincident with reporting for the second quarter 2019.

SEKm	
Fair value of acquired assets and liabilities taken over	
Intangible assets	18
Property, plant and equipment	4
Current receivables excluding cash and cash equivalents	11
Cash and cash equivalents	35
Deferred tax liabilities	–15
Current liabilities	–33
Total acquired net assets excluding goodwill	**20**
Goodwill	378
Total acquired net assets	**398**
Minus	
Cash and cash equivalents	–35
New shares issued	–58
Contingent consideration	–197
Plus	
Redemption of loans to previous owners	33
Net cash flow on acquisition of operation	**141**

Goodwill related to Playa Online consists of the value of the company's skills in terms of its capability to develop and publish long-lasting MMORPGs. Acquisition expenses amounted to SEK 3 m, and are recognized in the Income Statement as other external expenses.

The acquired operations of Playa Games are included in Stillfront's consolidated net sales at SEK 12 m, and profit of SEK 7 m, thanks to high sales in December. If the acquired operation had been consolidated effective 1 January, Playa Games would have contributed sales of SEK 112 m and profit of SEK 59 m prior to restatements for IFRS pursuant to the Group's policies.

AGGREGATE CASH FLOW EFFECT OF ACQUISITIONS IN THE YEAR

SEKm	Goodgames studios	Imperia Online	Playa Games	Acquisitions previous year	Total
Acquired net assets	1 186	231	398		1 815
Restatement for:					
Cash and cash equivalents	–66	–15	–35		–116
New shares issued	–1 186	–45	–58		–1 289
Contingent consideration	–	–134	–197		–331
Redemption of loans to previous owners	–	–	33		33
Cash-settled contingent consideration				12	12
Net cash flow on acquisition of operation	**–66**	**37**	**141**	**12**	**124**

Note 18.
Intangible assets

GROUP, SEKm	Capitalized development expenditure 31 Dec. 2018	31 Dec. 2017	Game products 31 Dec. 2018	31 Dec. 2017	Market and customer related assets 31 Dec. 2018	31 Dec. 2017	Licenses etc. 31 Dec. 2018	31 Dec. 2017	Goodwill 31 Dec. 2018	31 Dec. 2017	Total 31 Dec. 2018	31 Dec. 2017
Opening accumulated cost	414	405	–	–	–	–	32	31	–	–	446	436
Purchased through operations	–	–	246	–	54	–	–	–	1 679	–	1,979	–
Other external acquisitions	–	–	2	–	–	–	2	–	–	–	4	0
Internal development in the year	156	67	–	–	–	–	–	–	–	–	156	67
Disposals in the year	–	–69	–	–	–	–	–	–	–	–	0	–69
Translation differences	18	12	7	–	2	–	1	1	–5	–	23	13
Closing accumulated cost	**588**	**414**	**255**	**–**	**56**	**–**	**35**	**32**	**1 674**	**2**	**2,608**	**446**
Opening accumulated amortisation	–271	–258	–	–	–	–	–25	–20	–	–	–296	–278
Amortization for the year	–83	–75	–30	–	–6	–	–1	–4	–	–	–120	–79
Impairment for the year	–	69	–	–	–	–	–	–	–	–	0	69
Translation differences	–13	–8	–	–	–	–	–1	–1	–	–	–14	–9
Closing accumulated amortization	**–367**	**–271**	**–30**	**–**	**–6**	**–**	**–27**	**–25**	**–**	**–**	**–430**	**–296**
Closing carrying amount	**222**	**143**	**225**	**–**	**50**	**–**	**8**	**7**	**1 674**	**–**	**2,179**	**150**
Of which incomplete development	**46**	**16**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**46**	**16**

Note 19. Goodwill

	GROUP 2018	GROUP 2017
Investments in operations	1,679	–
Translation difference	–5	–
Closing accumulated cost	**1,674**	**–**
Total losing carrying amount	**1,674**	**–**

GOODWILL IMPAIRMENT TEST

Goodwill is monitored by management allocated by cash-generating unit, with each subsidiary constituting a cash-generating unit. In this context, prior to the acquisition of Altigi GmbH, Stillfront Group AB is treated as one cash-generating unit, against the background of the acquisition being executed as a reverse acquisition for accounting purposes. The following is a summary of goodwill allocated to each cash-generating unit.

2018 SEKm	Opening carrying amount	Addition	Translation difference	Cosing carrying amount
Stillfront Group AB*	0	1,140	–	1,140
Imperia Online	0	160	–5	155
Playa Games GmbH	0	379	–	379
Closing accumulated goodwill	**0**	**1,679**	**–5**	**1,674**

** Because the acquisition of Altigi GmbH was executed as a reverse acquisition, this goodwill item relates to Stillfront Group AB.*

Goodwill related to Stillfront Group AB has been tested for impairment, given this entity's structure prior to the acquisition of Altigi GmbH against the background of the acquisition being treated as a reverse acquisition for accounting purposes. Material factors for the test were estimated cash flows for the coming five years, estimated growth after the forecast period (2%), the EBITDA margin during the forecast period and the weighted average cost of capital (WACC, 10%). A sensitivity analysis reveals that a margin to impairment remains with a growth reduced by half during the forecast periods 2–5 or an increased weighted average cost of capital (WACC) to 13%.

As stated in note 17 Business combinations, the acquisitions of Imperia Online (with goodwill of SEK 155 m) and Playa Games GmbH (with goodwill of SEK 379 m) were conducted close to the end of the financial year. The judgements made at each acquisition date still apply. Accordingly, the transaction price is considered equal to recoverable amount. Significant portions of purchase considerations for acquisitions in the year are contingent considerations. Fair value, i.e. carrying amount of contingent considerations, is based on the Group's best estimate of what the acquired entities will deliver during the period that is the basis of computation of the scale of the contingent consideration.

Note 20. Equipment, tools, fixtures and fittings

	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Opening cost	48	59	–	–
Purchased through operations	17	–	–	–
New acquisitions	3	2	–	–
Disposals in the year	–6	–14	–	–
Translation difference	2	1	–	–
Closing accumulated cost	**64**	**48**	**–**	**–**
Opening accumulated depreciation	–38	–44	–	–
Depreciation	–5	–6	–	–
Purchased through operation	–11	13	–	–
Disposals in the year	6	–	–	–
Translation differences	–2	–1	–	–
Closing accumulated depreciation	**–50**	**–38**	**–**	**–**
Total closing carrying amount	**14**	**10**	**–**	**–**

Note 21. Deferred tax asset

	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Recognition of tax loss carry-forward				
Opening carrying amount	–	–	10	6
Acquisition of operation	10	–	0	–
In net profit or loss	–6	–	–10	3
Closing carrying amount	**4**	**0**	**0**	**10**
Deferred income				
Opening carrying amount	–	–	–	–
Acquisition of operation	2	–	–	–
In net profit or loss	–1	–	–	–
Closing carrying amount	**1**	**–**	**–**	**–**
Total deferred tax asset				
Opening carrying amount	–	–	10	6
Acquisition of operation	12	–	–	–
In net profit or loss	–7	–	–10	3
Closing carrying amount	**5**	**–**	**0**	**10**

Accumulated deductible deficits for which deferred tax assets have not been recognised amount to SEK 148m (–) for the Group and SEK 126m (–) for the parent company.

Note 22. Participations in Group companies

	31 Dec. 2018	31 Dec. 2017
Opening carrying amount	72	293
Acquisition of subsidiaries**	7,640	3
Sale of subsidiary*, **	–3,806	–136
Restatement of contingent consideration	–	–89
Closing carrying amount	**3,906**	**71**

* *Sale of subsidiary is an intra-group restructuring. The sold entities are still part of the Stillfront Group.*
** *Altigi GmbH and Imperia Online were acquired by Stillfront Group AB in the year, and subsequently sold at the same value to Stillfront Midco AB in an intra-group transaction.*

SPECIFICATION OF PARENT COMPANY HOLDINGS OF PARTICIPATIONS IN GROUP COMPANIES

All Group subsidiaries are listed below. Unless otherwise stated, they have share capital consisting of ordinary shares only that are held directly by the Group, and participation in equity is equal to share of the vote.

Name	Country	Reg. office	Corp. ID no.	Participating interest	Main activity	Book value, 31 Dec. 2018	Book value, 31 Dec. 2017
Todavia AB	Sweden	Stockholm	559100-2893	100%	Owning and managing securities	2	1
Stillfront Midco AB	Sweden	Stockholm	559110-4053	100%	Owning and managing securities	3,502	3
-Altigi GmbH	Germany	Hamburg		100%	Developing and publishing online games	–	–
-Babil Games LLC	UAE		2987/2012 FCZ	100%	Publishing mobile games	–	68
-Imperia Online JSC	Bulgaria			100%	Developing and publishing online games	–	–
-Simutronics	USA		0311296	55.06%	Developing and publishing online games	–	–
-Stillfront Online Games AB	Sweden	Stockholm	556721-9430	80%	Developing and publishing online games	–	–
-Dorado Games Holdings Ltd	Malta		C64760	100%	Developing and publishing online games	–	–
-Dorado Productions Ltd	Malta		C55850	100%	Developing and publishing online games	–	–
-OFM studios	Germany		HRB 145244	51.00%	Developing and publishing online games	–	–
-Power Challenge AB	Sweden	Linköping	556719-9871	100%	Developing console games	–	–
-Coldwood Interactive AB	Sweden	Umeå	556641-6532	100%	Developing and publishing online games	–	–
-Bytro Labs GmbH	Germany		HRB 118884	100%	Developing and publishing online games	–	–
-eRepublik Labs. Ltd	Ireland		264101	100%	Developing and publishing online games	–	–
-ERPK Labs SRL	Romania		25622297	100%	Developing and publishing online games	–	–
Playa Games GmbH	Germany			100%	Developing and publishing online games	402	–
PowerChallenge Holding Ltd	UK		07099333	100%	Developing and publishing online games	–	–
Closing carrying amount						**3,906**	**71**

Cont. note 22

NON-CONTROLLING INTERESTS

Condensed financial information for each subsidiary that has a non-controlling interest that is material to the Group is provided below. The amounts stated for each subsidiary are before intra-group eliminations.

	SIMUTRONICS		OFM	
CONDENSED BALANCE SHEET	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Non-current assets	72	–	7	–
Current assets	3	–	12	–
Total assets	**75**	**–**	**19**	**–**
Non-current liabilities	18	–	9	–
Current liabilities	26	–	6	–
Total liabilities	**44**	**–**	**15**	**–**
Net assets	31	–	3	–
Accumulated non-controlling interests	**14**	**–**	**2**	**–**
CONDENSED INCOME STATEMENT				
Revenues	29	–	9	–
Profit for the year	–1	–	3	–
Profit attributable to the non-controlling interests	**0**	**–**	**2**	**–**

Note 23. Receivables from Group companies

SEKm	PARENT COMPANY 2018	PARENT COMPANY 2017
Opening carrying amount	257	27
Net change	236	230
Closing carrying amount	**493**	**257**

No portion of receivables have become due for payment.

Note 24. Accounts receivable

	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Accounts receivable				
Accounts receivable	98	58	0	0
Other receivables*	40	6	10	–
Contract assets (accrued income)	4	–	–	–
Reserve for doubtful debt	–	–	–	–
Accounts receivable, net	**142**	**64**	**10**	**0**
Accounts receivable not due	91	58	0	0
Accounts receivable, overdue with no reserve				
Overdue by 0-3 mth.	4	–	–	–
Overdue by 4-6 mth.	0	–	–	–
Overdue by 7-12 mth.	1	–	–	–
Overdue by 2-5 yr.	2	–	–	–
Total remaining maturity as of 31 December	**98**	**58**	**0**	**0**

** The Group's other receivables at year-end 2018 largely consist of receivables from business partners and lease deposits.*

As of 31 December. 2018, accounts receivable amounted to SEK 98 m of which 91 were not overdue. There is no need for impairment. Based on credit history, these amounts are expected to be received on their due date. The Group has not factored these receivables.

Information on the credit risk policy for accounts receivable and contract assets is in notes 2 & 3.

Note 25. Prepaid expenses and accrued income

SEKm	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Prepaid expenses	11	8	3	3
Contracted assets (accrued income)	4	0	–	–
Total	**15**	**8**	**3**	**3**

Note 26. Cash equivalents/ cash and bank balances

SEKm	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Cash and bank balances	246	176	26	20
Total	**246**	**176**	**26**	**20**

Note 27. Other comprehensive income/equity

OTHER COMPREHENSIVE INCOME

Other comprehensive income consists of currency translation effects on the translation of foreign subsidiaries, and currency from foreign currency loans to hedge net investments, i.e. subsidiaries' net assets.

EQUITY

GROUP

Share capital

Holders of ordinary shares are entitled to dividends resolved in arrears, and the shareholding confers voting rights at shareholders' meetings, at one vote per share. All shares carry the same entitlement to the Group's remaining net assets.

Other paid-up capital

Other paid-up capital wholly consists of amounts paid in share issues over and above the quotient value of issued shares.

Other reserves

Other reserves wholly consist of currency translation effects on the translation of foreign subsidiaries and currency from foreign currency loans for hedging net investments, i.e. subsidiaries' net assets. See specification in note 28.

Retained earnings including profit for the year

Retained earnings including profit for the year consists of accrued earnings in the parent company and its subsidiaries.

Dividend

No dividend will be proposed at the AGM 2019

PARENT COMPANY SEKm	31 Dec. 2018	31 Dec. 2017
Share capital	16	4
Change in number of shares:		
Opening balance	**6,425,008**	**5,983,775**
New share issue, 20 Jun.2017		441,233
New share issue, 09 Jan. 2018	16,868,623	
New share issue, 15 Jun. 2018	18,463	
New share issue, 13 Jul. 2018	40,821	
New share issue, 11 Oct. 2018	269,412	
New share issue, 19 Dec. 2018	425,913	
Closing balance	**24,048,240**	**6,425,008**

Cont. note 27

The parent company's ordinary shares have a quotient value of SEK 0.7 per share. Each share carries one vote.

Restricted equity

Restricted equity may not be reduced by the distribution of profits.

Share premium reserve

The share premium reserve wholly consists of amounts paid in share issues over and above the quotient value of issued shares and comprises non-restricted equity.

Accumulated profit or loss

Consists of the previous year's non-restricted equity after any dividends are paid. Comprises total non-restricted equity with the share premium reserve and profit for the year.

Note 28. Other reserves

SEKm	GROUP 2018	GROUP 2017
Currency translation from translation of foreign entities	3	–
Currency translation from translation of liabilities that hedge net investments	–2	–
Total	**1**	**–**

Note 29. Non-current liabilities

SEKm	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Other non-current liabilities and contingent considerations				
Repayment within 2–5 yr.	279	–	–	–
Repayment after more than 5 yr.	–	–	–	–
Non-current liability	**279**	**–**	**–**	**–**
Current liability	**125**	**–**	**–**	**–**
Total other non-current liabilities and contingent considerations	**404**	**–**	**–**	**–**

	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Bond loans				
Repayment within 2-5 yr.	588	–	588	103
Repayment after more than 5 yr.	–	–	–	–
Non-current liability	**588**	**0**	**588**	**103**
Current liability	**0**	**0**	**0**	**0**
Total bond loans	**588**	**0**	**588**	**103**

	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Liabilities to credit institutions				
Repayment within 2-5 yr.	144	–	–	–
Repayment after more than 5 yr.	–	–	–	–
Non-current liability	**144**	**–**	**–**	**–**
Total liabilities to credit institutions	**144**	**–**	**–**	**–**

BOND LOANS & OVERDRAFT FACILITIES

The Group has overdraft facilities of SEK 100 m. As of 31 Dec. 2018, SEK 35 m of these facilities had been utilised, and recognized as a current liability. A secured bond loan of SEK 390 m was issued in January 2018. This bond loan was refinanced with a new, unsecured bond loan in November 2018, through the issue of a SEK 600 m bond. This new bond has a coupon rate of Stibor 3m +5% with a zero floor. The terms of the bond include a change of control clause implying that holders of the bond loan are entitled to demand redemption of the loan in the event of any party taking control of 50% of the votes or capital of Stillfront Group. The pricing in an advance redemption would exceed nominal value.

In the year, the Group arranged a SEK 500 m revolving credit facility. This has a 3-year term, and SEK 144 m had been drawn down at year-end.

CONTINGENT CONSIDERATION

Stillfront has contingent considerations from acquisitions. These contingent considerations are settled in cash and shares in Stillfront, where the number of shares transferred on settlement of the contingent consideration is based on an amount in SEK, as stipulated in the terms and conditions for computing the contingent consideration.

Contingent considerations are classified as financial liabilities, which in turn, are classified as current if they are to be settled within 12 months of the reporting date. Liabilities are measured at fair value and value changes are recognised in operating profit or loss in the Income Statement.

Note 30. Provisions

SEKm	GROUP 31 Dec. 2018	GROUP 31 Dec. 2017	PARENT COMPANY 31 Dec. 2018	PARENT COMPANY 31 Dec. 2017
Contingent considerations				
Opening balance	–	–	25	126
Acquisitions	–	–	330	19
Transfer from subsidiary	–	–	61	–34
Settlement	–	–	–22	–
Restatement	–	–	8	–88
Interest	–	–	4	2
Closing balance, contingent considerations	–	–	406	25
Other provisions				
Opening balance	18	9	–	–
Provision in the year	0	9	–	–
Settled in the year	–11	0	–	–
Closing balance, other provisions	**7**	**18**	**–**	**–**

Other provisions are mainly for compensation on termination of premises and staff.

Note 31. Deferred tax liability

SEKm	GROUP 31 Dec. 2018	GROUP 31 Dec. 2017
Deferred tax asset		
Reported deferred tax assets accounted net against deferred tax liabilities		
Opening balance	–22	–29
Restatement in Income Statement	4	7
Closing carrying amount	**–18**	**–22**

Cont. note 31

The deferred tax asset at year-end mainly consists of a temporary difference in deferred income.

SEKm	GROUP 31 Dec. 2018	GROUP 31 Dec. 2017
Deferred tax liability		
Intangible assets		
Opening balance	46	47
Acquisition of operations	68	–
Restatement in Income Statement	–	–2
Translation differences	4	1
Closing carrying amount	**118**	**46**
Other temporary differences		
Opening balance	–	12
Acquisition of operations	3	–
Restatement in Income Statement	–1	–12
Closing carrying amount	**2**	**0**

The deferred tax liability in 2017, other temporary differences, mainly consists of a temporary difference in the balance sheet items provisions and deferred liabilities.

The deferred tax liability in 2018, other temporary differences, mainly consists of a temporary difference in currency translation difference recognised directly against equity.

SEKm	GROUP 31 Dec. 2018	GROUP 31 Dec. 2017
Total deferred tax liability, net		
Opening balance	24	30
Acquisition of operations	71	–
Restatement in Income Statement	3	–7
Translation differences	4	1
Closing carrying amount	**102**	**24**

Note 32. Accrued expenses and deferred income

SEKm	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Accrued expenses	50	57	13	3
(of which personnel expenses)	*29*	*57*	*3*	*0*
(of which other expenses)	*20*	*0*	*10*	*3*
Contracted asset (deferred income)	63	56	0	0
Total	**113**	**113**	**13**	**3**

Note 33. Pledged assets

SEKm	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Collateral for liabilities to credit institutions				
Corporate mortgages	–	–	–	1
Pledged shares in subsidiaries	1,269	–	3,502	–
Total	**1,269**	**–**	**3,502**	**1**

Note 34. Cash flow

NON-CASH ITEMS

SEKm	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Depreciation and amortization	125	87	–	–
Restatement of contingent consideration	5	–	–	–
Provisions for restructuring	–	48	–	–
Other items	–2	2	4	0
	129	**137**	**4**	**0**

FINANCING ACTIVITIES/BORROWING

GROUP, SEKm	31 Dec. 2017	Acquisition of operation in the year	Cash flow effect	31 Dec. 2018
Bond loans	-	103	485	588
Other loans	-	-	144	144
Overdraft facility	-	-	35	35
Total	**-**	**103**	**664**	**767**

PARENT COMPANY, SEKm	31 Dec. 2017	Acquisition of operation in the year	Cash flow effect	31 Dec. 2018
Bond loans	103	–	485	588
Overdraft facility	–	–	35	35
Total	**103**	**–**	**520**	**623**

Note 35. Financial assets and liabilities

> The fair value of financial assets and liabilities is stated in the following table. See also note 3 financial risk management. The Group has bond loans, credit facilities, overdraft facilities and contingent considerations as stated in note 30. IAS 39 Financial Instruments: Recognition and Measurement was applied until 31 December 2017 inclusive, when financial assets measured at amortized cost were designated "loans receivable and accounts receivable." IFRS 9 Financial Instruments is being applied effective 1 January 2018, with the category with the same valuation model designated as "financial assets measured at amortized cost."

SEKm	Financial assets measured at amortized cost	Loans receivable and accounts receivable	Financial liabilities measured at amortized cost		Financial liabilities measured at fair value through profit or loss	
GROUP	31 Dec. 2018	31 Dec. 2107	31 Dec. 2018	31 Dec. 2107	31 Dec. 2018	31 Dec. 2107
Accounts receivable	98	58	–	–	–	–
Other receivables	40	6	–	–	–	–
Accrued income	4	–	–	–	–	–
Cash and cash equivalents	246	176	–	–	–	–
Total	**388**	**240**	**–**	**–**	**–**	**–**
Bond loans	–	–	588	–	–	–
Other non-current liabilities	–	–	144	18		–
Contingent consideration, long portion	–	–	–	–	279	–
Contingent consideration, short portion	–	–	–	–	125	–
Accounts payable	–	–	66	73	–	–
Overdraft facility	–	–	35	–	–	–
Other liabilities	–	–	21	110	–	–
Accrued expenses	–	–	49	113	–	–
Total	**–**	**–**	**902**	**314**	**404**	**–**

SEKm	Financial assets measured at amortized cost	Loans receivable and accounts receivable	Financial liabilities measured at amortized cost	
PARENT COMPANY	31 Dec. 2018	31 Dec. 2107	31 Dec. 2018	31 Dec. 2107
Receivables from group companies	513	259	–	–
Other receivables	12	6	–	–
Accrued income	–	–	–	–
Cash and bank balances	26	20	–	–
Other non-current liabilities	–	–	588	103
Liabilities to group companies	–	–	95	4
Accounts payable	–	–	9	1
Overdraft facility	–	–	35	–
Other liabilities	–	–	–	0
Accrued expenses	–	–	13	3
Total	**551**	**286**	**739**	**111**

Note 36. Transactions with related parties

Purchase and sales transactions with related parties are on market terms. Transactions between the parent company and subsidiaries are service and management fees. Salaries and benefits to senior managers are reported in note 10.

	Sales of goods and services to related parties		Purchases of goods and services from related parties	
SEKm	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Group				
Related party relationship				
Key individuals	–	–	–	1
Other related parties	–	–	0	–
Total	**–**	**–**	**0**	**1**
Parent company				
Related party relationship				
Subsidiaries	19	5	–	2
Key individuals	–	–	–	–
Other related parties	–	–	–	–
Total	**19**	**5**	**–**	**2**

	Receivables from related parties		Liabilities to related parties	
SEKm	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Group				
Related party relationship				
Key individuals	–	–	–	1
Other related parties	–	–	–	–
Total	**–**	**–**	**–**	**1**
Parent company				
Related party relationship				
Subsidiaries	513	259	95	4
Key individuals	–	–	–	–
Other related parties	–	6	–	–
Total	**513**	**265**	**95**	**4**

Note 37. Significant events after the end of the year

On January 11, 2019, the bond issued by Stillfront on November 22, 2018, was listed on Nasdaq Stockholm with ISIN SE0011897925. The listing was preceded by the publication of a prospectus for the same bond.

On January 14, 2019, Stillfront announced that Andreas Uddman had been appointed CFO of Stillfront Group AB, starting no later than June 1, 2019. Furthermore, Stillfront announced in March 2019 that Alexis Bonte had been appointed COO for Stillfront, with successive effect from April 1, 2019.

In January 2019, two major products were launched globally: Strike of Nations, published by Babil Games and Siege: World War II, developed and published by Simutronics.

Note 38. Appropriation of profits

> The Board of Directors proposes that the disposable funds of SEK 3,298,573,761 are appropriated as follows:

SEK	31 Dec. 2018
Share premium reserve	3 440 832 890
Profit/loss brought forward	–48 200 197
Profit/loss for the year	–94 058 932
Total	**3,298,573,761**
Carried forward	3,298,573,761
Total	**3,298,573,761**

The consolidated annual accounts and the annual accounts, respectively, have been prepared in compliance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of IFRS and generally accepted accounting principles, and provide a true and fair view of the position and results of the Group and the Parent Company. The Report of the Directors for the Group and the Parent Company provides a true and fair view of the operations, financial position and results of the Group and the Parent Company, and describes the principal risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 17 April, 2019

Jan Samuelson
CHAIRMAN

Katarina Bonde
BOARD MEMBER

Erik Forsberg
BOARD MEMBER

Birgitta Henriksson
BOARD MEMBER

Fabian Ritter
BOARD MEMBER

Ulrika Viklund
BOARD MEMBER

Jörgen Larsson
PRESIDENT and CHIEF EXECUTIVE OFFICER

Our Auditor's Report was submitted on 17 April 2019

Mazars SET Revisionsbyrå AB

Michael Olsson
AUTHORIZED PUBLIC ACCOUNTANT

Bengt Ekenberg
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 2018. The annual accounts and consolidated accounts of the company are included on pages 55–113 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 2018, 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 2018, 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.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's board of directors in accordance with the Audit regulation (537/2014) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

ACQUISITION OF OPERATIONS (BUSINESS COMBINATIONS)

See note 17 regarding acquisitions, note 4 regarding critical accounting estimates and judgements and note 2 regarding accounting principles for detailed information and descriptions regarding the area.

DESCRIPTION OF THE AREA

A number of acquisitions have been made. The most significant was the acquisition of Altigi GmbH in Germany. In connection with business combinations the new business must be recognized in the consolidated financial statements, which requires the preparation of an acquisition analysis. The analysis requires the identification of the accounting acquirer. Further, acquired assets and liabilities are to be identified and allocated to them amounts corresponding to their fair values on the acquisition date.

We focused on this area since acquisitions are a significant part of the groups operations and because the analyses performed by management includes significant accounting estimates and judgements.

HOW THE AREA HAS BEEN CONSIDERED DURING THE AUDIT

Our audit of acquisitions has included, but not been limited to, the following procedures: assessing that correct accounting policies have been adopted and that sufficient information has been given in the notes to the financial statements and assessing the identification of the accounting acquirer. Further, we have assessed the identification of the assets and liabilities that have been included in the acquisition analysis, including inspection of reports prepared by external consultants engaged by the Group in order to prepare data and calculations for the acquisition analyses.

CAPITALIZATION AND IMPAIRMENT TESTS OF DEVELOPMENT EXPENSES

See note 18 regarding capitalized development expenses, note 4 regarding critical accounting estimates and judgements and note 2 regarding accounting principles for detailed information and descriptions regarding the area.

DESCRIPTION OF THE AREA

The company capitalizes development expenses when certain criteria are met. Amortization begins when the asset is ready for use, which coincides with the point at which the test launch is complete. The book value of non-completed games is tested annually for impairment. Games for which amortization has started are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable. The book value of capitalized development expenses as per 31 December 2018 was 222 msek.

We focused on this area since capitalized development expenses is a material part of the Group's activities and because the evaluation that is performed by management includes significant accounting estimates and assessments.

HOW THE AREA HAS BEEN CONSIDERED DURING THE AUDIT

Our audit of capitalized development expenses has included, but not been limited to, the following procedures: assessing that correct accounting policies have been adopted and that sufficient information has been given in the notes to the financial statements, assessing the company's procedures for capitalizing development expenses, tests of detail of supporting documentation for capitalized development expenses and assessing impairment tests of specific games.

IMPAIRMENT TESTS OF GOODWILL

See note 19 regarding goodwill, note 4 regarding critical accounting estimates and judgements and note 2 regarding accounting principles for detailed information and descriptions regarding the area.

DESCRIPTION OF THE AREA

Due to business acquisitions Stillfront accounts for goodwill in the Groups balance sheet. As per December 31, 2018 the book value of goodwill amounted to 1 674 msek.

Management monitors the book value of goodwill. Goodwill is tested for impairment per cash generating unit where each subsidiary constitutes a separate cash-generating unit. Significant factors for the testing have been the estimated cash flows for the next five years, estimated growth after the forecast period, EBITDA-margin during the forecast period and the weighted cost of capital assumptions.

We focused on this area since goodwill is a material part of the Group's balance sheet and because the evaluation that is performed by management includes significant accounting estimates and assessments.

HOW THE AREA HAS BEEN CONSIDERED DURING THE AUDIT

Our audit of the valuation of goodwill has included, but not been limited to, the following procedures: assessing that correct accounting policies have been adopted and that sufficient information has been given in the notes to the financial statements, assessing the company's procedures for impairment testing of goodwill and assessing the impairment tests of specific cash generating units, including critical assessment of the significant factors that have greatest bearing on the impairment test.

VALUATION OF CONTINGENT CONDITIONAL CONSIDERATIONS

See not 29 regarding non-current liabilities, note 4 regarding critical accounting estimates and judgements and note 2 regarding accounting principles for detailed information and descriptions regarding the area.

DESCRIPTION OF THE AREA

Due to financing of business acquisitions Stillfront accounts for contingent conditional considerations. As per December 31, 2018 the book value of the liability connected to contingent conditional considerations amounted to 404 msek.

Management monitors the book value of contingent conditional considerations. The size of the liability depends on several factors which are specified in the agreements related to the business acquisitions. The liability is measured at fair value and changes in value are recognized through operating profit and loss in the Group's income statement.

We focused on this area since contingent conditional considerations is a material part of the Group's acquisition financing and because the evaluation that is performed by management includes significant accounting estimates and assessments.

HOW THE AREA HAS BEEN CONSIDERED DURING THE AUDIT

Our audit has included, but not been limited to, the following procedures: assessing that correct accounting policies have been adopted and that sufficient information has been given in the notes to the financial statements and assessing the calculations of contingent conditional considerations of specific acquisitions.

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 1-41 and 119-120. 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 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.

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.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2018 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 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 scepticism 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 whether the proposal is in accordance with the Companies Act.

Mazars SET Revisionsbyrå AB, Box 1317, 111 83 Stockholm, was appointed auditor of Stillfront Group AB (publ) by the general meeting of the shareholders on May 19, 2017 and has been the company's auditor since the general meeting of the shareholders in June 2012, with Michael Olsson as auditor in charge. Bengt Ekenberg was appointed auditor of Stillfront Group AB (publ) by the general meeting of the shareholders on May 30, 2018 and has been the company's auditor since then.

Stockholm, April 17 2019

Mazars SET Revisionsbyrå AB

Michael Olsson
AUTHORIZED PUBLIC ACCOUNTANT

Bengt Ekenberg
AUTHORIZED PUBLIC ACCOUNTANT

Key figures and glossary

ALTERNATIVE PERFORMANCE MEASURES

Stillfront applies the Esma Guidelines on Alternative Performance Measures (APM). An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. For Stillfront's consolidated accounts, this typically means IFRS.

APMs are disclosed when they complement performance measures defined by IFRS. The basis for disclosed APMs are that they are used by management to evaluate the financial performance and in so believed to give analysts and other stakeholders valuable information. Definitions of all APMs used are found below. Reconciliations to the financial statements for the APMs that are not directly identifiable from the financial statements and considered significant to specify, are disclosed on page 23 in the Year-End Report 2018 for Stillfront.

ARPMPU
Average non-adjusted revenue per monthly paying user.

AVERAGE NUMBER OF EMPLOYEES
Average number of employees during the period, recalculated to full-time positions.

BIG
Category of games based on the Big brand.

CORE
Category of games not belonging to the categories of Long Tail, Empire or Big

DAU
Daily active unique users.

DEPOSITS
Includes all deposits from consumers excluding VAT during a given period.

EBITDA
Operating profit before depreciation and amortization. Adjusted EBITDA is EBITDA adjusted for IAC.

EBITDA MARGIN
EBITDA as a percentage of Net revenue. Adjusted EBITDA margin is EBITDA margin adjusted for IAC.

EBIT
Profit before financial items and tax. Adjusted EBIT is EBIT adjusted for IAC.

EBIT MARGIN
EBIT as a percentage of Net revenue. Adjusted EBIT margin is EBIT margin adjusted for IAC.

EMPIRE
Category of games based on the Empire brand.

FREE CASH FLOW
Cash flow from operations minus capital expenditures.

ITEMS AFFECTING COMPARABILITY, IAC
Significant income statement items which distort the comparison between the periods.

INTEREST COVERAGE RATIO
EBITDA divided by net financial items for the past twelve months.

ADJUSTED LEVERAGE RATIO
Net interest-bearing debt excluding earn-out payments in relation to the last twelve months Adjusted EBITDA.

MAU
Monthly active unique users.

MPU
Monthly paying users.

NET DEBT
Interest bearing liabilities minus cash and cash equivalents. Contingent conditional consideration is not considered interest bearing in this context.

SHAREHOLDERS' EQUITY/SHARE
Shareholders' equity attributable to the parent company shareholders divided by the number of shares at the end of the period.

UAC
User acquisition cost

Four strong reasons to invest in Stillfront

1 Ideally positioned in the largest and fastest growing entertainment market

2 Capital efficient growth with diversified revenue streams

3 Successful M&A execution with proven track record

4 Strong financial position with conservative leverage and high profitability

Financial Calendar

Interim Report January-March 2019	8 May 2019
Annual General Meeting, Stockholm	9 May 2019
Interim Report January-June 2019	19 August 2019
Interim Report January-September 2019	8 November 2019
Year End Report 2019	21 February 2020

Contact

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This Annual report is a non-official translation from Swedish of the Årsredovisning 2018 issued April 18, 2019. In the event of discrepancies between the language versions the Swedish wording will prevail.


IMPERIA ONLINE

SIEGE: TITAN WARS


CLASSIFIED
TOP SECRET


GAME
OVER

Production: Addira
Design: Anders Schmidt, Uniform
Printing: åtta45

STILLFRONT
GROUP