

STILLFRONT

GROUP



Annual Report
2019

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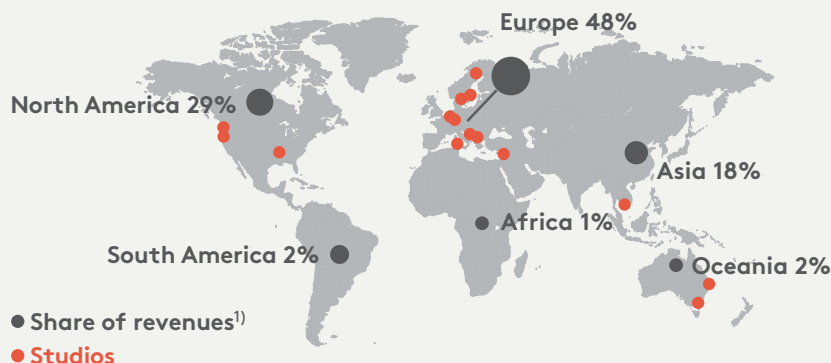


Stillfront Group
Annual Report 2019

Stillfront in brief

- > A leading group of gaming studios with a loyal customer base and games with long lifecycle
- > 6.0 million monthly active users, MAUs, and 1.4 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 twelve studios operating in Australia, Bulgaria, Canada, Germany, Jordan, Malta, Romania, Sweden, United States and Vietnam with a total of around 700 professionals

GLOBAL PRESENCE



1) As of December 31, 2019.

Highlights

Q1

- > **Andreas Uddman** is appointed Group CFO and member of the Group's Executive Management team.
- > **Alexis Bonte** is appointed Group COO and member of the Group's Executive Management team. Alexis is Co-founder and CEO of eRepublik Labs, a studio within Stillfront Group.

Q2

- > Stillfront acquires **Kixeye**, a leading developer and publisher of online strategy games headquartered in Canada. The upfront consideration paid in cash amounted to USD 90 m on a cash and debt free basis. The sellers are entitled to a cash earnout consideration if certain EBITDA levels for the financial year 2019 are achieved.
- > Stillfront conducts a **directed share issue** of SEK 500 m. The share issue of 2,080,732 shares at SEK 240.40 per share was oversubscribed by Swedish and international institutional investors.
- > Stillfront places **SEK 500 m of senior unsecured bonds** under a new bond framework of up to SEK 1,000 m senior unsecured bond loan due 2024. The interest rate was set at Stibor 3m + 4.75 percent. The proceeds from the bond issue was used to finance the acquisition of Kixeye and for general corporate purposes.
- > **Game of Trenches ww1** is launched by eRepublik Labs. The game is a World War 1 themed mobile strategy MMO that includes improved 3D graphics with a more casual graphical theme and several new features.

Q3

- > Stillfront lists its **SEK 500 m senior unsecured bonds** due 2024 on the Frankfurt Stock Exchange.
- > **Phillip Knust** is appointed Group Chief Product Officer, CPO and member of the Group's Executive Management team. Phillip Knust combines this role with his role as CPO for Goodgame Studios.

Q4

- > Goodgame Studios announces the global soft-launch of their medieval fantasy strategy game **EMPIRE: Age of Knights**. The game is available globally on all major mobile platforms.
- > **Stillfront's Capital Markets Day** takes place in Stockholm for institutional investors, financial analysts and financial media. Stillfront presented a long-term growth vision and strategy including updated financial targets for 2020–2022.

SIGNIFICANT EVENTS AFTER YEAR-END

- > Stillfront enters into an agreement with the owners of Storm8, a US market leading mobile mash-up game developer, to **acquire 100 percent of the shares in Storm8**. Storm8 has published more than 50 games across a variety of genres, with 155+ countries reached and over 1 billion downloads.
- > In January 2020, Stillfront conducts directed **share issues of 3,424,129 shares** at a price of SEK 381 per share. The subscription price was determined through an accelerated bookbuilding procedure. Through the share issue, Stillfront received proceeds of approximately SEK 1.3 billion before transaction costs.
- > In January 2020, Stillfront **issued SEK 500 m of subsequent bonds** under the SEK 1.0 billion framework of its 2019/2024 senior unsecured bond loan. The total amount outstanding under the bond loan is SEK 1.0 billion.
- > In January 2020, Stillfront **secured a new SEK 1,600 m revolving credit facility** with a tenor of 3.5 years from Nordea Bank Abp, bransch in Sweden and Swedbank AB (publ).
- > In February 2020, Stillfront conducts a direct **share issue of 1,909,222 shares** to the sellers of Storm8, as part of the upfront consideration.

Game's up for 2020 and beyond

2019 saw us further strengthening our position at the forefront of the converging game industry, where our scalable, decentralized model allows us to stay close to rapidly shifting consumer preferences. Our studios successfully apply their passion and creativity to maximize player retention and revenue, while enjoying the structure and financial muscle of a Group that is heading for a leading position.



Highlights of 2019

- > 2019 proved yet another successful year that brought an annual growth rate of 48 percent, whereas the adjusted EBIT margin amounted to 33 percent. 2019 was also an important year as we built an operational platform for a three times larger company within five years – our 3x vision.

Our newly acquired studios Imperia Online and Playa Games contributed with high margins already in the first quarter. New launches are delivering according to plan and our largest brands Empire and Big continued to grow full year over full year. One of the highlights of the year was the acquisition of Kixeye, an industry leader and strategy game pioneer, and the collaboration between Kixeye and Goodgame Studios on performance marketing.

Perfectly positioned for industry consolidation

- > Stillfront operates in a highly competitive industry in which we compete with other game developers, as well as other forms of entertainment. To me, gaming is a fantastic fast growing industry where the structural change is almost disruptive and occurs at a tremendous pace, something which favours clear strategies backed up with the drive and the discipline to execute them. Stillfront has that, coupled with a strong corporate culture that really adds value, thus rendering us well prepared to grasp opportunities ahead of us. In November, we set out an ambition to triple our revenues within five years, and I am very confident with the steps we have taken towards creating a leading free-to-play powerhouse of gaming studios.

The gaming industry is converging along several dimensions. The free-to-play segment where Stillfront is active is a data-driven, process-oriented business that represents one end of the scale, with traditional AA+ downloadable games at the other end. These former opposites, however, are converging and even though we don't know how long it will take, we are certain it will happen. Stillfront is able to take advantage of this shift by moving rapidly and leveraging our strategy in order to cement our market-leading position in a global industry. I am convinced that we are unique in our proven model for acceleration, which has been developed and continuously refined since our inception ten years ago.

Rich game portfolio

- > The portfolio mix generates a strong cash flow and enables organic and acquired growth. We reduce our title and technology risks by managing a well-diversified portfolio, including small niche products like OFM, to mid-sized ones like Call of War and Nida Harb 3, as well as massive brands such as Empire and Big. With Kixeye now consolidated, we have developed a rich mix in the portfolio and the largest game now represents less than 15 percent of total revenues. The core products recorded an exceptionally strong year with Nida Harb 3 continuing its impressive growth trajectory. Further, Babil Games and Kixeye are developing War Commander: Rogue Assault for the MENA region. Worth mentioning is also the continued strong growth for Big Farm: Mobile Harvest.

Building organic growth

- > We focus on organic growth in existing studios by developing new games, refining existing games and leveraging our strength in live ops, which refers to activities and events aiming to increase player retention and maximize the value of a game's user base. Our strength in live ops is built on data and creativity in combination. As of now, we have collected data from over 600 million users and data remains one of the core assets of Stillfront. And the larger we grow, the more synergies we reap. Today, we are 12 studios, with around 700 dedicated staffers offering 37 live games that are earning money every single minute.

Acquisition of Storm8 – a head start to 2020

- > 2020 began on an exciting note, with the acquisition of US market leading mobile game publisher Storm8. The acquisition significantly strengthens Stillfront's market position and game portfolio,

as Storm8 has published more than 50 games across a variety of genres, with 155+ countries reached and over 1 billion downloads. Stillfront and Storm8 are active within the two largest genres, where Stillfront focuses mainly on free-to-play midcore strategy games and Storm8 focuses on the casual and genre-mix games. The combined group will be well-positioned to optimize and further develop its well-diversified portfolio.

Future acquisitions – size will matter even more

- > Looking ahead, our strategy remains unchanged – to focus on low risk and long life-cycle games. Our healthy financial model supports investments in business development, and, in addition, we continue to see strong opportunities for profitable growth through further acquisitions.

We have a clear idea on how to achieve market leadership in a disruptive and rapidly changing industry. Our ideas are actionable and translates into concrete business moves. Size will matter even more in the future than today, due to several commercial benefits, which is the rationale behind our 3x vision.

We intend to increase the addressable market to which we can offer our great entertainment through genre broadening aiming at capturing a larger female audience. The combination of Stillfront's and Storm8's complementary product portfolios, for example, significantly increases our addressable market, since Stillfront primarily focuses on a middle-age male audience while Storm8 focuses on a female audience centered around 25–45 years.

2020 and beyond – a sustainable vision

- > We have built this company with a long-term perspective since day one, which involves serving the community with a diversified offering catering to the tastes of many individuals in a sustainable way, both environmentally, socially and financially.

Following an intensified dialogue on sustainability with several stakeholders in 2019, we have built a framework based on the following cornerstones: “Living our values”, “Creating games for all” and “Smart resource use”. The rapid increase in digital consumption is one of the key consumer trends globally, and it is particularly relevant to digital games. We recognize that we operate in an industry that is seen as novel by many, and which offers a new set of challenges to society. We strive to remain sensitive and responsive to this by working to create wider acceptance and spread knowledge about shifting consumer patterns and trends. In 2019, we have put a lot of effort into creating a framework based on our decentralised organisation and will launch new tools and metrics in 2020 for the purpose of promoting sustainability in all parts of Stillfront and across the entire value chain.

Our new mid-term financial targets translate into a revenue of SEK 4 billion in 2022, with a profit margin at around 35 percent adjusted EBIT. Our financial model is geared to be superior in balancing risk and reward, and we are flexible enough to grasp the opportunities that appear along the way. How will we reach our bold new targets? By staying true to our unofficial, yet highly actionable, motto: Wake up. Kick ass. Repeat.

To conclude, I would like to thank all 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 electrifying and creates spirit, joy and results.

Stockholm in April 2020



Jörgen Larsson



We have built this company with a long-term perspective since day one, which involves serving the community with a diversified offering catering to the tastes of many individuals in a sustainable way, both environmentally, socially and financially.

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 at First North
as of December 8 2015*

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------------------------|--------------------------------------|--------------------------------------|--|--|---|---|---|
| 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 | 37 games ³ ~700 employees 12 studios 6.0 m users ¹ |
| <i>Revenues</i> SEK 17 m | <i>Revenues</i> SEK 21 m | <i>Revenues</i> SEK 29 m | <i>Revenues</i> SEK 55 m | <i>Revenues</i> SEK 95 m | <i>Revenues</i> SEK 166 m | <i>Revenues</i> SEK 1.3 bn | <i>Revenues</i> SEK 2.0 bn |
| | | | MCAP SEK 328 m | MCAP SEK 444 m | MCAP SEK 1,227 m | MCAP SEK 3,155 m | MCAP SEK 9,679 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, 2019.

Financial targets

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.

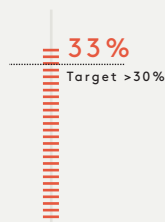
Comment: Stillfront's revenues increased by 48 percent compared to full year 2018.



PROFITABILITY

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

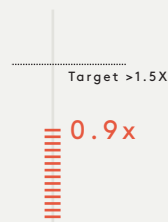
Comment: Adjusted EBIT margin in 2019 amounted to 33 percent.



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, 2019 amounted to 0.9x.



UPDATED FINANCIAL TARGETS 2020-2022

Stillfront's target is to reach a net revenue of SEK 4,000 m by the end of 2022. Growth will be achieved organically as well as through acquisitions.

Stillfront's target is to reach an adjusted EBIT margin in the region of 35 percent. The adjusted EBIT margin is defined as EBIT excluding amortization of purchase price allocation-items and items affecting comparability in relation to net revenue. The adjusted EBIT margin may vary quarter to quarter depending on mainly the level of user acquisition and product development.

The net debt/adjusted EBITDA ratio should not exceed 1.5x. Adjusted EBITDA proforma is defined as adjusted EBITDA including acquisitions and excluding items affecting comparability for the last twelve months. Stillfront may however, under certain circumstances, choose to exceed this level during short time periods.

DIVIDEND POLICY

To support value creation, Stillfront aims to invest its profits and cash flows in organic growth initiatives and acquisitions and therefore, does not expect to pay dividends or buy back shares during 2020-2022.

The Studios

Stillfront is a global group of 12 game studios located in Europe, North America and the MENA (Middle East and North Africa) region.

Our studios are Bytro Labs, Goodgame Studios, OFM and Playa Games in Germany, Coldwood Interactive in Sweden, Power Challenge in Sweden, Dorado Games in Malta, Simutronics in the United States, Babil Games in UAE and Jordan, eRepublik Labs in Ireland and Romania, Imperia Online in Bulgaria and Kixeye in Canada, the US, Vietnam and Australia. Stillfront's games are distributed globally with the main markets being Germany, North America, France, the UK and the MENA region.



Babil Games, based in Jordan and United Arab Emirates, is a leading game publisher and expert localizer in the MENA region for both browser and mobile platforms. The studio of 45 people was founded by hardcore gamers and passionate entrepreneurs MJ Fahmi and AJ Fahmi back in 2012. Babil Games was born to bring the best gaming experience, culturally translated and optimized for the Arab speaking audience. In 2018 Babil expanded their publishing offering to the global market with *Strike of Nations* successfully released to global audiences.



Bytro Labs in Hamburg, Germany, develops and publishes deeply immersive free-to-play multiplayer strategy games such as *Supremacy 1914* and *Call of War*. 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 40 people.



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



Imperia Online is a leading game developer and publisher in Southeast Europe with its head office in Sofia, Bulgaria. The studio, employing around 70 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.



Playa Games, with around 10 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.



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 25 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.



Kixeye is a leading developer and publisher of online strategy games headquartered in Canada and offices in the US, Vietnam and Australia. The studio of approximately 120 people was founded in 2007. The portfolio has four active blockbuster IP's: *Battle Pirates*, *War Commander*, *Vega Conflict* and *War Commander: Rogue Assault*.



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.



Goodgame Studios is a leading developer and provider of gaming software, specialising in the free-to-play segment with focus on mobile and browser games. Goodgame games are represented in 26 languages and has over 400 million registered users worldwide. *Empire: Four Kingdoms* – the world's all-time highest grossing app produced by a German company – is part of Goodgame Studios' portfolio. Goodgame was founded in Hamburg in 2009. Apart from the head office in Germany, the company has a subsidiary in Tokyo, Japan and the team totals around 250 people.



OFM Studios, with 7 employees, is based in Cologne, Germany and was founded in 2006. OFM, *Online Fussball Manager*, is a 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.



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 and 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.



A surreal landscape featuring a blue knitted creature with three eyes and two horns on the left, a bright sunburst in the center, and several yellow mushrooms in the foreground. The background shows a body of water and distant mountains under a cloudy sky.

Sustainability report

We know that we are all defined by our actions. So let's ensure that our actions speak for us.

JÖRGEN LARSSON

Sustainability report

In building a company that generates long-term value, Stillfront knows that sustainability must be an integral part in all decisions we make and of our strategy. Stillfront has prepared a sustainability report, comprising the Group companies, in accordance with the Swedish Annual Accounts Act, which is inspired by the Global Reporting Initiative (GRI) Standards.

Our business

- > Stillfront's mission is to build a leading powerhouse of gaming studios providing digital entertainment in the form of low-risk, long lifecycle games for loyal users. Stillfront acquires and develops gaming studios and realizes synergies between them to create a broad and diversified portfolio of games where long life cycles and a loyal player base generate stable income. This engenders strong cash flow and enables organic and acquired growth. Our business model is built on long-term relationships as regards our ownership role as well as in relation to our professionals and our users.

STILLFRONT'S POSITION IN A RAPIDLY GROWING DIGITAL ENTERTAINMENT MARKET

MARKET CONDITIONS



- > A large number of new games but few real successes
- > Free-to-play is the leading business model
- > Competition by other game developers but also by other kinds of digital entertainment
- > The industry is under consolidation
- > Larger players take market shares
- > 2.5 billion users worldwide

STILLFRONT GAME STUDIOS



DESIGN & DEVELOPMENT

Stillfront develops long lifecycle games with loyal users, especially in free-to-play

MARKETING

Stillfront strengthens its position in the value chain through in-house marketing expertise

PUBLISHING

Stillfront takes responsibility for sales

GLOBAL DISTRIBUTION



- > Browser
- > Mobile platforms, mainly iOS and Android
- > PC & Console

+600
MILLION
ACTIVE
USERS

Continual interaction with users and data analysis forms the base for developing and broaden the content of our games to ensure good revenues long term

How Stillfront governs sustainability

- > For Stillfront, sustainability is about creating long-term value for shareholders and for society by developing well-run companies that make a positive contribution to the communities in which they do business, to the environment and to the economy. We act as one company with shared values and principles, while our decentralised organisation lets us seize local opportunities. At the same time, it is important to present a shared framework of values and business principles to underpin local implementation. We clearly express our expectation that our studios will conduct their business responsibly and ethically.

The Board of Directors is responsible for Stillfront's overarching strategy, in which sustainability is integral to value creation.

Stillfront's Management develops tools and processes that guide head office and our studios. These include the Code of Conduct, policies, training and follow-up material, as well as KPIs.

All our studios and their professionals are expected to be familiar with and live up to our sustainability ambitions. The Studio Head is responsible for implementation, carrying out training and follow-up. An approach that is resource-efficient, decentralised and digital is key to our business' success.

HOW STILLFRONTS GOVERNS THE SUSTAINABILITY WORK

Responsible for the sustainability framework

THE BOARD OF DIRECTORS

Develops tools and processes that guide the head office and our studios

EXECUTIVE MANAGEMENT

Responsible for implementing, training and follow-up

STUDIOS
(Led by Studio Head)

Expected to understand and follow our sustainability ambitions

PROFESSIONALS

CODE OF CONDUCT

- > The Code of Conduct is a central tool supporting Stillfront's decentralised organisation.
- > The Code of Conduct translates our three core values of *entrepreneurship, scalability and structure* into practical activities and guides the actions of our professionals.
- > The Code of Conduct builds on the 10 Principles of the UN Global Compact, covering areas such as human rights, staff, the environment and anti-corruption.

Stakeholder dialogue

- > To steer work on sustainability, taking the demands of the wider community into account, it is important to engage in close dialogue with our stakeholder groups. The table below sets out the stakeholder groups identified as being the most important for Stillfront and the methods we use to conduct dialogue with these. The stakeholder groups have been identified, through discussions with the Board of Directors and Management, as the groups that are affected by our operations to the greatest degree and which have a major impact on our ability to follow through on our strategies and attain our goals.

RESULTS FROM STAKEHOLDER DIALOGUES

| STAKEHOLDER GROUP | FORMAT | KEY ASPECTS |
|------------------------------|---|--|
| > Shareholders and investors | > Interviews > Meetings > Analyses > Capital market day | > Data privacy > Sustainable products > Responsible gaming > Anti-corruption |
| > Users/consumers | > Customer dialogue > Internal analysis by product specialists | > Regular product updates > Data privacy > Climate impact |
| > Professionals | > Surveys > Formalised meetings with managers | > Sustainable, accountable, equal workplace > High-quality, long-lasting products > Data privacy |

Materiality analysis

- > A materiality analysis was started in 2018 and developed further in 2019. Based on the focus areas identified in the stakeholder dialogue and via the internal analyses conducted by the Board of Directors and the Management team, we have determined the aspects that are most relevant for Stillfront and linked them to our three strategic areas – *Creating games for all*, *Living our values* and *Smart resource use*. In identifying the most relevant aspects, we have taken into account the impact and the importance of economic, environmental and social consequences.

Sustainability framework, input and ambitions

- > Based on our three strategic areas, stakeholder dialogues and the materiality analysis, we have established a sustainability framework tailored to our decentralised business model. We have drawn inspiration from global regulations and reporting standards, including GRI and Nasdaq's ESG Reporting Guide. Our efforts in changing our listing from First North Premier Growth Market to the main Nasdaq Stockholm market have also been important. Linking sustainability issues and material aspects to the three strategic areas sees us ensuring that the sustainability perspective is integral when setting targets and executing our strategy.

Work to implement the framework has begun and will continue in 2020. Stillfront's Management team is developing tools and implementation will then be run at the respective studios. It is vital that our studios act locally to identify, understand and tackle relevant risks and opportunities in their operations.

In 2020 we will set targets for our identified key areas and develop KPIs to follow up on progress. We intend to implement a sustainability policy that will guide professionals at all levels towards our shared goals.

SUSTAINABILITY FRAMEWORK

STRATEGIC AREAS



LIVING OUR VALUES

Stillfront believes in lasting relationships and decentralised leadership founded in our shared values. All our studios and professionals share the vision that acting sustainably will see us attain our long-term goals, grow together as a company and as individuals, and continue to develop successful games with longevity. The values that shape the culture are *entrepreneurship*, *scalability* and *structure*, and maintaining a good balance between these three elements is crucial to our success.



CREATING GAMES FOR ALL

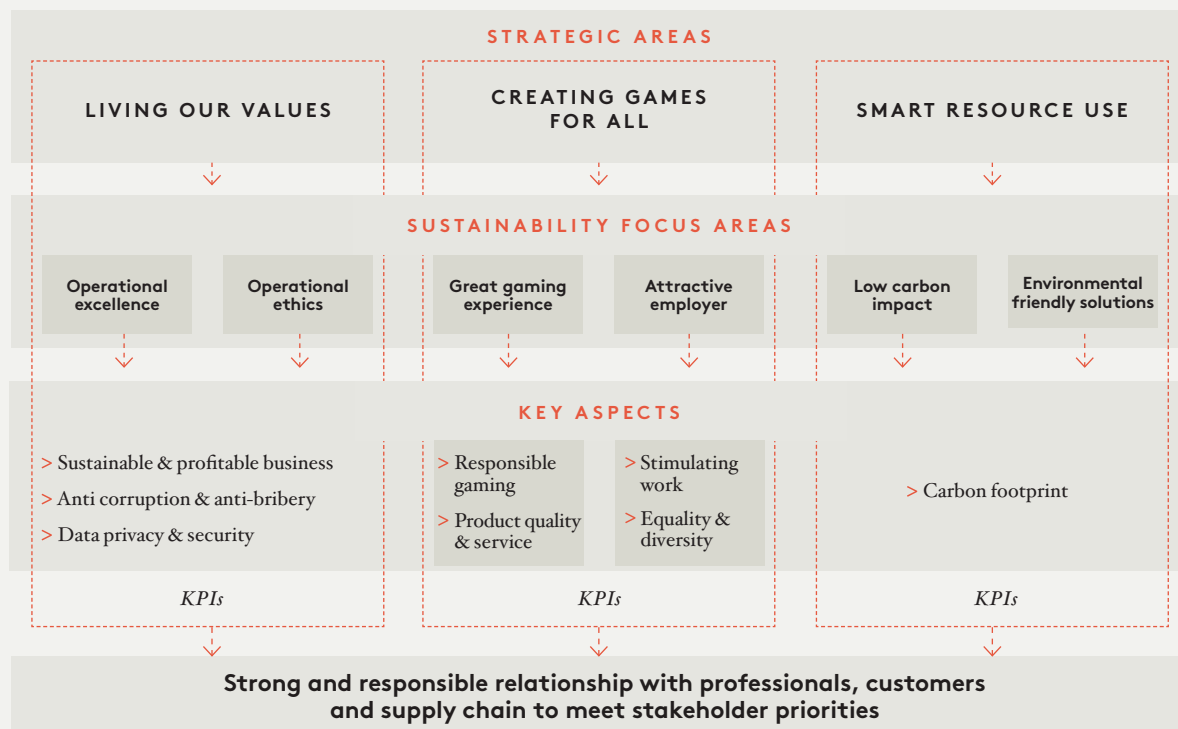
Stillfront's core concept of low-risk, long lifecycle games is key to all decisions taken. This is partly about accountability but just as much about building a stable, successful business capable of developing and growing over time. We also strive to create an inclusive and inviting environment for users and professionals. Being alert and data-driven means we can recognise development areas with potential to create long-term improvements.



SMART RESOURCE USE

The earth's resources are finite and we need to adapt our operations accordingly in the way we buy products and services and in making more effective use of them. We can reduce the negative impact while simultaneously saving our internal resources so that they can be invested smartly in our operations.

A LEADING FREE-TO-PLAY POWERHOUSE



Sustainability areas and key aspects

Operational excellence & Operational ethics

- > To ensure that studios and professionals share our vision of long-term, sustainable operations, we need to have shared values and a structure that fosters them. The parent company, with its Board of Directors and Management team, provides the tools. Stillfront's decentralised organisation means it is the responsibility of the studio heads to implement these and follow up on compliance at local level.

SUSTAINABLE AND PROFITABLE BUSINESS

Stillfront's strategy of developing low-risk, long lifecycle games means we can use our resources cost-effectively. Growth in the number of studios opens up opportunities to scale up and exploit the specialist expertise we have on board, learning from each other. Potential acquisitions of new studios are evaluated from a sustainability perspective and significant risks are identified. This evaluation process takes the form of discussions and interviews with the studio's management team.

ANTI-CORRUPTION AND ANTI-BRIBERY

Corruption, fraud and money laundering are unacceptable to Stillfront and we work to prevent these activities every day. As we see it, our policies, guidelines and processes show the way, fostering the right behaviour on the part of every professional.

Our Code of Conduct sets out how we are expected to act and since late 2019 there has been a whistleblower function in place for reporting irregularities. All companies that we acquire undergo a risk assessment specifically focusing on internal processes that safeguard financial security, including preventing corruption. The Code of Conduct is available for all professionals on Stillfront's internal portal and the respective studio head is responsible for ensuring that professionals are familiar with it. In 2020 an e-learning course on the Code of Conduct will be launched for all professionals, including a section on anti-corruption and anti-bribery.

Anyone can report breaches of the Code of Conduct or other irregularities linked to Stillfront through their manager or using the whistleblower function, which offers anonymity. A report can be made via a link on Stillfront's website, by e-mail or by post. Cases are handled in confidence by Stillfront's Whistleblowing Team, which comprises the Chairman of the Board and the General Counsel. No cases were reported during the year.

One of our most important areas is protecting our users from cyberattacks and card fraud. We comply with all legislations and rules to achieve maximum security and also expect the same of our business partners and suppliers. Stillfront's Goodgames studio has developed its own fraud prevention solution, which has been implemented at several of our other studios. The solution monitors payment patterns in real time and reacts in the event of fraudulent behaviour.

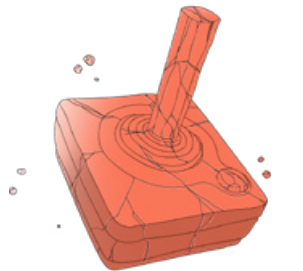
DATA PRIVACY AND SECURITY

Being data-driven is central to Stillfront. Analysing user data enables us to identify behaviour patterns that tell us how we can be even better at developing games, environments, details and functions, as well as following events, activities and campaigns for a better experience. Our users constantly tell us what they think via customer service and their opinions are important to us when developing games and new functions. We could say that we develop our games in collaboration with them. The fact that marketing is data-driven is crucial in attracting users to play free-to-play games. If we get it right, we can use our financial and human resources most effectively.

Data privacy and security are of the utmost importance to Stillfront. Over the years, we have put considerable resources into ensuring that our privacy programme meets the criteria of the General Data Protection Regulation (GDPR) and other relevant local regulations on data protection and privacy. Our processes have been designed to safeguard confidentiality, privacy and access to information and data. Our Processing of personal data policy is available on Stillfront's internal portal. Stillfront's external website also contains information on the rights that users have and descriptions of how Stillfront processes personal data.

We have appointed an external Data Protection Officer (DPO) to evaluate our privacy programme and we will be updating our personal data policy to provide more detailed information about our data protection methods. The DPO guides and trains the groups at Stillfront that handle personal data and also acts as a resource for users with questions about the way we process data.

We recognise that data protection and the privacy of our users demands continuous improvement. In 2019 no substantiated claims about data breaches were reported.



Great gaming experience

- > Stillfront operates in an area that is really very old, namely entertainment with a competitive element, something people have enjoyed since time immemorial. Today we are seeing an ever more rapid rise in digital entertainment, with streaming services such as Netflix and Spotify as just two examples. With a few exceptions, our games are in the free-to-play segment and are geared towards adults. The free-to-play model gives players access to games without having to pay. A majority of our users spend low amounts on in-game purchases. However, there is also a dedicated target group who see the game as a hobby or a lifestyle and this increases willingness to pay.

RESPONSIBLE GAMING

For Stillfront, responsible gaming is about offering users entertainment that can be equated with a hobby, like attending a sporting event or watching streamed films. Here it is important to offer a diversified portfolio of games that attract different types of players, irrespective of sex, background or income, and to treat users with respect. Our strategy is to offer products with a long lifetime, which means it is essential that we develop, test, iterate and optimise our games in close collaboration with our users and with input from customer service.

Marketing is vital to boost a game's visibility and attract users. Stillfront complies with the legislations and rules that apply to us in every market we operate. PEGI in the EU and ESRB in the US are relevant and must be complied with regarding content and age limits. Marketing must be ethical, honest and reflect fundamental human values.

The opportunity to interact with other users is a central and appreciated function in many of our games. Some of our forums already have built-in functions that filter out bad language and we have zero tolerance of threats and personal attacks. Automated analysis tools are constantly improving the abilities to put controls in place and the ambition is to have the same functionality in all forums. Our games attract mainly adult users and the average age of users in this market segment is 35–45 years.

PRODUCT QUALITY AND SERVICE

Developing high-quality products with a long lifetime demands a deep understanding of what users are looking for. Our studios take a data-driven approach and user data helps us to make the right decisions for successful game development. We test new games at an early stage to see whether they are measuring up. We then continue to develop our games jointly with users over the lifecycle of the game, whether this involves a campaign, a new function or a new theme. Games need to constantly develop and be updated with new content to create loyal users.



Attractive employer

- > Our business depends on the wellbeing of our professionals. We operate in an industry that revolves around expertise and talent. Behaving responsibly and sustainably will see us attract and retain the foremost talent in the industry. This demands an inclusive, equal workplace with high diversity.

STIMULATING WORK

We want to be the best platform for developing and developers, by combining the three core values of *entrepreneurship, scalability and structure*. Each studio has its own identity and culture with its own organisation, working methods and processes, plus local market knowledge. It is our ambition, and our challenge, to let studios work autonomously while simultaneously deriving benefits from collaboration with other parts of the business, as Stillfront grows and scales up.

At the start of the year, we set out Stillfront's Code of Conduct describing our shared values, business principles and policies. The code covers a number of areas in the field of sustainability, including provisions on human rights, business ethics, data processing and anti-corruption, as well as other key guidelines and processes. All professionals are expected to comply with the code and the code also explains what professionals can expect of Stillfront.

We plan to develop a web-based training course explaining the Code of Conduct and the goal for 2020 is for all professionals to have completed the training and understood the code.

Stillfront is a knowledge company with highly skilled professionals in a flat organisation in which everyone is encouraged to make a positive contribution to the business. Continued learning is a priority and professionals engage in further training all the time. This takes various forms, with several studios running internal academies, for example. Recruiting qualified people is difficult and takes time.

To tackle this challenge, the studio Imperia Online in Bulgaria launched the IT Talents programme, which provides free courses for developers.

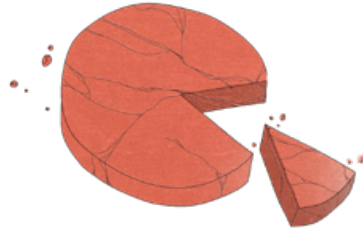
In 2019 Imperia Online employed seven developers from the two courses run that year and eight seasons have been completed since the programme started in 2013, resulting in more than 450 people gaining employment with 80 companies. The programme is set to expand from next year with new courses and new city locations.

EQUALITY AND DIVERSITY

At Stillfront everyone is to be treated equally irrespective of gender, age, identity, or marital status. Employment and development opportunities must always be based on skills, experience and capacity to perform. As Stillfront is a global business, we are able to encourage getting to know and understanding people from different backgrounds and cultures.

In 2019 Stillfront comprised 74 percent men and 26 percent women. Stillfront's Board of Directors comprised 50 percent men and 50 percent women. The gaming industry is male-dominated and Stillfront is working in various ways to be inclusive and create a more gender equal workplace. Staff at the studio Babil Games in the Jordanian capital Amman, which has put a great deal of effort into creating a more gender equal workplace, today comprise 60 percent men and 40 percent women.

A diversified workforce is key to understanding a diversified population of users all around the world. For example an increasing share of women are playing games and the world's population demands high-quality entertainment in their native tongues as well as culturally adapted to religions, customs and behavior.



Low carbon impact & Environmental friendly solutions

- > Stillfront provides digital entertainment classed as digital consumption, in other words there is no physical product in the value chain. Consuming digital entertainment, however uses energy. Our games are played globally in browsers and on mobile phones. All use creates data traffic and affects energy consumption.

CARBON FOOTPRINT

Stillfront causes relatively low greenhouse gas emissions. The foremost source of emissions is server solutions and data storage, but there is also an impact from business travel, energy consumption at our offices, purchased material and indirectly through the digital products we sell. Important environmental aspects are choosing electricity suppliers that offer renewable energy and changing the materials used for the technology. Stillfront's studios use cloud-based server solutions at companies such as Google Cloud, Amazon and Microsoft Azure, which are working intensively to guarantee a high proportion of renewable energy.

In the daily work, our studios seek to cut their carbon footprint using recycling solutions, schemes for old electronics and purchasing procedures.

Our ambition for 2020 is to conduct fundamental calculations of our climate impact to find out where we can make the biggest difference and decide on a strategy.

KEY PERFORMANCE INDICATORS ON SUSTAINABILITY ASPECTS

SUSTAINABLE ECONOMIC PERFORMANCE

Being a financially strong company is necessary to create long-term value for our stakeholders.

+48%

Stillfront's net revenues for 2019 totalled SEK 1,967 m, a growth of 48 percent in comparison to 2018.

LARGE GEOGRAPHIC SPREAD



● 48% Europe ● 2% South America
 ● 29% North America ● 2% Oceania
 ● 18% Asia ● 1% Africa

GREAT GAMING EXPERIENCE

Oldest title in the portfolio.

33 YRS

GemStone is published by Simutronics and has a loyal profitable userbase.

LOYAL USERS

Long-life games for a loyal customer base create sustainable recurring revenues.

755 SEK

Average revenue per monthly paying user.

DIVERSE AND GLOBAL WORK FORCE

Of many nationalities and with an increasing number of women.



● 74% Men ● 26% Women

DIVERSIFIED PORTFOLIO

Diversified portfolio for long-term profitability.

37 GAMES

Operating 37 live games.



Studios give back to society

By involving players we add an additional meaningful layer to the game and at the same time raise awareness on urgent environmental matters.

In 2019 the German Studio Goodgames has created branded in-game events and the players of Big Farm: Mobile Harvest have sponsored the following projects:

| ORGANISATION | PROJECT | PARTICIPANTS |
|------------------------------|--|--|
| > One Tree Planted | > 5,000 trees planted in the us > 5,000 trees planted in the Amazon | > 250,000 participants > 300,000 participants |
| > Bracenet | > Collection of lost fishing nets & cleaning the ocean | > 300,000 participants |
| > Deutsche Wildtier Stiftung | > Support protection of the seriously endangered wild bees in Germany | > 200,000 participants |

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.

Operational-related risks

| RISK | MITIGATION |
|--|---|
| REPUTATION | |
| > Stillfront’s sales and results are dependent on the company’s reputation remaining positive. | > Stillfront Group has implemented a Group Code of Conduct for all the studios and co-workers to comply with, in order to ensure that we act as one company, with one set of standards and business principles. |
| 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 contain an earn-out component for several years for the sellers, who are usually a member of the management of the acquired company, thus incentivising sellers/management to deliver results. Part of the consideration is paid in Stillfront shares subject to lock-up, thus ensuring alignment of interest. |
| USER PREFERENCES, PRODUCT MAINTENANCE AND PRODUCT DEVELOPMENT | |
| > Stillfront’s operational and financial performance is dependent on the attractiveness of the products developed and marketed by the Group. Decreasing attractiveness could lead to unfavorable development of the Group’s performance. | > Stillfront monitors gamers’ appreciation of the games and develops games in an incremental fashion, taking gamer feedback into the product design and development. Further diversification of the games portfolio through acquisitions reduces the risk by a broader market presence targeting new genres and audiences. |

Operational-related risks,
continued

RISK

MITIGATION

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.

DEPENDENCY ON EXTERNAL DISTRIBUTION PLATFORMS

- > Stillfront develops and publishes browser and mobile games. Essentially, the distribution of mobile games is conducted by Google Play, Apple App Store and Facebook whereas browser games are mainly distributed by Stillfront's studios.
- > Stillfront strives to maintain good relations with the mobile platform distributors. In parallel, Stillfront evaluates other means to reach the mobile market.

DEPENDENCY ON KEY INDIVIDUALS

- > Key individuals, senior executives and persons with specialist competence, some of whom are the founders of the Group companies, may have critical competencies and their departure could be detrimental to Stillfront's business. Being able to attract and retain qualified personnel and its Executive Management is vital to Stillfront Group's future operations.
- > By promoting career development and other development opportunities for co-workers including remuneration and competitive long-term incentives, we safeguard our ability to attract and retain co-workers for a long-term.

Industry and market
related risks

RISK

MITIGATION

DEMAND FOR UNDERLYING PRODUCTS

- > The gaming industry is very competitive and sometimes 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.

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 has chosen to primarily work in a game genre with proven long-term profitability, free-to-play online games. In addition, Stillfront continuously explores new genres with characteristics that fit Stillfront's strategies.

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.

Industry and market related risks, continued

RISK

MITIGATION

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 types of 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 with anti-fraud solutions and detection programs in place.

REGULATORY RISKS

- > Stillfront's line of business is gaming. Online gaming is a "young" industry and new regulations to online gaming could impact Stillfront's ability to operate profitably. Data privacy regulations are already in place, such as GDPR.

- > Stillfront adheres to relevant data privacy regulations. Stillfront continuously follows the potential development of regulations regarding gaming. For example local legislations regarding loot boxes.

Financial related risks

RISK

MITIGATION

CURRENCY EXPOSURE

- > Stillfront operates in several countries and has customers in approximately 180 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. Exposure stems from transaction exposure as well as translation exposure.

- > 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 strengthened 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 RATE RISK

- > Stillfront is exposed to interest rate risk, primarily through the bond loans that amounted to SEK 1,100 m on December 31, 2019. Interest on these bonds are linked to STIBOR, which may fluctuate over time. The bond's tenor are May 2022 and June 2024.

- > 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 seeks to have a diversified funding structure including equity, bond and bank facilities with maturities that creates a well-balanced portfolio. Stillfront has as of December 31, 2019 a revolving credit facility of SEK 500 m.

Financial related risks,
continued

RISK

MITIGATION

PRICING RISKS

- > The Group is exposed to a price risk, primarily through the earnouts that are related to some of the Group's acquisitions. Earnouts are based on the financial results of the acquired entities.

- > All earnouts have a cap. The payment of the earnouts is partially financed through the cash flow from the acquired entity.

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 in accordance with applicable legislations, taking into account expert advice from tax advisors.

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.

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.

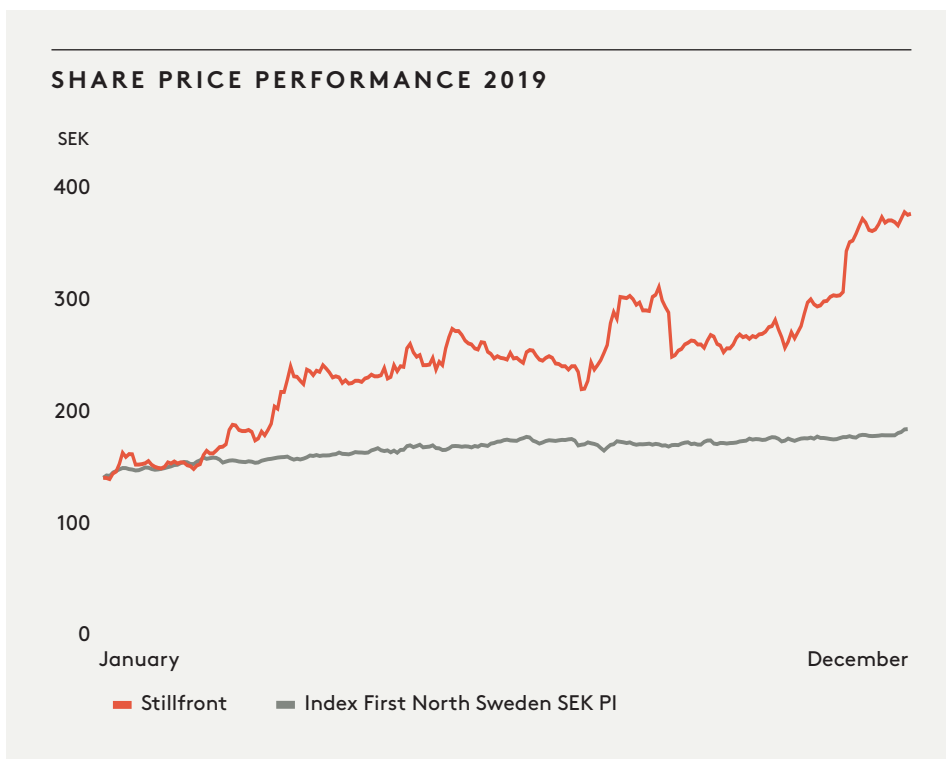
- > Acquisitions are made subject to careful due diligence and may involve considerable potential for value creating synergies when acquisitions are integrated in the Stillfront group. The company continuously assess the performance of the acquired entities and has a robust process for identifying potential write downs of goodwill.

The share

Stillfront shares have been listed on Nasdaq Stockholm First North since December 8, 2015. Since June 29, 2017 the shares have been listed on Nasdaq Stockholm First North Premier Growth Market. On December 30, 2019 the share price was SEK 367.50, an increase of 180 percent during 2019. In 2019, the total amount of traded Stillfront shares were 19,718,866 on First North Premier Growth Market. The daily average turnover was SEK 19,398,191. The share price high was SEK 373.50, with a low of SEK 126.20.

Dividend policy

- > To support value creation, Stillfront aims to invest its profits and cash flows in organic growth initiatives and acquisitions and therefore, does not expect to pay dividends or buy back shares during 2020–2022.



Share data

| | |
|--|--------------------|
| Marketplace | Nasdaq First North |
| Date of listing | 2017-06-29 |
| Ticker symbol | SF |
| ISIN code | SE0007704788 |
| Currency | SEK |
| No. of shares issued as per 31 December 2019 | 26,339,453 |
| Highest price paid in 2019 | 373.50 |
| Lowest price paid in 2019 | 126.20 |
| Last price paid 2019 | 367.50 |

ANALYSTS THAT COVER STILLFRONT

| | |
|------------------|-------------------------|
| Carnegie | Oscar Erixon |
| Pareto | Lars-Ola Hellström |
| Redeye | Kristoffer Lindström |
| Nordea | Erik Lindholm-Röjestrål |
| Kepler Cheuvreux | Hjalmar Ahlberg |

Ten largest shareholders at 31 December 2019

| | No. of shares | Capital and votes |
|-------------------------------|-------------------|-------------------|
| Christian and Kai Wawrzinek | 4,190,602 | 15.9% |
| Swedbank Robur Fonder | 2,545,511 | 9.7% |
| Första AP-fonden | 2,481,212 | 9.4% |
| Handelsbanken Fonder | 2,249,645 | 8.5% |
| SEB Fonder | 2,207,517 | 8.4% |
| Länsförsäkringar Fonder | 1,122,707 | 4.3% |
| Avanza Pension | 662,343 | 2.5% |
| Carnegie Fonder | 622,906 | 2.4% |
| Livförsäkringsbolaget Skandia | 455,444 | 1.7% |
| Master Creating GmbH | 425,913 | 1.6% |
| Total top 10 | 16,963,800 | 64.4% |
| Others | 9,375,653 | 35.6% |
| Total | 26,339,453 | 100.0% |

Size categories at 31 December 2019

| | No of shares | Capital and votes | No of shareholders | Share of |
|-------------------|-------------------|-------------------|--------------------|---------------|
| 1-100 | 86,686 | 0.3% | 2,671 | 66.8% |
| 101-1,000 | 354,206 | 1.3% | 1,063 | 26.6% |
| 1001-10,000 | 568,842 | 2.2% | 189 | 4.7% |
| 10,001-100,000 | 1,666,287 | 6.3% | 41 | 1.0% |
| 100,001-1,000,000 | 6,389,541 | 24.3% | 28 | 0.7% |
| 1,000,001- | 14,797,194 | 56.2% | 6 | 0.2% |
| Unknown | 2,476,697 | 9.3% | | |
| Total | 26,339,453 | 100.0% | 3,998 | 100.0% |

Shareholders by country at 31 December 2019

| | No of shares | Capital and votes | No of shareholders | Share of |
|--------------|-------------------|-------------------|--------------------|---------------|
| Sweden | 15,917,590 | 60.5% | 3,816 | 95.4% |
| Germany | 5,174,728 | 19.6% | 13 | 0.3% |
| US | 1,160,411 | 4.4% | 24 | 0.6% |
| Others | 1,610,027 | 6.1% | 145 | 3.6% |
| Unknown | 2,476,697 | 9.3% | | |
| Total | 26,339,453 | 100.0% | 3,998 | 100.0% |

Corporate governance report

Stillfront seeks to apply strict standards and efficient processes so that its entire operations create long-term value for shareholders and other stakeholders. This requires maintaining an efficient organisational structure, internal control and risk management systems as well as ensuring true and fair reporting and information. Stillfront complies with the Swedish Corporate Governance Code (the Code). 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 21, 2020.

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 Market Abuse Regulation (MAR), the Swedish Code of Corporate Governance and Nasdaq Stockholm's rules for issuers on Nasdaq Stockholm First North Premier Growth Market and internal regulations such as Stillfront's Articles of Association, Rules of Procedure for the Board of Directors, the Board's Instructions for the CEO and other Group wide policies, instructions and guidelines.

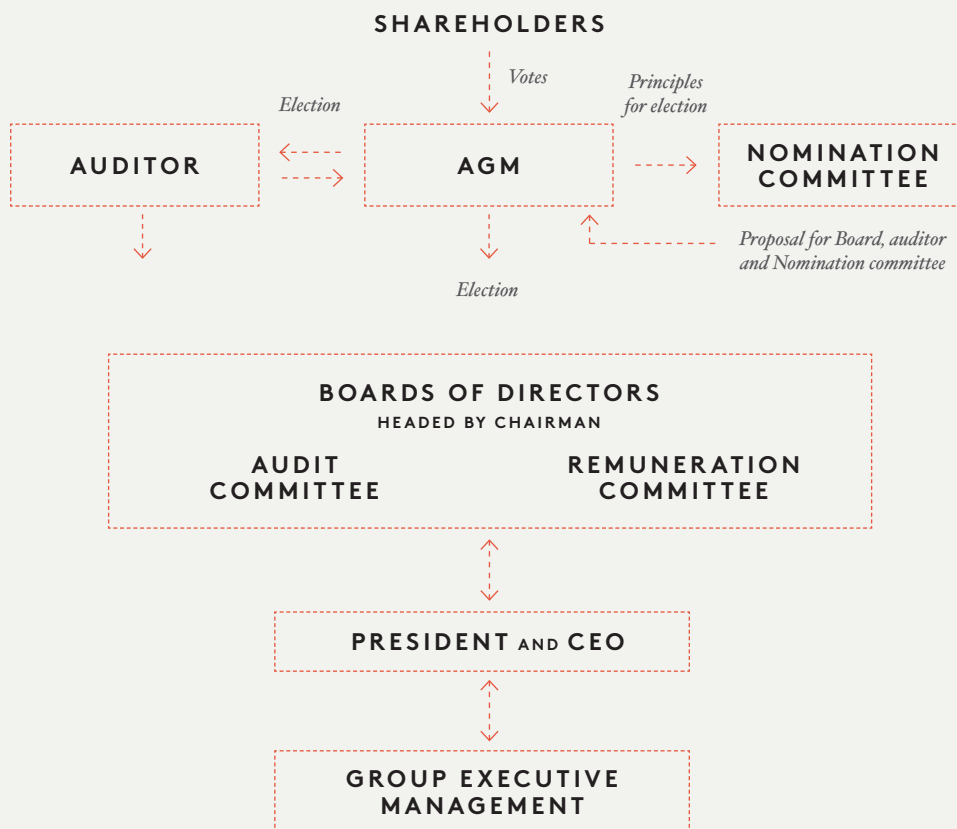
Shares and Shareholding

- > As of 31 December 2019, Stillfront had 26,339,453 outstanding shares and 3,998 shareholders. All shares are of the same class, each grants entitlement to one vote at the General Meeting. At the general meeting, a shareholder may vote for the total number of shares represented. The largest shareholder at 31 December 2019 was Laureus Capital GmbH, which owned 15.9 percent of the outstanding shares and votes. Laureus Capital GmbH was the only shareholder with an ownership greater than 10 percent of outstanding shares and votes. The ten largest shareholders represented 64.4 percent of the outstanding shares and votes.

Annual General Meeting

- > The highest decision-making body of Stillfront is the Annual General Meeting (AGM) through which the shareholders exercise their influence over the company. The AGM is held within six months from the end of the financial year. The date, time and location are announced no later than in connection with the third quarter financial report. Information on how a shareholder can have a matter addressed at the meeting, and by which date such a request must be received by the company in order to ensure it is taken up at the AGM, is announced on Stillfront's website no later than when the third quarter financial report has been published. 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. To be entitled to vote at the AGM, shareholders must be recorded in the share register on the fifth business day before the meeting, including Saturdays that are not Swedish public holidays, and must notify the company of their participation no later than the date stated in the notice of the meeting. Shareholders who cannot attend in person may participate through a proxy representative. Decisions at the AGM are normally made by a simple majority of votes cast. However, according to the Swedish Companies Act, certain types of resolutions require a certain quorum or majority of voting rights.

CORPORATE GOVERNANCE MODEL



IMPORTANT EXTERNAL REGULATIONS

- > The Swedish Companies Act
- > The Swedish Annual Accounts Act
- > Nasdaq's regulations for issuers on Nasdaq First North Premier Growth Market
- > 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
- > Information and insider policy

At the AGM, the following matters shall be handled:

- Presentation of annual report and the auditor's report and, if applicable, consolidated accounts and auditor's report for the group;
- Resolution on
 - adopting of the profit and loss statement and the balance sheet and, if applicable, consolidated profit and loss statement and balance sheet,
 - allocation of the company's profit or loss according to the adopted balance sheet, and
 - discharge from liability for the Board of Directors and the managing director;
- Resolution to establish the remuneration for the Board of Directors and the auditor;
- Resolution on the number of directors and deputy Board of Directors to be appointed;
- Appointment of the directors and the deputy Board of Directors and auditor and deputy auditor; and
- Other matter relevant to the meeting according to the Swedish Companies Act or the Articles of Association.

In addition, shareholders resolve upon any changes to the Articles of Association of the company. The Articles of Association establish, inter alia, the name of the company, the headquarter of the Board of Directors, 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, www.stillfront.com.

Annual General Meeting 2019

- > The AGM 2019 was held at the office of the law firm DLA Piper Sweden, Kungsgatan 9, Stockholm, Sweden, on May 9. During the meeting shareholders were provided the opportunity to ask the Chairman of the Board and the CEO questions. A total of 39 shareholders who were entitled to vote participated at Stillfront's AGM 2019. They represented 14,418,593 shares or approximately 60 percent of the outstanding shares and votes at the date of the AGM.

At the AGM, the Chairman of the Board together with the other Board of Directors, the CEO as well as the auditor participated. The Chairman of the Board was elected as the Chairman of the AGM.

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

- the Board shall consist of six members elected by the AGM, with no deputies;
- the Board members Jan Samuelson, Birgitta Henriksson, Ulrika Viklund, Katarina Bonde and Erik Forsberg were re-elected and Kai Wawrzinek was elected until the end of the next AGM;
- Jan Samuelson was re-elected as Chairman of the Board;
- remuneration to the Board of Directors shall be according to the proposal from the Nomination Committee;
- the accounting firm Öhrlings PricewaterhouseCoopers AB was appointed as auditors with the intention to appoint Nicklas Kullberg as the auditor in chief;
- the remuneration to the auditors shall be paid according to current approved account;
- the Board of Directors shall be authorised to decide and issue shares, convertible instruments and warrants in accordance with the Board of Directors' proposal. The increase in the share capital may correspond to a dilution of a maximum of 10 percent of the share capital;

- there shall be a directed issue of not more than 175,000 warrants intended for an incentive programme. Assignment shall take place at a fair market value price in accordance with the Black-Scholes option pricing model. The warrants give the holder the right to subscribe to shares at a subscription price corresponding 150 percent of the volume weighted average price of the share during the period April 24, 2019–May 8, 2019; and
- there shall be a directed new share issue to
 - the sellers of Imperia Online JSC. of not more than 120,336 shares
 - the sellers of eRepublik Labs, limited of not more than 68,700 shares
 - the sellers of Babil Games FZ LLC. of not more than 54,330 shares.

For more information about the AGM 2019, visit Stillfront's website www.stillfront.com/en/annual-general-meeting-2019/

Extraordinary General Meeting 2019

- > At an extraordinary general meeting on December 10, 2019, it was resolved in accordance with the Board of Directors' proposal to:
 - resolve to issue shares, convertible instruments and/ or warrants. The increase of the share capital may correspond to a dilution of a maximum of 10 percent;
 - adopt an employee stock option program for senior executives of Stillfront;
 - issue warrants of series 2019/2023 and to approve transfers of warrants/shares; and
 - amend the company's Articles of Association in accordance with the Board of Directors' proposal.

For more information about the EGM 2019 visit Stillfront's website <https://www.stillfront.com/en/extra-bolagsstamma-10-december-2019-extraordinary-general-meeting-december-10-2019/>.

Annual General Meeting 2020

- > The AGM 2020 will take place May 14, 2020 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, together with all required documents, are published on the website, www.stillfront.com.

Nomination Committee

- > In accordance with the resolution of the AGM on May 14, 2019, 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 may also decide that the Chairman of the Board of Directors shall be a member of the Nomination Committee. A representative of a shareholder shall be appointed chairman of the Nomination Committee. Neither the Chairman of the Board of Directors nor another Director of the Board shall serve as chairman of the Nomination Committee.

The Nomination Committee for the AGM 2020 consisted of:

- Niklas Johansson – Handelsbanken Fonder, Chairman of the Nomination Committee;
- Kai Wawrzinek – Laureus Capital GmbH;
- Ossian Ekdahl – Första AP-fonden; and
- Jan Samuelson – Chairman of the Board

The duties of the Nomination Committee are to propose, for the AGM 2020, the Chairman of the AGM, the Board of Directors to be elected by the AGM, the Chairman of the Board, remuneration for every member of the Board and the Chairman and any remuneration for committee work, auditors' fees, a proposal on the appointment of auditor (if applicable) and the Nomination Committee's procedures. The Nomination Committee's mandate period runs until the new Nomination Committee has been appointed, in accordance with the decision on appointment of the Nomination Committee passed by the AGM 2020.

The composition of the Nomination Committee meets the Code's requirements for independent members. Following the AGM 2019 and until the end of the year, the Nomination Committee have had two meetings.

The Nomination Committee's proposal, its justified opinion on the proposed Board of Directors, and supplementary information regarding the nominated members of the Board of Directors are announced in connection with the notice of the AGM, and will be presented at the AGM 2020 together with a report on the Nomination Committee's work.

Board of directors

- > The Board has overarching responsibility for the organisation and management of the company's business. The board shall continually assess the financial situation of the company and ensure that the organisation of the company is structured in such a way that the accounting, the management of assets and the financial situation of the company in other respects are monitored in a safe manner. It is also incumbent upon the Board of Directors to ensure that there is sufficient control over the company's compliance with laws and other regulations applicable to the company's business, and that essential ethical guidelines are established for the company's conduct. The Board appoints the CEO.

ATTENDANCE BOARD MEETINGS 2019

| | Attend- ance | Audit Committee | Attend- ance | Remuneration Committee | Attend- ance |
|-----------------------------|-----------------|--------------------|-----------------|---------------------------|-----------------|
| Katarina Bonde, member | 17/17 | | | Member | 1/1 |
| Erik Forsberg, member | 16/17 | Chairman | 6/6 | | |
| Birgitta Henriksson, member | 17/17 | Member | 6/6 | | |
| Jan Samuelson, Chairman | 17/17 | | | Chairman | 1/1 |
| Ulrika Viklund, member | 17/17 | | | | |
| Kai Wawrzinek, member | 16/17 | | | | |

- Composition of the Board** > According to Stillfront's Articles of Association, the Board of Directors shall consist of at least three and at most eight members, with no 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 requirement to achieve diversity and breadth, as well as an effort to achieve an even distribution of gender, have been taken into account in the composition of Stillfront's Board of Directors.
- The AGM 2019 re-elected Jan Samuelson, Birgitta Henriksson, Ulrika Viklund, Katarina Bonde and Erik Forsberg as board members and elected Kai Wawrzinek as new board member. The AGM elected Jan Samuelson as Chairman of the Board.
- Independence** > According to the Code, a majority of the members of the Board of Directors elected by the general meeting are to be independent of the company and its Executive Management. At least two of the members of the Board of Directors who are independent of the company and its Executive Management are also to be independent in relation to the company's major shareholders. The Nomination Committee's opinion is that the board fulfils the requirements pursuant to the Code regarding board members' independence.
- The Nomination Committee has assessed that all board members are independent in relation to the company and the Executive Management. Five of the board members are independent in relation to the company's major shareholders. Kai Wawrzinek has, through his shareholding in Laureus Capital GmbH which is Stillfront's largest shareholder, been considered as dependent in relation to the company's major shareholder.
- Board work** > The Board resolves on written rules of procedure for its work as well as CEO instructions including reporting instructions for the CEO, these are adopted annually at the constitutional meeting after the AGM. The rules of procedure specify how work is to be divided among the Board of Directors, its committees and the CEO. During 2019, 17 meetings were held. At its scheduled meetings, the Board agenda was as determined by its rules of procedure and included items such as business performance, liquidity, annual accounts and interim reports. Three of the Board meetings were held prior to the release of interim reports and one prior to the year-end report. 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. The board members attendance is set out on page 35 in Stillfront's annual report.
- Board meetings are usually convened by way of a notice issued to members at least five days in advance. The Directors shall receive written supporting material regarding the issues to be discussed prior to the board meeting.
- The CEO and the CFO take part in board meetings. The CEO reports on operational performance at each ordinary board meeting and the CFO reports on financial performance. Other representatives from the Executive Management participates in board meetings when relevant.

The Chairman's role

- > The Chairman of the Board organises and manages the Board of Directors' work so that is conducted in accordance with the Swedish Companies Act, other legal acts and regulations, the Code and the Board of Directors' internal governing documents. The Chairman monitors operations through continuous contact with the CEO and is responsible for ensuring that the other Board of Directors 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.

Once a year, the Chairman of the Board carries out an evaluation and analysis of the Board's work through a board assessment tool developed by a third party. The evaluation addresses issues such as the climate of cooperation, corporate governance models, the breadth of knowledge and the quality and efficiency of the board work. 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 of the Board reports the evaluation to the Board of Directors and 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.

Remuneration

- > Remuneration to the Board of Directors is proposed by the Nomination Committee and resolved by the AGM. Information on remuneration for the Board of Directors and the Committee members is shown in the table in Note 10 in Stillfront's annual report.

Remuneration to the CEO and other members of the Executive Management consists of a base salary, and for certain managers a variable performance remuneration, other benefits and pension. The AGM 2019 adopted guidelines for the remuneration of executives, available on Stillfront's website www.stillfront.com. These guidelines have been adhered to without deviations during the year.

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

The CEO negotiates the remuneration and terms of employment for the other members of the Executive Management after consultation with the Remuneration Committee and for the heads of the subsidiaries who report to the CEO. For further information, see Note 10 in the annual report.

Board Committees

- > **THE AUDIT COMMITTEE**

The Audit Committee consists of Erik Forsberg (Chairman) and Birgitta Henriksson. The audit committee has the responsibilities and authority that follows from the Swedish Companies Act and the Code.

The duties of the Audit Committee include:

- reviewing the financial reports;
- monitoring the efficiency of internal control, including risk management, with respect to financial reporting;
- staying informed about the external audit;
- reviewing and, as appropriate, granting prior approval when external auditors are appointed for assignments other than audit services;

- evaluating the objectivity and independence of external auditors and; and
- follow-up on previous matter.

THE REMUNERATION COMMITTEE

A Remuneration Committee was established after the 2019 AGM consisting of Jan Samuelson (Chairman), and Katarina Bonde. The remuneration committee has the responsibilities and authority that follows the Swedish Companies Act and the Code.

The duties of the Remuneration Committee include:

- preparing and evaluating guidelines for remuneration to senior executives;
- preparing and evaluating goals and principles for variable remuneration;
- preparing proposals regarding remuneration and other terms of employment to the Executive Management;
- monitor and evaluate programmes for variable remuneration;
- prepare and make proposals for shareholders' resolutions regarding share or sharepriced related incentive programmes for the Executive Management;
- prepare any resolutions regarding bonus schemes; and
- prepare the Board's CEO succession plan and review of the group's overall succession planning concerning top Management.

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 the 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 2019 elected accounting firm Öhrlings PricewaterhouseCoopers AB as auditor until the end of the AGM 2020. The chief auditor is Nicklas Kullberg.

In 2019, 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 auditor of the company has been present at one board meeting for presenting his conclusions from the 2018 audit and addressing questions from the Board of Directors without any member of the Executive Management present.

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 Nasdaq Stockholm First North Premier Growth Market, as well as Swedish legislation such as the Swedish Companies Act, the Swedish Annual Accounts Act as well as the Swedish Code of Corporate Governance. In addition, there are internal instructions, routines, and a system for delegating roles and responsibility, to ensure good internal control.

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

The Executive Management's working methods

- > The Executive Management is presented on pages 42–43 in Stillfront's annual report. At the Executive Management meetings, which are held regularly, business development, financial monitoring and business plans are discussed. The Executive Management has recurring meetings with representatives of the company's subsidiaries throughout the year. The subsidiaries have high operational freedom within the agreed framework and internal control processes. The Executive Management monitors that the agreed authorities and processes are not exceeded. Effective Management and governance structures have been established within each subsidiary.

Control environment

- > Stillfront's operations are organised in independent subsidiaries. The CEO of the Group appoints an entity head in charge of each 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 Executive 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 for Stillfront and all its subsidiaries regulate the decision-making process for material contracts, major investments and other significant decisions, thus becoming an important part of the group's control environment.

Risk management & Control activities

- > 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 has implemented a model for assessing the risk of errors in accounting and the financial reporting based on coso's framework for internal control. coso (Committee of Sponsoring Organizations of the Treadway Commission) category area (Operations, Financial reporting, Compliance). This includes design and implementation of effective governance structures as well as procedures to secure that all coso components are covered and that the overall Internal Control objectives are met for the different components.

The most significant items and processes in which the risk of significant errors can typically arise encompass financial assets and instruments in the income statement and balance sheet, and the investment process. Stillfront has established documented work routines and continuously evaluates how well the controls function in relation to these items and processes.

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.

The subsidiaries' observance of Stillfront's requirements of internal review and processes for financial reporting is monitored continuously by the CEO and CFO, both remotely and onsite. Onsite reviews are selected based on particular needs and timed depending on internal reviews already performed.

The Group's subsidiaries report income and balance sheets, as well as relevant key figures, on a monthly basis. The monthly reports of the subsidiaries and the consolidated monthly report of the Group are analysed by the Executive Management.

Internal audit

- > Given the Group's structure and processes for internal audit of financial reporting, the Board has not assessed it necessary to establish a special internal audit function for its financial reporting. Instead, Stillfront, on instructions from the Audit committee, engages external parties, to follow up and evaluate work related to inter alia risk management and internal audit. This assessment is revisited yearly by the Board.

Information

- > The Head of IR & Communication has been responsible for the implementation of group policies regarding internal information and communication.

The company's external information follows the information policy established by the Board of Directors. The policy states what should be communicated, by whom and in what manner – to ensure that both external and internal information is correct compliant 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 (www.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's website (www.stillfront.com).

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 of 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
BOARD MEMBER

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 (publ.), IMINT Image Intelligence AB (publ.), Flatfrog Laboratories, Reason Studios AB and Mentimeter AB, Board member Mycronic AB (publ.).

Shareholding: –

Member of the Remuneration Committee

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



ERIK FORSBERG
BOARD MEMBER

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:

Board member Kindred Group Plc.

Shareholding: 1,500.

Chairman of the Audit Committee.

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



**BIRGITTA
HENRIKSSON**
BOARD MEMBER

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: Partner Fogel & Partners, Board member Sdiptech AB.

Shareholding: 2,250.

Member of the Audit Committee.

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



ULRIKA VIKLUND
BOARD MEMBER

Born 1981.

Board member since 2017.

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

Former positions, selection: General Manager Magine Consumer Group Global. CEO "Plejmo". Director International Growth, Spotify.

Other current positions: Co-Founder House Be, Co-Founder Spira Globalt, 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.



KAI WAWRZINEK
BOARD MEMBER

Born 1976.

Board member since 2019.

Education: Lawyer and Doctor of Law, Heidelberg University, Germany.

Former positions, selection: CEO and Founder of Goodgame Studios.

Other current assignments: Managing Director of Laureus Capital GmbH.

Shareholding: 4,453,069 shares owned by Laureus Capital GmbH, of which 50 percent is indirectly owned by Dr. Kai Wawrzinek.

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

Shareholding as per 31 March, 2020.

Group Executive Management



JÖRGEN LARSSON
CEO AND PRESIDENT



MARINA ANDERSSON
HEAD OF M&A



JOHANNA BERGSTEN
GENERAL COUNSEL



ALEXIS BONTE
COO

Born 1964.

Board member 2007–2017,
Founder and CEO since 2010.

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: 150,580.

**Warrants/Employee stock
options:** 70,000.

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.

**Warrants/Employee stock
options:** 10,000.

Born 1983.

General Counsel since 2020.

Education: LL.M. from Uppsala
University.

Former positions, selection:
Senior Group General Legal Counsel
at Evolution Gaming Group AB
and senior associate positions at
Advokatfirman Cederquist AB and
G Grönberg Advokatbyrå Aktiebolag.

Shareholding: —

**Warrants/Employee stock
options:** —

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/Saïd 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: 101,056.

**Warrants/Employee stock
options:** 50,000.



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: —

Warrants / Employee stock options: 10,000.



PHILIP KNUST
CPO

Born 1988.

CPO since 2019

Education: Data processing, EPS Lüneburg, Computer Science, TH Lüneburg

Former positions, selection:

CPO Goodgame Studios. Creative founder of EMPIRE and BIG brand.

Shareholding: —

Warrants / Employee stock options: 32,000.



ANDREAS UDDMAN
CFO

Born 1979.

CFO since 2019.

Education: Chartered Management Accountant (ACMA), Master in Management, EADA Business school, M.A. in Politics from University of Glasgow.

Former positions, selection:

CFO Qliro Financial Services, CFO Vireo Energy, Finance and Business Development positions at Shell.

Shareholding: 2,750.

Warrants / Employee stock options: 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 & Communication, Alimak Group, Senior Consultant Halvarsson & Hallvarsson, Communication Manager, SAS Institute.

Shareholding: —

Warrants / Employee stock options: 10,000.

Shareholding as per 31 March, 2020.

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 governance statement for the year 2019 (the financial year 2019) on pages 30–43 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 21, 2020
Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
AUTHORIZED PUBLIC ACCOUNTANT

Directors' report

Stillfront Group AB (publ) is a global group of gaming studios with a vision to become the leading free-to-play powerhouse. The purpose is to offer long term first class digital entertainment through a global group of gaming studios. This is done by working in partnership in a decentralized organization combining entrepreneurship, scale and structure.

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

Stillfront was founded in 2010 by CEO Jörgen Larsson. Stillfront is a publicly traded company and its shares are listed on Nasdaq Stockholm First North Premier Growth Market under the ticker SF.

Stillfront's Parent Company, Stillfront Group AB (publ)'s registered address is Sveavägen 9, 111 57 Stockholm, Sweden. The company's corporate registration number is 556721-3078.

Stillfront's growth strategy is based on organic growth and carefully selected and executed acquisitions.

Key events during 2019

> The acquisition of Kixeye was finalized in the end of June and the company was consolidated from 1 July 2019. Kixeye is a leading developer and publisher of online strategy games for PC and mobile devices, headquartered in Canada and with offices in Australia, the US and Vietnam. At the time of the acquisition, Kixeye, had four live games; Battle Pirates, War Commander, Vega Conflict and War Commander: Rogue Assault. The upfront consideration was paid by USD 90 m, equivalent to SEK 871 m, in cash on a cash and debt free basis.

To finance the transaction, Stillfront obtained a bridge loan from Swedbank. The bridge loan was repaid with proceeds from combination of a directed share issue of SEK 500 m before transaction costs as well as a new bond loan of SEK 500 m due in 2024.

In June, Stillfront resolved on a directed share issue of 2,080,732 shares at a price of SEK 240.40 per share. Through the share issue Stillfront received approximately SEK 500 m before transaction costs. After the registration of the share issue, the total number of shares in Stillfront amounted to 26,128,972.

In June, Stillfront placed SEK 500 m of senior unsecured bonds under a new bond framework of up to SEK 1,000 m senior unsecured bond loan due 2024. The proceeds from the bond issue was used to refinance the bridge facility loan used to finance the acquisition of Kixeye and for general corporate purposes in order to strengthen the company's capacity and flexibility for further growth. The interest rate for the new bond loan was set at Stibor 3m + 4.75 percent. The terms and conditions of the bond are further described in Note 29.

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

Stillfront's existing portfolio of studios and games continued with the development and launch of new and enhanced games. During the year Game of Trenches-WWI was launched, while EMPIRE: Age of Knights was soft launched globally.

Revenues and profit/loss

- > Net revenues during 2019 amounted to SEK 1,967 m (SEK 1,325 m), an increase of 48 percent.

EBIT amounted to SEK 517 m (SEK 353 m) during the year. EBIT excluding items affecting comparability and amortization of PPA-items amounted to SEK 645 m (SEK 397 m), which is an increase of 63 percent. This corresponds to an EBIT margin of 33 percent (30). Items affecting comparability primarily pertains acquisition/merger costs, and preparations for the move to the main market.

The profit after financial items amounted to SEK 454 m (SEK 265 m). Revaluation of earnouts amounted to SEK 14 m and was included in finance net. Revaluation of provisions for earnouts have been reclassified during 2019 and impact the financial net instead of other revenue and other costs. The impact on 2018 figures was SEK 5 m on EBIT and SEK -5 on financial net. Please refer to Note 5, 8, 11 and 12 for further details.

The net result for the year amounted to SEK 341 m (SEK 157 m).

Cash flow and financial position

- > Cash flow for the year was SEK 94 m (SEK 62 m). Cash flow from operations was SEK 484 m (SEK 210 m). At the end of the year, cash and cash equivalents for the Group amounted to SEK 342 m (SEK 246 m). Unutilized credit facilities amounted to SEK 522 m (SEK 421 m). Cash and cash equivalents including unutilized credit facilities were, at the end of the year, SEK 864 m (SEK 667 m).

Proforma interest coverage ratio was 11.7 (6.9) x, which is defined as EBITDA including acquired entities as if they had been acquired on January 1, divided by net financial items for the past 12 months. In this case the net financial items have been adjusted for revaluation of earnouts.

Proforma Leverage ratio (defined as adjusted net debt as of 31 December divided by EBITDA for the past 12 months including acquired entities as if they had been acquired on January 1 2019) was 0.9 (0.9) x.

Investments and Depreciation

- > During the year investments have been made that have been capitalized with SEK 248 m (SEK 160 m). Investments include, inter alia, the games Game of Trenches – WW1 and Empire: Age of Knights. 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 amortization of SEK 224 m (SEK 125 m) was charged during the year. Depreciation and amortization primarily pertain to intangible assets acquired by the Group related to the Group's acquisitions of subsidiaries and to capitalization of product development expenses.

During the year, the Group increased intangible assets (capitalized product development expenses, goodwill and game rights) by SEK 1,114 m and the Group's non-current liabilities increased by SEK 450 m. The increase in intangible assets pertains mainly to the acquisition of Kixeye, as well as capitalized product development costs. The change in non-current liabilities is described in Note 19 and 29.

Parent Company

- > Group Executive Management functions and group wide services are provided via the Parent Company. Net revenues for the parent during the year amounted to SEK 55 m (SEK 19 m) and profit before tax amounted to SEK -11 m (SEK -84 m).

Updated financial targets

- > At the Capital Markets Day on November 27, 2019, Stillfront presented updated financial targets.

Growth: Stillfront's target is to reach a net revenue of SEK 4,000 m by the end of 2022. Growth will be achieved organically as well as through acquisitions.

Profitability: Stillfront's target is to reach an adjusted EBIT margin in the region of 35 percent. The adjusted EBIT margin is defined as EBIT excluding amortization of PPA-items and items affecting comparability in relation to net revenue. The adjusted EBIT margin may vary quarter to quarter depending on mainly the level of user acquisition and product development.

Leverage: the net debt/adjusted EBITDA ratio should not exceed 1.5x. Adjusted EBITDA proforma is defined as adjusted EBITDA including acquisitions and excluding items affecting comparability for the last twelve months. Stillfront may however, under certain circumstances, choose to exceed this level during short time periods.

Share capital

- > As of 31 December 2019, the number of shares in Stillfront Group AB (publ) amounted to 26,339,453. Stillfront Group AB (publ)'s shares are traded on Nasdaq First North since December 8, 2015. As of June 29, 2017, the share is traded on Nasdaq First North Premier Growth Market. Closing price as of December 31, 2019 was 367.50 SEK/share.

The largest shareholders as of December 31, 2019 were Laureus Capital GmbH holding 15.9 percent of the outstanding shares and votes, Swedbank Robur Holding 9.7 percent of the outstanding shares and votes, First Swedish National Fund 9.4 percent of the outstanding shares and votes, Handelsbanken Funds holding 8.5 percent of the outstanding shares and votes and SEB Funds holding 8.2 percent of the outstanding shares and votes.

Sustainability in accordance with Annual Accounts Act

- > Stillfront sustainability work is integrated in all operations and is therefore a part of the annual report. In accordance with the Swedish Annual Accounts Act, Stillfront has prepared a Sustainability Report, see pages 12–23. The report comprise the Parent Company and the group subsidiaries. During 2019 a sustainability framework was established as the base for governance. The Code of Conduct is the main steering document. Risks attributable to Sustainability is part of the Group's general work with identifying and managing risks.

Events after the reporting period

- >
 - Johanna Bergsten was appointed as General Counsel and member of the Group's Executive Management team effective as of 7th January 2020.
 - In January 2020, Stillfront entered into an agreement with the owners of Storm8, a US market leading mobile mash-up game developer, to acquire 100 percent of the shares in Storm8 for an upfront consideration of USD 300 m on a cash and debt free bases. Storm8 has published more than 50 games across a variety of genres, with 155+ countries reached and over 1 billion downloads. The acquisition was completed on 28 February 2020.
 - In January 2020, Stillfront secured a new SEK 1.6 billion revolving credit facility with a tenor of 3.5 years from Nordea Bank Abp, branch in Sweden and Swedbank AB (publ).
 - In January 2020, Stillfront conducted directed share issues of 3,424,129 shares at a price of SEK 381 per share. The subscription price was determined through an accelerated bookbuilding procedure. Through the share issues, Stillfront received proceeds of approximately SEK 1.3 billion before transaction costs.
 - In January 2020, Stillfront issued SEK 500 m of subsequent bonds under the SEK 1.0 billion framework of its 2019/2024 senior unsecured bond loan. The total amount outstanding under the bond loan is SEK 1.0 billion. The bonds were priced at 105.25, corresponding to a yield of 3.47 percent.
 - In February 2020, Stillfront conducted directed share issue of 1 909 222 shares to the sellers of Storm8 as part of the upfront consideration for the acquisition of the shares in Storm8.

– During the first quarter of 2020, Covid-19 broke out globally. Stillfront is closely monitoring developments and is evaluating the extent to which this may affect the Group's operations in the short and long term. Stillfront is a decentralized organization with studios and professionals in several continents, with the majority located in Europe and North America. Stillfront has proactively taken a number of preventative measures to ensure the Group's operational continuity and curb the spread of the virus among its professionals. Among other things, all business trips and physical business meetings have been postponed and remote work is encouraged. Stillfront focuses on digital entertainment and has digital processes and procedures in place which makes it possible for our organization to function more or less as usual.

Risks and uncertainties > Stillfront has a model for risk management, which aims to identify, control and reduce risks. The Stillfront 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 the Executive Management team and decided by the Board of Directors. A number of key policies form the basis for operational risk management in the organization. Critical risks in Stillfront's business environment is managed strategically through product and business development, and operationally through daily processes. For a more detailed description of Stillfront's risks and risk management, see Note 3 and section Risk Management, see pages 24–27.

Future outlook > Stillfront's future development depends mainly on the development of our studios. In addition, trends in the gaming industry as well as the financial markets can have significant impact on the Group's reported revenues and financial position.

Stillfront operates in a growing and profitable market and has communicated updated financial targets for 2020–2022 including a growth target of net revenue of SEK 4,000 m by the end of 2022, an adjusted EBIT margin in the region of 35 percent and the net debt/adjusted EBITDA ratio should not exceed 1.5. Stillfront may however, under certain circumstances, decide to exceed the net debt/adjusted EBITDA ratio target during short time periods.

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 Code of Corporate Governance (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 information, see the Corporate Governance Report on pages 30–43.

Guidelines for compensation of senior executives > Guidelines for compensation of the CEO and senior executives are presented in Note 10. No significant changes have been proposed ahead of the 2020 Annual General Meeting. However, the proposed guidelines, please see below, are more detailed as a result of a new Shareholders Rights Directive and changes to the Swedish Companies Act and the Swedish Code of Corporate Governance.

The Board of Directors' proposal for guidelines for executive remuneration > The guidelines apply to remuneration and other terms of employment of the CEO and other individuals of the Executive Management of Stillfront Group AB (publ), reg no. 556721-3078 (Stillfront or the Company). These guidelines shall also apply in relation to a member of the Board of Directors of Stillfront who receives any remuneration from the Company and any reference herein to the Executive Manage-

ment and/or an Executive shall for such purposes be deemed to also include such Board member. The guidelines do not apply to any remuneration decided or approved by the general meeting. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2020.

THE GUIDELINES' PROMOTION OF THE COMPANY'S BUSINESS STRATEGY, LONG-TERM INTERESTS AND SUSTAINABILITY

Stillfront's business strategy is to be a leading free-to-play powerhouse, offering long term first class digital entertainment through its global group of gaming studios. Organic growth and carefully selected and executed acquisitions embody our growth strategy. For more information regarding the Company's business strategy, please see <https://www.stillfront-com/en/about-the-company/>. A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, through these guidelines is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration. The overall guidelines for remuneration to Executive Management shall be based on the position, the individual performance, the Company's earnings and that the remuneration shall be competitive in the country of employment.

TYPES OF REMUNERATION

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration based on annual performance targets (bonus), pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

Fixed salary

The fixed salary shall be based on the individual's experience, field of responsibility and related to the relevant market. Fixed salary shall be revised annually.

Variable cash remuneration

The satisfaction of criteria for awarding variable cash remuneration shall be measured annually. The variable cash remuneration for an executive manager may correspond to not more than fifty (50) percent of the fixed annual cash salary. If an employee stock option program is not resolved to be established at the Annual General Meeting 2020, the variable cash remuneration may correspond to up to one hundred (100) percent of the fixed annual cash salary. The variable cash remuneration shall be linked to predetermined and measurable criteria such as earnings, achievements in relation to the budget, the development of the Company's share price and personal performance.

The Board of Directors shall have the possibility, under applicable law or contractual provisions, subject to the restrictions that may apply under law or contract, to in whole or in part reclaim variable remuneration paid on incorrect grounds (claw-back).

To which extent the criteria for awarding variable remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The remuneration committee is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable remuneration

to other executives, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the Company.

Variable long-term incentive program (LTIP)

Long-term incentive programs have been implemented in the Company. Such programs have been resolved by the general meeting and are therefore excluded from these guidelines. The LTIPs include the Executive Management and other key individuals of the Company and its subsidiaries. The programs are conditional upon certain holding periods of several years. For more information regarding these LTIPs, including the criteria which the outcome depends on, please see <https://www.stillfront.com/en/incentive-programs/>.

Pension benefits and other benefits

Pension benefits, including health insurance, shall be premium defined. Variable remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than twenty-five (25) percent of the fixed annual cash salary.

Other benefits may include, for example, medical insurance and company cars. Such benefits shall be limited and not exceed five (5) percent of the fixed annual cash salary.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

TERMINATION OF EMPLOYMENT

Members of the Executive Management shall be offered employment terms in accordance with the laws and practices applicable to the country in which the employee is employed. Upon termination of an employment, the notice period may not exceed twelve (12) months. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for one (1) year for any executive. When termination is made by the executive, the notice period may not exceed six (6) months, without any right to severance pay.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall be based on the fixed cash salary at the time of termination of employment, unless otherwise provided by mandatory collective agreement provisions, and be paid during the time the non-compete undertaking applies, however not for more than six (6) months following termination of employment.

SALARY AND EMPLOYMENT CONDITIONS FOR EXECUTIVE MANAGEMENT

When evaluating whether these guidelines and the limitations set out herein are reasonable, the Board of Directors (including the remuneration committee) has considered the total income of all employees of the Company, including the various components of their remuneration as well as the increase and growth rate over time.

THE DECISION-MAKING PROCESS TO DETERMINE, REVIEW AND IMPLEMENT THE GUIDELINES

The Board of Directors has established a remuneration committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for the Executive Management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company. The members of the remuneration committee are independent of the Company and its Executive Management. The CEO and other members of the Executive Management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

INFORMATION ON REMUNERATION RESOLVED BUT NOT YET DUE

There is no resolved remuneration that is not yet due.

DEROGATION FROM THE GUIDELINES

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the remuneration committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

There has been no derogation from the remuneration guidelines resolved by the annual general meeting 2019.

Proposed distribution of earnings

- > The Board of Directors proposes that the 2020 Annual General Meeting resolves on repayment of an existing conditional shareholder contribution of SEK 2,205,184. Except for the before mentioned, the Board of Directors proposes no dividend for the financial year 2019. Stillfront aims to invest its profits and cash flows in organic growth initiatives and acquisitions.

| SEK | 31 Dec. 2019 |
|---|----------------------|
| Share premium reserve | 3,956,512,661 |
| Profit/loss brought forward | -140,336,811 |
| Profit/loss for the year | 15,531,625 |
| Total | 3,831,707,475 |
| Repayment of conditional shareholder's contribution | 2,205,184 |
| Carried forward | 3,829,502,291 |
| Total | 3,831,707,475 |

Annual General Meeting

- > The Annual General Meeting of Stillfront Group AB (publ), 556721-3078, will be held of May 14, 2020 at 16.00, at the office of DLA Piper Sweden, Kungsgatan 9, Stockholm.

Multi-year summary

GROUP CONSOLIDATED

| SEKm | 2019 | 2018 | 2017 |
|--|-------|-------|------|
| Net revenues | 1,967 | 1,325 | 913 |
| Operating profit | 517 | 353 | 116 |
| Operating profit after financial items | 454 | 265 | 116 |
| Total capital | 4,052 | 2,598 | 408 |
| Shareholders' equity | 1,959 | 1,096 | 64 |

PARENT COMPANY

| SEKm | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------|-------|------|------|------|
| Net revenues | 55 | 19 | 5 | 2 | 1 |
| Operating profit | -8 | -5 | -7 | -6 | -3 |
| Operating profit after financial items | -86 | -84 | -18 | -6 | -3 |
| Total capital | 5,358 | 4,461 | 370 | 350 | 145 |
| Shareholders' equity | 3,850 | 3,315 | 234 | 212 | 141 |

Comparable numbers for 2016 and earlier are not available for the Group.

Consolidated Statement of Comprehensive Income

| SEKm | NOTE | 2019 | 2018 |
|--|------------|------------|------------|
| | 1, 2, 3, 4 | | |
| Revenues | | | |
| Net revenues | 6 | 1,967 | 1,325 |
| Work performed by the company for its own use and capitalized | 17 | 197 | 118 |
| Other operating revenue | 5 | 11 | 7 |
| Operating expenses | | | |
| Other external expenses | 7, 9 | -1,076 | -738 |
| Personnel expenses | 10 | -356 | -236 |
| Depreciation, amortization and impairment | 9, 17, 20 | -224 | -125 |
| Other operating expenses | 8 | -1 | 2 |
| Operating profit | | 517 | 353 |
| Profit/loss from financial items | | | |
| Financial income | 11 | 90 | 19 |
| Financial expenses | 12 | -154 | -107 |
| Net financial items | | -64 | -89 |
| Operating profit after financial items | | 454 | 265 |
| Tax | 14 | -113 | -107 |
| Profit for the year | | 341 | 157 |
| Other comprehensive income | 28 | | |
| Foreign currency translation differences | | 4 | 2 |
| Total comprehensive income for the year | | 345 | 159 |
| <i>Profit for the year attributable to:</i> | | | |
| Equity holders of the Parent Company | | 338 | 156 |
| Non-controlling interests | | 2 | 1 |
| <i>Comprehensive income for the year attributable to:</i> | | | |
| Equity holders of the Parent Company | | 342 | 157 |
| Non-controlling interests | | 3 | 2 |
| Average number of shares | 15 | | |
| Undiluted | | 25,237,953 | 23,256,070 |
| Diluted | | 25,330,083 | 23,386,780 |
| <i>Earnings per share attributable to the equity holders of the Parent Company</i> | | | |
| Undiluted, SEK/share | | 13.41 | 6.72 |
| Diluted, SEK/share | | 13.36 | 6.68 |

Consolidated Statement of Financial Position

| SEKm | NOTE | 31 Dec. 2019 | 31 Dec. 2018 |
|--|--------|--------------|--------------|
| ASSETS | | | |
| Non-current assets | | | |
| <i>Intangible assets</i> | 17 | | |
| Game products | | 185 | 225 |
| Licenses, market and customer related assets | | 37 | 58 |
| Capitalized development expenditure | | 860 | 222 |
| Goodwill | 17, 18 | 2,211 | 1 674 |
| Total intangible assets | 6 | 3,293 | 2,179 |
| <i>Property, plant and equipment</i> | | | |
| Right-of-use assets | 19 | 57 | – |
| Equipment, tools, fixtures and fittings | 20 | 18 | 14 |
| Total property, plant and equipment | 6 | 75 | 14 |
| Deferred tax assets | 21 | 90 | 5 |
| Current assets | | | |
| <i>Current receivables</i> | | | |
| Accounts receivable | 24 | 150 | 98 |
| Current tax asset | | 4 | 1 |
| Other receivables | | 54 | 40 |
| Prepaid expenses and accrued income | 25 | 41 | 15 |
| Cash and cash equivalents | 26 | 342 | 246 |
| Total current assets | | 592 | 400 |
| TOTAL ASSETS | | 4,052 | 2 598 |

Continued

| SEKm | NOTE | 31 Dec. 2019 | 31 Dec. 2018 |
|--|--------|--------------|--------------|
| EQUITY AND LIABILITIES | | | |
| Equity | 27 | | |
| Share capital | | 18 | 16 |
| Other paid-up capital | | 1,765 | 1,247 |
| Other reserves | 28 | 4 | 1 |
| Retained earnings incl. profit for the year | | 154 | -184 |
| Total equity attributable to equity holders of the parent | | 1,942 | 1,081 |
| Non-controlling interests | 22 | 18 | 15 |
| Total equity | | 1,959 | 1,096 |
| Non-current liabilities | | | |
| Deferred tax liability | 31 | 269 | 102 |
| Bond loans | 29 | 1,085 | 588 |
| Liabilities to credit institutions | 29 | 30 | 144 |
| Other non-current liabilities | 19, 29 | 162 | 279 |
| Other provisions | 30 | 24 | 7 |
| Total non-current liabilities | | 1,570 | 1,120 |
| Current liabilities | | | |
| Overdraft facility | 29 | 49 | 35 |
| Accounts payable | | 84 | 66 |
| Current tax liabilities | | 14 | 22 |
| Other current liabilities | 19, 32 | 258 | 146 |
| Accrued expenses and deferred income | 33 | 118 | 113 |
| Total current liabilities | | 523 | 382 |
| TOTAL LIABILITIES AND EQUITY | | 4,052 | 2,598 |

Consolidated Statement of Changes in Equity

| SEKm | Share capital | Other paid-up capital | Other reserves | Retained earnings incl. profit of the year | Attributable to equity holders of the Parent Company | Non-controlling interests | Total equity |
|--|---------------|-----------------------|----------------|--|--|---------------------------|--------------|
| 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 |
| Opening balance, 1 Jan. 2019 | 16 | 1,247 | 1 | -184 | 1,081 | 15 | 1,096 |
| Profit for the year | | | | 338 | 338 | 2 | 341 |
| Currency translation differences*** | | | 4 | | 4 | 0 | 3 |
| Total comprehensive income | 0 | 0 | 4 | 338 | 342 | 2 | 344 |
| New share issue | 2 | 498 | | | 500 | | 500 |
| Issue expenses | | -10 | | | -10 | | -10 |
| Issue for non-cash consideration | 0 | 29 | | | 29 | | 29 |
| Warrants | | | | | 0 | | 0 |
| Total transactions recognized directly against equity | 2 | 517 | 0 | 0 | 519 | 0 | 519 |
| Closing balance, 31 Dec. 2019 | 18 | 1,765 | 4 | 154 | 1,942 | 18 | 1,959 |

*Due to the reverse acquisition, cash consideration paid to the sellers of Altigi GmbH is classified as dividend.

**Purchase consideration in reverse acquisition of Altigi GmbH (see Note 17).

***For detailed information, see Note 28.

Consolidated Cash Flow Statement

| SEKm | NOTE | 2019 | 2018 |
|--|------|---------------|-------------|
| Operating activities | | | |
| Profit after financial items | | 454 | 270 |
| Adjustment of non-cash items, etc. | 35 | 205 | 129 |
| Tax paid | | -118 | -97 |
| Cash flow from operating activities before changes in working capital | | 540 | 301 |
| Cash flow from changes in working capital | | | |
| Increase(-)/decrease (+) in operating receivables | | -45 | -28 |
| Increase (+)/decrease (-) in operating liabilities | | -11 | -64 |
| Cash flow from changes in working capital | | -56 | -92 |
| Cash flow from operating activities | | 484 | 210 |
| Investing activities | | | |
| Acquisition of operation | 16 | -996 | -124 |
| Purchase/sale of property, plant and equipment | | -7 | -4 |
| Purchase of intangible assets | 17 | -248 | -160 |
| Cash flow from investment activities | | -1,251 | -288 |
| Financing activities | 35 | | |
| New loans | | 500 | 1,129 |
| Repayment of loans | | -114 | -500 |
| Cash outflow lease agreements | | -23 | - |
| Overdraft facilities | | 14 | 35 |
| Issue expenses | | -17 | -53 |
| Warrants | | - | 1 |
| New share issue | | 500 | - |
| Dividend | | - | -85 |
| Dividend, reverse acquisition | | - | -388 |
| Cash flow from financing activities | | 861 | 140 |
| Cash flow for the year | | 94 | 62 |
| Cash and cash equivalents at beginning of year | | 246 | 176 |
| Exchange rate difference in cash and cash equivalents | | 3 | 9 |
| Cash and cash equivalents at end of year | | 342 | 246 |

Parent Company Income Statement

| SEKm | NOTE | 2019 | 2018 |
|--|------|------------|------------|
| Revenues | | | |
| Net revenues | | 55 | 19 |
| Total operating income | | 55 | 19 |
| Operating expenses | | | |
| Other external expenses | 7, 9 | -41 | -12 |
| Personnel expenses | 10 | -21 | -13 |
| Operating profit/loss | | -8 | -5 |
| Profit from financial items | | | |
| Interest income, etc. | 11 | 3 | 3 |
| Interest expenses, etc. | 12 | -81 | -82 |
| Total financial items | | -78 | -79 |
| Profit/loss after financial items | | -86 | -84 |
| Appropriations | | | |
| Group contributions | 13 | 75 | - |
| Total appropriations | | 75 | - |
| Profit/loss before tax | | -11 | -84 |
| Tax for the year | 14 | 26 | -10 |
| Profit for the year/comprehensive income for the year | | 16 | -95 |
| Parent Company Statement of Comprehensive Income | | | |
| Profit/loss for the year | | 16 | -95 |
| Total comprehensive income | | 16 | -95 |

Parent Company

Balance Sheet

| SEKm | NOTE | 31 Dec. 2019 | 31 Dec. 2018 |
|--|------|--------------|--------------|
| ASSETS | | | |
| Non-current assets | | | |
| <i>Intangible assets</i> | | | |
| Licenses, patents, and similar assets | | 3 | 1 |
| Total intangible assets | | 3 | 1 |
| <i>Property, plant and equipment</i> | | | |
| Equipment, tools, fixtures and fittings | | 0 | 0 |
| Total property, plant and equipment | | 0 | 0 |
| <i>Financial assets</i> | | | |
| Participations in group companies | 22 | 3,504 | 3,906 |
| Receivables from group companies | 23 | 499 | 493 |
| Deferred tax asset | 21 | 26 | – |
| Other financial assets | | 1 | – |
| Total financial assets | | 4,030 | 4,399 |
| Total non-current assets | | 4,033 | 4,400 |
| Current assets | | | |
| <i>Current receivables</i> | | | |
| Receivables from group companies | | 1,296 | 20 |
| Other receivables | | 13 | 12 |
| Prepaid expenses and accrued income | 25 | 2 | 3 |
| Total current receivables | | 1,310 | 35 |
| Cash and bank balances | 26 | 15 | 26 |
| Total current assets | | 1,325 | 61 |
| TOTAL ASSETS | | 5,358 | 4,461 |

Parent Company

Balance Sheet

Continued

| SEKm | NOTE | 31 Dec. 2019 | 31 Dec. 2018 |
|--------------------------------------|------|--------------|--------------|
| EQUITY AND LIABILITIES | | | |
| Equity | 27 | | |
| <i>Restricted equity</i> | | | |
| Share capital | | 18 | 16 |
| Total restricted equity | | 18 | 16 |
| <i>Non-restricted equity</i> | | | |
| Share premium reserve | | 3,957 | 3,440 |
| Accumulated profit or loss | | -141 | -46 |
| Profit/loss for the year | | 16 | -95 |
| Total non-restricted equity | | 3,832 | 3,299 |
| Total equity | | 3,850 | 3,315 |
| Provisions | | | |
| Other provisions | 30 | 285 | 406 |
| Total provisions | | 285 | 406 |
| Non-current liabilities | | | |
| Bond loans | 32 | 1,085 | 588 |
| Total non-current liabilities | | 1,085 | 588 |
| Current liabilities | | | |
| Overdraft facility | 32 | 48 | 35 |
| Accounts payable | | 5 | 9 |
| Liabilities to group companies | | 76 | 95 |
| Other current liabilities | 32 | 1 | - |
| Accrued expenses and deferred income | 33 | 9 | 13 |
| Total current liabilities | | 138 | 152 |
| TOTAL LIABILITIES AND EQUITY | | 5,358 | 4,461 |

Parent Company Statement of Changes in Equity

| SEKm | Restricted equity | Non-restricted equity | | Total |
|--|-------------------|-----------------------|--|--------------|
| | Share capital | Share premium reserve | Retained earnings incl. profit of the year | |
| 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 |
| Opening balance, 1 Jan. 2019 | 16 | 3,440 | -141 | 3,315 |
| Profit/loss for the year | | | 16 | 16 |
| Total comprehensive income | 0 | 0 | 16 | 16 |
| New share issue | 2 | 527 | | 529 |
| Issue expenses | | -10 | | -10 |
| Warrants | | | 0 | 0 |
| Total transactions recognized directly against equity | 2 | 517 | 0 | 519 |
| Closing balance, 31 Dec. 2019 | 18 | 3,957 | -125 | 3,850 |

Parent Company

Cash Flow Statement

| SEKm | NOTE | 2019 | 2018 |
|--|------|-------------|-------------|
| Operating activities | | | |
| Profit after financial items | | -86 | -84 |
| Adjustment of non-cash items, etc. | 35 | 26 | 4 |
| Tax paid | | 0 | 0 |
| Cash flow from operating activities before changes in working capital | | -60 | -80 |
| Cash flow from changes in working capital | | | |
| Increase(-)/decrease (+) in operating receivables | | 1 | -6 |
| Increase (+)/decrease (-) in operating liabilities | | -10 | 19 |
| Cash flow from changes in working capital | | -9 | 12 |
| Cash flow from operating activities | | -69 | -68 |
| Investing activities | | | |
| Purchase of property, plant and equipment | | 0 | -1 |
| Purchase of intangible assets | | -2 | - |
| Acquisition of operation | 16 | -125 | -595 |
| Payment, previous year's acquisitions | | 0 | -11 |
| Lending/net settlement to subsidiaries | | -812 | 215 |
| Cash flow from investing activities | | -939 | -393 |
| Financing activities | 35 | | |
| New loans | | 500 | 985 |
| Repayment of loans | | 0 | -500 |
| Overdraft facility | | 13 | 35 |
| Issue expenses | | -17 | -53 |
| Warrants | | 0 | 1 |
| New share issue | | 500 | - |
| Cash flow from financing activities | | 996 | 466 |
| Cash flow for the year | | -11 | 6 |
| Cash and cash equivalents at beginning of year | | 26 | 20 |
| Cash and cash equivalents at end of year | | 15 | 26 |

Notes

Note 1. General information

- > Stillfront Group AB (publ.), corporate identification number 556721-3078 and its subsidiaries (collectively termed the Group) is a Group of gaming studios with the vision of being a leading free-to-play powerhouse. Stillfront is active through 12 studios Babil Games, Bytro Labs, Coldwood Interactive, Dorado Games, eRepublik Labs, Goodgame Studios, Imperia Online, Kixeye, OFM Studios, Playa Games, Power Challenge and Simutronics.

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 December 8, 2015 and as of June 29, 2017, the share is traded on First North Premier Growth Market.

Stillfront's 2018/2022 bond, with ISIN code SE0011897925, is listed on Nasdaq OMX Stockholm.

Stillfront's 2019/2024 bond, with ISIN code SE0012728830, is listed on Frankfurt Stock Exchange.

The Board of Directors approved these consolidated accounts for publication on April 21, 2020.

Note 2. Critical accounting policies

- > The financial statements are presented in SEK, Swedish kronor 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. Estimates of material significance to the consolidated accounts are stated in Note 4.

New and amended standards adopted by the Group

Stillfront has adopted IFRS 16 Leases retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019. The new accounting policies are disclosed in Note 2 under IFRS 16 Leases.

Cont. Note 2

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 3.5 percent. For leases previously classified as finance leases the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This transition resulted in measurement adjustments of SEK 2 m due to discounting and SEK 5 m due to variable lease payments based on an index or rate. The remeasurements to the lease liabilities were recognized as adjustments to the related right-of-use assets immediately after the date of initial application.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review.
- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Adjustments recognized in the balance sheet on January 1, 2019

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- right-of-use assets – increased by SEK 45 m
- lease liabilities – increased by SEK 45 m

There was no net impact on retained earnings on January 1, 2019.

TRANSITION FROM OPERATING LEASES ACCORDING TO IAS 17 TO LEASE LIABILITIES ACCORDING TO IFRS 16

| SEKm | GROUP |
|--|-----------|
| Operating lease commitments disclosed as at December 31, 2018 | 55 |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | -2 |
| Less, short-term leases not recognized as a liability | -2 |
| Less, low-value leases not recognized as a liability | -1 |
| Less, adjustments relating to changes in the index or rate affecting variable payments | -5 |
| Lease liability recognized as at January 1, 2019 | 45 |
| Of which are: | |
| Current lease liabilities | 20 |
| Non-current lease liabilities | 26 |
| Lease liability recognized as at January 1, 2019 | 45 |

CONSOLIDATED ACCOUNTS

IFRS 10 Consolidated financial statements cover the accounts of the Parent Company and the companies in which the Parent Company has a direct or indirect controlling interest. A subsidiary refers to an entity in which the parent directly or indirectly owns more than half of the voting rights or otherwise controls the investee. Control over an investee occurs when the Group has power over the investee.

Cont. Note 2

tee, is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

A subsidiary is included in the consolidated financial statements from the date the investor obtains control of the investee, which normally coincides with the acquisition date. Consolidation ceases when the control is lost.

Business combinations are accounted for according to the standard IFRS 3 Business combinations.

At the time of an acquisition, the fair value of the identifiable assets and liabilities of the acquired operations is established. These fair values include participations in the assets and liabilities attributable to any remaining non-controlling interests in the acquired operations. Identifiable assets and liabilities include assets, liabilities, and provisions, as well as commitments and claims from external parties that are not recognized in the balance sheet of the acquired operations. Provisions are not to be made for coming restructuring measures that result from the acquisition. The difference between the consideration transferred for the acquisition and the acquired share in the fair value of net assets of the acquired operations is classified as goodwill and recognized in the statement of financial position. Any transaction costs related to an acquisition are expensed in the period in which they arise.

If the consideration is contingent on future events, it is initially measured at fair value. The subsequent measurement depends on the classification of the contingent consideration. If it is classified as an equity instrument no subsequent re-measurement is to occur. If the contingent consideration is classified as a financial liability it is subsequently measured at fair value through profit and loss. For more information, see the separate section "Provision for earnouts/ contingent considerations."

Under certain circumstances, the legal acquirer is treated as the Group subsidiary and the legally acquired subsidiary is treated as the acquirer. This is a 'reverse acquisition', which is when the consolidated accounts are prepared with the legal subsidiary as acquirer and the legal parent as the acquired entity. The purchase price allocation was prepared based on the legal parent's financial statements. The consolidated accounts were prepared as an extension of the legal subsidiary's financial statements. When judging which entity was 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 sizes (measured by assets or revenues or earnings, for example). Stillfront's acquisition of the subsidiary Altigi GmbH was treated as a reverse acquisition in 2018.

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.

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 fair value adjustments 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 intragroup 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 Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Financial Position.

*Cont. Note 2****Changes in participation in a subsidiary without change of controlling interest***

Transactions with non-controlling interests that do not 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.

TRANSLATION OF FOREIGN CURRENCY***Translation of items in foreign currency***

Foreign currency is translated into an entity's functional currency at the exchange rate in effect on the transaction date.

Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate in effect on the closing day. The functional currency is the currency of the primary economic environment in which the Group entities operate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation of monetary assets and liabilities are recognized in profit or loss for the year. Foreign exchange differences from monetary assets and liabilities designated as a hedging instrument under hedge accounting are recognized in other comprehensive income. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the exchange rate prevailing at the date of the transaction.

Financial statements of foreign subsidiaries

The results and financial positions of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated from the foreign operation's functional currency to the Group's reporting currency, SEK, at foreign exchange rates at the closing rate at the date of the balance sheet. Revenues and expenses of foreign operations are translated to SEK at the period average exchange rates. Translation differences arising from the translation of the net investment in foreign operations are recognized in other comprehensive income and are accumulated in a separate component of equity, a translation reserve.

INTANGIBLE ASSETS

Intangible assets within the Group relates to goodwill, capitalized development expenditures, game products, market and customer related assets and licenses.

The Group recognizes intangible assets according to IAS 38 Intangible assets. Goodwill that arises upon acquisition of companies is recognized in accordance with the rules in IFRS 3.

The intangible asset is an identifiable, non-monetary asset in the Groups control which generate future economic benefits. An intangible asset is measured initially at cost.

An intangible asset can be recognized through a separate acquisition, as part of a business combination or be internally generated. Separately acquired intangible assets are measured at cost.

If an intangible asset is internally generated, it is classified as either in a research phase or in a development phase. When the development phase is reached, the Group recognizes the expenditures generated as intangible assets. The intangible asset due from development is only capitalized if the criteria's described under Capitalized development expenditure below are met.

Cont. Note 2

Intangible assets other than goodwill are recognized at cost minus accumulated amortization and impairment losses. Impairment losses are applied in accordance with IAS 36.

Game products

The Groups game products derive from games that has been acquired through the acquisition of an operation. According to IFRS 3 Business combinations the fair value of the games is established on the acquisition date of the operation. Subsequently the value of the game products is carried at cost less accumulated amortizations and impairments. Game products are amortized on a straight-line basis over 5–10 years.

Market and customer related assets and licenses

The Group has acquired market and customer related assets through business combinations. The assets are measured at fair value on the acquisition date and subsequently carried at cost less accumulated amortizations and impairments.

The measurement of paying gamers (market and customer related assets) is allocated by game product and amortized over the same period as them. Market and customer-related assets are amortized over 3–10 years on a straight-line basis. On the sale of an entity, the amount of game products is included in the gain/loss arising.

Licenses have been acquired through subsidiaries and mainly consist of software licenses. The assets are measured at fair value on the acquisition date and subsequently carried at cost less accumulated amortizations and impairments. Licenses are amortized over 5–10 years. On the sale of an entity, the carrying amount of these assets is included in the gain/loss arising. Amortization is on a straight-line basis over the estimated economic life of the assets.

Capitalized development expenditure

The capitalized development expenditure items consist 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 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.

Cont. Note 2

Amortization begins when the asset is ready for use, which is the same date as the 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 amortization of the capitalized expenditure is recognized on a straight-line basis and have been judged to have a useful life of 3–5 years.

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 are recognized according to IFRS 3 Business combinations and IAS 38 Intangible assets.

Goodwill is the value by which the purchase price exceeds the fair value of the net assets acquired in a business combination. Goodwill, which has an indefinite useful life, is not amortized but is tested for impairment annually, or upon indication of impairment in accordance with IAS 36 Impairment of assets.

Goodwill recognized within the Group emerges from the business combinations. Goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies from the business combination.

An assessment is made at the end of each reporting period whether there is any indication that goodwill may be impaired. If any such indication exists, the recoverable amount of the cash-generating unit shall be estimated. Goodwill is tested at least annually for impairment or more frequently if indicators of impairment exist. Any impairment is recognized immediately as an expense and not reversed. The current cash-generating units identified for impairment testing of goodwill comprise of Stillfront Group AB as one cash generating unit.

IFRS 16, LEASES

Stillfront started to apply IFRS 16 from January 1, 2019. Payments due to leases that earlier was recognized as other external expenses in the income statement are reversed and replaced by depreciation of right-of-use asset, interest expense and deferred tax on the temporary difference. The lease payment decreases the outstanding liability.

All leases, except leases with a term of less than 12 months and leases where the underlying asset is of low value, are recognized in the statement of financial position as right-of-use assets, and interest-bearing lease liabilities.

Almost all IFRS 16 leases are lease contracts on office premises and are classified as right-of-use assets due to buildings. Stillfront has a few other leases as office equipment, IT-equipment, cars and others. These other leases are grouped together and classified as others.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

A contract is a lease if it conveys the right to control the use of an identified asset during a specific time period in exchange for consideration. The lease term is the non-cancellable period of the lease, taking into consideration any extension or termination option for the contract and whether it is reasonably certain that this option will be exercised. The lease term in a contract is not extended until the agreement is signed by both parties if both the lessor and the lessee have the right to terminate the contract without penalties.

Contracts may contain both lease and non-lease components. Stillfront are separating non-lease components as service charges, property tax, electricity, water, heating etc. in a contract, and do not

Cont. Note 2

include the non-lease component in the calculation of the value of the right-of-use where it is possible to separate such costs.

The right-of-use asset is initially measured at cost, which equals the amount of the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date. The lease payments include variable lease payments that depend on an index or a rate.

The cost due to lease agreements that has been terminated before first commencement date of the IFRS 16 lease valuation has been treated as a provision in accordance to IAS 37 by applying IFRS 16 Appendix C, paragraph C10 b.

Rights of use of buildings, office equipment and other leases are depreciated over the lease term.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Stillfront's incremental interest was 3.5 percent on January 1, 2019.

The new updated Stillfront incremental interest is recalculated and used as a discounted rate when a new lease agreement is signed within the Group.

The Parent Company applies the exception from application of IFRS 16 Leases. Leasing costs are charged to profit and do not impact the balance sheet. Lease payments are recognized on a straight-line basis over the term of the lease.

IFRS 16 is not applied by the Parent Company.

IAS 17 LEASES

Stillfront have applied IAS 17 in the statements of the financial year ending on December 31, 2018.

The standard distinguishes between finance and operating leases. In Stillfront all leases were classified as operating leases. Payments made during the lease term (after deducting for any incentives from the lessor) were expensed in the Income Statement on a straight-line basis over the lease term.

Stillfront had no arrangements that were classified as financial leases.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are reported in accordance IAS 16 Property, plant and equipment.

Tangible assets are recognized using the cost method. Measurement after recognition is cost less depreciation and any potential impairment. The tangible assets in the Group comprise of equipment, tools, fixtures and fittings which are depreciated on a straight-line basis over 3–15 years. The useful lives as well as the residual value for the tangible assets are reviewed annually. If any decreases of the useful life are detected, the Group will also test the asset for impairment

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

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.

Cont. Note 2

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 are tested due to impairment in accordance with IAS 36 Impairment of assets.

The assets that are tested for impairment on a regular basis within Stillfront relates to goodwill and capitalized development expenditures that are under development. For the Group's other non-financial assets, an impairment test is performed if there is any indication that the carrying amount exceeds the recoverable amount for the asset.

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not amortized but tested annually for any impairment requirement. Assets that are depreciated or amortized are assessed for impairment whenever events or changes in circumstances indicate that the carrying value might not be recoverable. An impairment is made for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and value in use. For assets (other than goodwill) previously impaired, a test for reversal is conducted at each reporting date.

The recoverable amount of goodwill is based on value in use, which is the present value of the expected future cash flows without regard to potential future expansions of operations and restructuring. When goodwill is tested for impairment, the assets are grouped in cash generating units. The current cash generating units identified for impairment testing of goodwill comprise of Stillfront Group AB as one cash generating unit.

FINANCIAL ASSETS

Stillfront applies IFRS 9 Financial Instruments, except for the hedge accounting requirements in IFRS 9, where the Group has chosen to continue to apply the hedge accounting requirements of IAS 39.

Recognition and derecognition

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provision of the instrument. Transactions of financial assets are accounted for at trade date, which is the day when the Group contractually commits to acquire or dispose of the assets. Trade receivables are recognized when the Group has an unconditional right to consideration. Liabilities are recognized when the other party has performed and there is a contractual obligation to pay.

Derecognition, fully or partially, of a financial asset occurs when the rights in the contract have been realized or mature, or when the Group no longer has control over it. A financial liability is derecognized, fully or partially, when the obligation specified in the contract is discharged or otherwise expires. Gains and losses from derecognition or modifications are recognized in profit or loss.

CLASSIFICATION OF FINANCIAL ASSETS*Classification and measurement of financial instruments*

Financial instruments are recognized in the financial statement as current if they are expected to be settled within twelve months. Contrary, if financial instruments are not expected to be settled within twelve months, they are classified as non-current. Liabilities that are due within twelve months, or do not have an unconditional right to defer settlement for at least twelve months, are classified as current. The current portion of long-term liabilities are presented as other current liabilities.

Financial instruments are classified at initial recognition. The classification decides the measurement of the instruments.

*Cont. Note 2****Financial assets***

The classification of financial assets that are debt instruments is based on the entity's business model for managing the assets and the asset's contractual cash flow characteristics. The instruments are classified at:

- amortized cost,
- fair value through other comprehensive income (FVOCI), or
- fair value through profit or loss (FVTPL)

Financial assets at amortized cost are at initial recognition measured at fair value including transaction costs. After initial recognition, they are measured at the effective interest rate method. Assets classified at amortized cost are held under the business model of collecting the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The assets are subject to a loss allowance for expected credit losses.

Debt instruments measured at FVOCI are assets held both for selling and collecting contractual cash flows that are solely payment of principal and interest. Such instruments are measured at fair value with the changes in values recognized in OCI until derecognition when they are reclassified to profit or loss. Instruments at FVTPL are all other debt instruments that are not measured at amortized cost or FVOCI. Financial instruments in this category are recognized at fair value at initial recognition and changes in fair value are recognized in profit or loss.

Equity instruments are classified at FVTPL unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to classify them at FVOCI with no subsequent reclassification to profit or loss.

Financial liabilities

Financial liabilities are measured at amortized cost, with some exceptions of which the most common examples are:

- Financial liabilities at fair value through profit or loss, including derivatives
- Provision for earnouts are recognized by an acquirer in a business combination to which IFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognized in profit or loss.

Financial liabilities at amortized cost are at initial recognition measured at fair value including transaction costs. After initial recognition, they are measured at the effective interest rate method.

Impairment of financial assets

Stillfront 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.

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 platform 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.

*Cont. Note 2***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.

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.

PROVISION FOR EARNOUTS/ CONTINGENT CONSIDERATIONS

Stillfront has contingent considerations from acquisitions. Contingent considerations are settled with cash and shares in Stillfront, based on an amount in SEK, which is determined by the terms and conditions in the agreement.

Contingent considerations could be settled as cash or equity. Contingent Considerations are classified as financial liability. If the contingent consideration is expected to be settled within twelve months of the reporting date it is classified as a current liability and if it is estimated to be settled after twelve months, it is classified as a non-current liability. Contingent consideration is referred to as provisions for earnout. This liability is measured at fair value, and changes in value are recognized in profit or loss as financial net. Currency translation differences are recognized in other comprehensive income.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are reported in accordance to IAS 37 Provisions, contingent liabilities and contingent assets. A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision are the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are discounted in the accounts.

HEDGE ACCOUNTING

Stillfront applies hedge accounting to some of its net investments in foreign operations. As of its treasury policy, Stillfront finances its foreign operations partly in currencies other than the functional

Cont. Note 2

currency of Parent (SEK). Liabilities in foreign currency other than the functional currency of Parent (SEK), currently contingent considerations, are used as hedging instruments. To the extent a gain or loss (currency translation effect) on the hedging instrument is measured as an effective portion of hedging, it is recognized in other comprehensive income. Hedge accounting is performed under IAS 39. Stillfront does not apply cash flow hedges or fair value hedges.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items

CURRENT AND DEFERRED INCOME TAX

Income taxes are reported in accordance to IAS 12 Income taxes.

Income tax consists of current tax and deferred tax. Income tax is recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity, or a business combination. In such case, tax is also recognized in other comprehensive income and equity.

Deferred tax assets and liabilities are only offset when there is a legal right to offset the 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.

Current tax is tax to be paid or received with respect to the current year, or adjustments of current tax attributable to prior periods. Current income taxes are based on each entity's taxable income for the period. This item includes adjustments for current income tax attributable to previous periods.

Deferred tax is reported in accordance with the balance sheet method on all temporary differences arising between reported and fiscal values of assets and liabilities. Deferred tax on temporary differences are not recognized if it occurs due to initial recognition of goodwill. Deferred tax is calculated using tax rates that are adopted or announced as of the balance sheet date and that are expected to apply when the deferred tax asset is realized or when the deferred tax liability is settled.

Deferred tax assets related to deductible temporary differences and loss carryforwards are recognized only to the extent that it is likely that they can be utilized. The value of the deferred tax asset is reduced when it is no longer considered probable that they can be utilized.

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.

EMPLOYEE BENEFITS

The IAS 19 Employee benefits standard requires an entity to recognize a liability when an employee has provided service in exchange for employee benefits to be paid in the future, and an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. If an employee receives share-based payments, such transactions are not within the scope of IAS 19 but instead IFRS 2 Share-based payments. Stillfront has no share-based payments within the scope of IFRS 2.

*Cont. Note 2****Short term employee benefits***

Short-term employee benefits are employee benefits that are expected to be settled within twelve months after the end of the annual reporting period in which the employees render the related service.

Short-term employee benefits within the Group refers to salary, social security contributions, vacation pay and bonuses. These are all expensed in the period in which the employees render the services. Provisions for bonuses are allocated with the full expected amounts which are then adjusted to reflect the actual outcome.

Long-term employee benefits

Post-employment benefit plans are classified either as defined contribution or defined benefit plans. Under a defined contribution plan, the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employee benefits.

Defined contributions plans are expensed when employees provide services entitling them to the contribution.

Defined benefit plans are defined benefit plans and it is the Group's obligation to provide agreed benefits to current and former employees.

All post-employment benefits in the Group are defined contribution plans.

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

The Group recognizes a liability and an expense for termination benefits when it no longer can withdraw the offer of those benefits. If the termination benefits are expected to be settled wholly before twelve months after the end of the annual reporting period in which the termination benefit is recognized, the entity shall apply the requirements for short-term employee benefits. If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the entity shall apply the requirements for other long-term employee benefits and the present value of the liability is calculated.

REVENUE FROM CONTRACTS WITH CUSTOMERS

According to the IFRS 15 an entity shall recognize revenue when the customer gains control over the sold goods or services. The standard includes a five-step model for recognizing revenue. The standard also provides application guidance specific to the recognition of revenue for licenses of intellectual property.

Stillfront's revenue derives from Free-to-play games, deposits, in-game advertising and contracting.

Net revenue is gross proceeds from buyers excluded deferred part from buyers. Fees from Apple or other distributors are recognized in the income statement under other operating expenses and classified as platform fees.

Timing of revenue recognition in the income statement is described below.

Free-to-play games

The games within Stillfront are essentially so called free-to-play games. This means that the base platform can be used by a player without paying an entry fee. The player can play the games without paying

Cont. Note 2

a license fee. The revenue occurs instead when a player makes in game purchases to access additional content, functions, features or advantages in the games.

All games have different characteristics which can differ between studios and also within studios. Hence the standard terms may differ based on the specifics of a game.

A player buys In Game Currency (IGC). This virtual money/currency or tickets (referred to as “virtual currency”) can be used to get different types of “virtual goods” i.e. different types of tools to use in the games or services in-game. A virtual good can be used either immediately or unlimited over the playing time (the playing time can be either unlimited or limited in time). In addition, vouchers can be used for so-called “subscriptions” which means that the player uses his voucher to access various functions for a limited amount of time.

The Group’s contracts contain two distinct performance obligations (PO):

- Virtual goods (additional tools to use when playing) if there is selling price to a virtual item that has been paid for
- Purchased subscriptions (additional functionality and features to use when playing).

Each PO is priced separately which constitute the stand-alone selling price for each PO. The access to the game platform is considered a license “to access” the game. However, as the game is free-to-play, the satisfaction of this PO does not result in any revenue recognition. Both the virtual goods and subscriptions are considered license “to use” Stillfront’s intellectual property. Revenue is, hence, recognized at the point in time when a player uses a virtual currency as payment for the virtual goods.

Subscriptions should be recognized based on the characteristics of the subscription for example monthly subscriptions will be recognized with their monthly revenues i.e. it should match the contractual relationship with the player.

Deposits

Gamers can pay real money or they use in-game purchases to acquire IGC. Such a transaction is referred to as a deposit. Revenue is recognized when the gamer uses the IGC to acquire virtual goods or premium subscriptions. 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 recognized as revenue. The recognition of revenue from inactive gamers are performed by each respective subsidiary.

Gifted items

Stillfront’s free to play games are based on the player acquiring IGC by paying real money and using such IGC to acquire virtual goods or premium subscriptions. Some offers to the gamers contain a combination of IGC and free in-game virtual items (“Gifted Items”). Reliably determining the value of the gifted items is challenging as some items are only available as gifts and other may be priced differently based on volume and/or bundling. As all in-games items are virtual, there is no guide to value the items based on the production cost. The Group has analyzed the gifted items and concluded that the value of the gifted items is not material and reliably determining the amount of revenue that relate to the gifted items is not possible. Therefore, no revenue is allocated to the gifted items.

The license to use the game on the base platform means gamers can access all updates of the game. Stillfront’s opinion is 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.

*Cont. Note 2****Other games related revenues***

In-game advertising revenues are recognized when they occur i.e. when a player consumes an ad in the games.

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 development for an independent publisher is considered a distinct performance obligation that is satisfied over time. The labor from Stillfront in these types of projects are typically constant, or almost constant, over the lifetime of the project. Revenue relating to the development is recognized in accordance with an input method which means that the revenue is recognized linear as the input is constant over the lifetime of the project.

Royalty is recognized in the period that is the basis for computing royalties, in accordance with the guidance for sales-based royalties in IFRS 15. The amount of royalties recognized is consistent with what is documented in a royalty statement issued by the publisher. The purchase of subscriptions 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.

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.

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

IAS 33 deals with principles for the determination and presentation of earnings per share before and after dilution. 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 warrants have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the options, i.e. if they are in the money. Currently, Stillfront has share warrants that may cause dilution. 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 its subsidiaries. Subsidiary Presidents report to Stillfront's CEO and Stillfront's COO (who in turn reports to Stillfront's CEO). However, operational monitoring is focused on individual games rather than the subsidiaries themselves.

Cont. Note 2

Stillfront markets its games worldwide. Revenues are monitored closely for each game, but all costs are not allocated on a game by game basis. Additionally, games have certain shared components that cannot be allocated to an individual game. 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 Parent Company applies the exception in RFR 2 not to apply IFRS 9.

Instead, the Parent Company applies the items specified in RFR 2 (IFRS 9 Financial Instruments, p. 3–10). Financial fixed assets are valued on the basis of acquisition value adjusted for impairment and financial current assets according to the principle of the lowest value. The acquisition value of interest-bearing instruments is adjusted for the accrued difference between what was originally paid, after deduction of transaction costs, and the amount paid on the due date.

LEASES

The Parent Company applies the exception from application of IFRS 16 Leases. Leasing costs are charged to profit and do not impact the balance sheet. Lease payments are recognized on a straight-line basis over the term of the lease.

*Cont. Note 2***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.

PROVISION FOR EARNOUT / CONTINGENT CONSIDERATIONS

In the Parent Company, provision for earnout/contingent consideration is recognized as part of the acquisition value if it is probable that they will fall out. If, in subsequent periods, it becomes apparent that the initial assessment needs to be revised, the acquisition value is adjusted under provision. In the Group the corresponding item is recognized as a financial liability at fair value. A change in the provision is recognized in the Parent Company in group receivables, exchange gains and losses and interest.

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 functional currency of the Group entities. 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 krona (SEK m.), was as follows:

| SEKm | 31 Dec. 2019 | | 31 Dec. 2018 | |
|-------------------|--------------|-----|--------------|-----|
| | EUR | USD | EUR | USD |
| Cash | 31 | 78 | 0 | 16 |
| Earnouts | 194 | 153 | 359 | 47 |
| Other liabilities | 31 | 0 | 144 | – |

If the EUR exchange rate had been 5 percent 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 m higher or 0 m lower respectively. If the EUR exchange rate had been 5 percent higher or lower versus the SEK with all other variables constant, the impact on equity would have been negative SEK 9.3 m or positive SEK 9.3 m respectively.

If the USD exchange rate had been 5 percent 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 3.7 m higher or SEK 3.7 m lower respectively. If the USD exchange rate had been 5 percent higher or lower versus the SEK with all other variables constant, the impact on equity would have been negative SEK 3.6 m or positive SEK 3.6 m 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 1,100 m and other interest-bearing liabilities of SEK 78 m at year end. The Group has STIBOR based interest bearing liabilities and the 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 24 m. The risk of variable interest rates on cash and cash equivalents is considered marginal because interest rates are low, and in certain cases, negative.

The IBOR transition may affect the Group in various ways. LIBOR is scheduled to cease to be published by year end 2021 and liquidity for new LIBOR products is expected to diminish gradually during 2020. Agreements currently based on LIBOR may need to be amended to include new benchmark rates. EURIBOR and STIBOR are expected to remain the predominant market standard for loans and bonds in the relevant currencies for the foreseeable future, with new risk-free rates available as alternative benchmarks.

PRICE RISK

Financial liabilities measured at fair value

The Group has contingent considerations/ provisions for earnouts measured at fair value. In cases where assumptions regarding EBIT change by 5 percent for those operations where contingent considerations have been measured for payment based on earnings in 2020 and 2021, this would impact net profit by SEK 7 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 106 m (83).

MAXIMUM EXPOSURE TO CREDIT RISK

| SEKm | GROUP | | PARENT COMPANY | |
|---|--------------|--------------|----------------|--------------|
| | 31 Dec. 2019 | 31 Dec. 2018 | 31 Dec. 2019 | 31 Dec. 2018 |
| Accounts receivable | 150 | 98 | 0 | – |
| Receivables from group companies | – | – | 1,283 | 281 |
| Accrued income | 41 | 4 | 2 | – |
| Other receivables | 54 | 40 | 11 | 12 |
| Cash equivalents/cash and bank balances | 342 | 246 | 15 | 26 |
| Total | 587 | 388 | 1,311 | 319 |

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 earnouts, 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, all earnout agreements include caps on maximum payouts.

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. The provision for earnout presented in the below table is partly settled in shares (SEK 81 m with maturity 3–12 months and SEK 67 m with maturity 1–5 years).

*Cont. Note 3***MATURITY ANALYSIS OF CONTRACTUAL PAYMENTS FOR FINANCIAL LIABILITIES**

| 31 Dec. 2019 | 0–3 MTH. | 3–12 MTH. | 1–5 YR. | 5 YR. – |
|-------------------------|------------|------------|--------------|----------|
| Bond loans | 20 | 60 | 1,334 | – |
| Provisions for earnouts | – | 208 | 133 | – |
| Lease liabilities | 7 | 18 | 31 | 9 |
| Other liabilities | – | – | 30 | – |
| Accounts payable | 84 | – | – | – |
| Total | 111 | 286 | 1,528 | 9 |

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 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, increase liabilities 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 bonds issued in 2018 and 2019 have no financial maintenance covenants, only financial incurrence covenants.

The company has also arranged credit facilities with banks. Some of these facilities have covenants regarding leverage, all of which 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. 2019 | – | – | 331 |

The following table illustrates changes in fair value adjustments for instruments in level 3:

| | LEVEL 3 |
|--|------------|
| Contingent considerations | |
| Opening balance, 1 Jan. 2019 | 404 |
| Acquisition of operation in the year | 46 |
| Settled in the year | –126 |
| Changes in fair value | –14 |
| Other fair value changes (currency/interest) | 21 |
| Closing balance, 31 Dec. 2019 | 331 |

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 fair value adjustments 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 commercial ability 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 17.

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, free cash flow and discount rate. Estimates other than those management conducted may result in completely different results of operations and a different financial position. For more information see Note 18.

DEFERRED TAXES, INCOME TAX AND VALUE ADDED TAX

Deferred tax assets and liabilities are recognized for temporary differences and for tax loss carry forwards. Stillfront's deferred tax assets is attributable to tax loss carry forwards, deferred income and lease liabilities. The deferred tax liabilities are attributable to capitalized development costs. The valuation of temporary differences and tax loss carry forwards is based on management's estimates of future taxable profits in different tax jurisdictions and are primarily based on business plans.

Tax assets that derive from tax loss carry forwards have been generated in loss making subsidiaries. The tax losses have been assessed to be able to be utilized against future taxable income. New assessments are done on a regular basis based on the current estimated future ability to utilize the deferred tax assets. Assessment regarding future utilization of tax loss carry forwards can change over time which can impact recorded tax expense in profit or loss. Carrying amounts at each reporting date are stated in Note 21.

Accounting for income tax and value added tax is based upon evaluation of income and value added tax rules in all jurisdictions where the Group performs activities.

The Management regularly participates in the judgements of transactions and estimates of probable outcomes in fiscal matters.

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, intangible assets that may have value need to be identified, such as game products, other technical processes and market-related assets, for example.

Cont. Note 4

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 fair value adjustments 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 16.

CONTINGENT CONSIDERATIONS

For certain business combinations, Stillfront has 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 revenue

>

| SEKm | GROUP | | PARENT COMPANY | |
|--|-----------|----------|----------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| Exchange rate fluctuations | 5 | 4 | - | - |
| Fair value of contingent consideration | - | - | - | - |
| Other | 6 | 2 | - | - |
| Total | 11 | 7 | - | - |

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

>

NET SALES

| SEKm | GROUP | |
|--------------|--------------|--------------|
| | 2019 | 2018 |
| Bulgaria | 50 | 14 |
| UAE | 361 | 147 |
| Malta | 53 | 1 |
| Romania | 62 | 70 |
| Sweden | 25 | 17 |
| Germany | 1,183 | 1,048 |
| US | 233 | 28 |
| Total | 1,967 | 1,325 |

*Cont. Note 6***NON-CURRENT ASSETS EXCL. TAX**

| SEKm | GROUP | |
|--------------|--------------|--------------|
| | 2019 | 2018 |
| Bulgaria | 248 | 218 |
| UAE | 39 | 20 |
| Malta | 27 | 20 |
| Romania | 52 | 48 |
| Sweden | 1,179 | 1,176 |
| Germany | 772 | 644 |
| US | 1,054 | 68 |
| Total | 3,370 | 2,193 |

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

Note 7.
Audit fees and
reimbursement

>

| SEKm | GROUP | | PARENT COMPANY | |
|-------------------------------------|----------|----------|----------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| PWC | | | | |
| Audit | 3 | – | 1 | – |
| Tax consultancy | 0 | – | – | – |
| Other auditing | 0 | – | 0 | – |
| Other | – | – | – | – |
| Sub-total, PWC | 4 | – | 1 | – |
| Mazars | | | | |
| Audit | 2 | 2 | 2 | 1 |
| Tax consultancy | 0 | 0 | – | – |
| Other auditing | – | 1 | – | 0 |
| Other | 0 | 0 | – | – |
| Sub-total, Mazars | 2 | 3 | 2 | 1 |
| Other audit firms | | | | |
| Audit | 0 | 0 | – | – |
| Tax consultancy | 0 | – | – | – |
| Other auditing | 0 | 0 | – | – |
| Other | 2 | – | – | – |
| Sub-total, other audit firms | 3 | 0 | – | – |
| Total | 9 | 3 | 3 | 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. SEK 1 m of the audit fees relates to PwC Sweden, SEK 0 m of the tax consultancy fees relates to PwC Sweden, SEK 0 m of the other auditing fees relates to PwC Sweden.

Note 8.
Other operating expenses

>

| SEKm | GROUP | | PARENT COMPANY | |
|--|-----------|----------|----------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| Fair value of contingent consideration | – | – | – | – |
| Other | –1 | 3 | – | – |
| Total | –1 | 2 | – | – |

Note 9.
Leases

>

IFRS 16 LEASES

| SEKm | GROUP | | PARENT COMPANY | |
|--|------------|----------|----------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| Depreciation charge of right-of-use assets | | | | |
| Buildings | –21 | – | – | – |
| Others | –1 | – | – | – |
| Total | –22 | – | – | – |
| Interest expense (included in financial expenses) | –2 | – | – | – |
| Expense relating to short-term leases (included in cost of goods sold and administrative expenses) | –4 | – | – | – |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses) | –1 | – | – | – |
| Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses) | –6 | – | – | – |
| The total cash outflow for leases in 2019 was | –35 | – | – | – |

OPERATING LEASES

| SEKm | GROUP | | PARENT COMPANY | |
|---|----------|-----------|----------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| Lease expense | – | 22 | 2 | 1 |
| The nominal value of future lease payments is allocated as follows: | | | | |
| Remaining term as of 31 December: | | | | |
| Due within 1 year | – | 22 | 2 | 2 |
| Between 2 and 5 yr. | – | 31 | 4 | 6 |
| Later than 5 yr. | – | 0 | – | – |
| Total remaining term as of 31 December | – | 53 | 6 | 8 |

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

> AVERAGE NO. OF EMPLOYEES

| | GROUP | | PARENT COMPANY | |
|------------------|------------|------------|----------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| Australia | | | | |
| Women | 5 | 0 | – | – |
| Men | 20 | 0 | – | – |
| Total | 25 | 0 | – | – |
| Bulgaria | | | | |
| Women | 28 | 20 | – | – |
| Men | 41 | 29 | – | – |
| Total | 68 | 49 | – | – |
| Jordan | | | | |
| Women | 11 | 8 | – | – |
| Men | 17 | 15 | – | – |
| Total | 28 | 23 | – | – |
| Canada | | | | |
| Women | 4 | 0 | – | – |
| Men | 57 | 0 | – | – |
| Total | 62 | 0 | – | – |
| Malta | | | | |
| Women | 5 | 4 | – | – |
| Men | 17 | 16 | – | – |
| Total | 22 | 20 | – | – |
| Romania | | | | |
| Women | 12 | 14 | – | – |
| Men | 17 | 19 | – | – |
| Total | 29 | 33 | – | – |
| Sweden | | | | |
| Women | 4 | – | 4 | – |
| Men | 26 | 26 | 5 | 2 |
| Total | 30 | 26 | 9 | 2 |
| Germany | | | | |
| Women | 91 | 89 | – | – |
| Men | 223 | 227 | – | – |
| Total | 314 | 316 | – | – |
| US | | | | |
| Women | 12 | 2 | – | – |
| Men | 70 | 22 | – | – |
| Total | 82 | 24 | – | – |

Cont. Note 10

AVERAGE NO. OF EMPLOYEES, CONT.

| | GROUP | | PARENT COMPANY | |
|----------------------|------------|------------|----------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| Vietnam | | | | |
| Women | 7 | 0 | – | – |
| Men | 33 | 0 | – | – |
| Total | 40 | 0 | – | – |
| All countries | | | | |
| Women | 179 | 137 | 4 | – |
| Men | 521 | 354 | 5 | 2 |
| Total | 700 | 491 | 9 | 2 |

GENDER DIVISION IN MANAGEMENT

| | GROUP | | PARENT COMPANY | |
|---------------------------------------|-----------|----------|----------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| Board members | 6 | 6 | 6 | 6 |
| of which men | 3 | 3 | 3 | 3 |
| President and other senior executives | 5 | 2 | 5 | 2 |
| of which men | 3 | 2 | 3 | 2 |
| Total | 11 | 8 | 11 | 8 |
| of which men | 6 | 5 | 6 | 5 |

SALARIES AND OTHER BENEFITS, GROUP

| SEKm | Wages/ Salaries | Of which variable remune- ration | Total 2019 | Wages/ Salaries | Of which variable remune- ration | Total 2018 |
|---|--------------------|---|---------------|--------------------|---|---------------|
| Boards of Directors, Presidents and senior executives | 13 | 0 | 13 | 8 | 1 | 8 |
| Other employees | 300 | 6 | 300 | 195 | 1 | 195 |
| Total | 313 | 6 | 313 | 203 | 2 | 203 |

SOCIAL SECURITY CONTRIBUTIONS, GROUP

| SEKm | Pension | Of which variable remune- ration | Total 2019 | Pension | Of which variable remune- ration | Total 2018 |
|--|-----------|---|---------------|-----------|---|---------------|
| Pension expenses for Boards of Directors, Presidents and senior executives | 3 | 1 | 3 | 0 | – | 0 |
| Pension expenses for other employees | 3 | 0 | 3 | 2 | – | 2 |
| Other legislated or contractual social security contributions | 37 | 0 | 37 | 33 | – | 33 |
| Total | 43 | 1 | 43 | 35 | – | 35 |

*Cont. Note 10***SALARIES AND OTHER BENEFITS, PARENT COMPANY**

| SEKm | Wages/ Salaries | Of which variable remune- ration | Total 2019 | Wages/ Salaries | Of which variable remune- ration | Total 2018 |
|---|--------------------|---|---------------|--------------------|---|---------------|
| Boards of Directors, Presidents and senior executives | 13 | 1 | 13 | 8 | 1 | 8 |
| Other employees | 2 | 0 | 2 | 0 | 1 | 0 |
| Total | 15 | 1 | 15 | 8 | 2 | 8 |

SOCIAL SECURITY CONTRIBUTIONS, PARENT COMPANY

| SEKm | Pension | Of which variable remune- ration | Total 2019 | Pension | Of which variable remune- ration | Total 2018 |
|--|----------|---|---------------|----------|---|---------------|
| Pension expenses for Boards of Directors, Presidents and senior executives | 3 | 1 | 3 | 0 | – | 0 |
| Pension expenses for other employees | 0 | 0 | 0 | 0 | – | 0 |
| Other legislated or contractual social security contributions | 4 | 0 | 4 | 3 | – | 3 |
| Total | 7 | 1 | 7 | 4 | – | 4 |

THE GROUP'S PENSION PLANS

All the Group's pension plans are defined contribution plans.

REMUNERATION TO THE BOARD OF DIRECTORS

Fees are payable to the Chairman of the Board and other Board members in accordance with resolutions by shareholders' meetings.

REMUNERATION POLICY FOR EXECUTIVE MANAGEMENT

Remuneration to the CEO is decided by the Board of Directors, and remuneration to other senior executives, by the CEO. The CEO is entitled to a 6 month notice period. Mutual notice periods of 3–6 months apply to other senior executives.

REMUNERATION GUIDELINES FOR EXECUTIVE MANAGEMENT

The following remuneration policy for the CEO and other persons in the Company's Executive Management for the period until the next annual general meeting was adopted on the AGM in May 2019.

The Company's Executive Management members who are subject to these guidelines are currently the CEO of the Company and the other members of the Executive Management. The overall guidelines for remuneration to Executive Management shall be based on the position, the individual performance, the Company's earnings and that the remuneration shall be competitive in the country of employment. The total remuneration to Executive Management shall consist of fixed salary, variable salary in the form of short-term incentive based on annual performance targets (bonus), long-term incentives based on multiannual performance (long-term incentives) and pensions and other benefits. Additionally, there are conditions for termination and, where applicable, severance pay. The total remuneration shall be reviewed annually to ensure that it is marketable and competitive. The Company's size, salary and the person's experience shall be taken into consideration.

*Cont. Note 10****Fixed salary***

Fixed salary shall be the basis for the total remuneration. The fixed salary shall be related to the relevant market and reflect the extent of the responsibility that the work entails.

Variable salary ("Bonus")

In addition to the fixed salary Executive Management shall receive bonuses for results exceeding one or more predetermined performance levels during one fiscal year. The eligibility criteria shall be related to achievements in relation to the budget and based on e.g. net revenues, EBITDA and personal performance. The remuneration from the bonus program can amount to a maximum of six (6) fixed monthly salaries per person. At maximum expense, approximately SEK 4.9 m (excluding social security contributions) may be paid under the bonus program.

Long-term incentives

There are two outstanding incentive programs. The general meeting has in 2017 resolved to issue a maximum of 299,189 warrants, series 2017/2020 and in 2018 resolved to issue a maximum of 300,000 warrants, series 2018/2021. All warrants, series 2017/2020 and 2018/2021 have been subscribed by the Parent Company's subsidiary in 2017 and 2018 respectively, in order to be transferred to Executive Management and certain other key persons in the Parent Company. Of these warrants, 242,000 of the warrants series 2017/2020 and 177,500 of the warrants series 2018/2021 have been transferred under the incentive programs. The incentive programs are described in the annual report. The board of directors has proposed that the annual general meeting resolves to establish an additional incentive program based on warrants. As a result of the board's resolution on cancellation of certain warrants issued under the two outstanding incentive programs, total dilution following exercise of all outstanding warrants in the Parent Company with the addition of the warrants that are proposed to be issued, will not increase from current 2.5 percent of the shares and votes based on the Parent Company's share capital at the time of issue of notice to the AGM.

Pension

Pension agreements shall, if possible, be premium-based and designed according to the levels and practices in the country in which the members of Executive Management are employed.

Other benefits

Other benefits may occur in accordance with the terms of the country in which the members of Executive Management are employed. However, such benefits should be as small as possible and shall not constitute a greater proportion of the total remuneration.

Termination and severance pay

Members of Executive Management shall be offered conditions in accordance with the laws and practices applicable to the country in which the employee is employed. During the period of notice, members of Executive Management shall be prevented from acting in competing activities. In some cases, a prohibition of continued compensation may be applied no more than six months after the termination of the notice period. At present, the longest term of notice in the Parent Company is six months and the members of Executive Management are not entitled to severance pay.

Remuneration that has not expired

The board of directors shall to the proposal of remuneration policy to the general meeting submit information about previously decided remuneration that has not expired. There are no decided payments that have not yet expired.

The board of directors shall have the right to waive the above policy if the board of directors considers it to be special reasons for doing so in a particular case.

Cont. Note 10

Remuneration and benefits to the Board of Directors and senior executives are summarized below.

| 2019, SEK 000 | Salary/ director's fee | Other benefits | Pension expense | Total |
|--------------------------------|---------------------------|-------------------|--------------------|---------------|
| Chairman of the Board | | | | |
| Jan Samuelson | 485 | – | – | 485 |
| Board members | | | | |
| Katarina Bonde | 230 | – | – | 230 |
| Birgitta Henriksson | 250 | – | – | 250 |
| Erik Forsberg | 300 | – | – | 300 |
| Fabian Ritter (until May 2019) | 83 | – | – | 83 |
| Ulrika Viklund | 200 | – | – | 200 |
| Kai Wawrzinek (from May 2019) | 117 | – | – | 117 |
| Chief Executive Officer | 3,091 | – | 1,330 | 4,420 |
| Other senior executives | 8,374 | – | 1,336 | 9,709 |
| Total | 13,130 | – | 2,666 | 15,794 |

| 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 |

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

| SEKm | GROUP | | PARENT COMPANY | |
|--|-----------|-----------|----------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| Financial income | | | | |
| Interest income | 1 | 0 | 2 | 1 |
| Exchange gain | 9 | 3 | 0 | 1 |
| Change in fair value of contingent consideration | 80 | 16 | – | – |
| Total | 90 | 19 | 3 | 3 |

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

| SEKm | GROUP | | PARENT COMPANY | |
|---|-------------|-------------|----------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Financial expenses | | | | |
| Interest expenses | –75 | –43 | –60 | –43 |
| Transaction expenses | –1 | –39 | –1 | –39 |
| Changes in fair value of contingent consideration | –69 | –22 | – | – |
| Other financial expenses | –9 | –4 | –20 | –0 |
| Total | –154 | –107 | –81 | –82 |

Note 13.
Appropriations

| SEKm | PARENT COMPANY | |
|---------------------|----------------|----------|
| | 2019 | 2018 |
| Group contributions | 75 | – |
| Total | 75 | – |

Note 14.
Tax on profit for the year

| SEKm | GROUP | | PARENT COMPANY | |
|--|-------------|-------------|----------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Tax expense | | | | |
| Current tax expense | –140 | –97 | – | – |
| Deferred tax (Notes 21 and 31) | 27 | –10 | 26 | –10 |
| Total tax expense | –113 | –107 | 26 | –10 |
| Profit or loss before tax | 454 | 265 | –11 | –84 |
| Reconciliation of effective tax | | | | |
| Tax at applicable rate 21.4% (22.0%) | –98 | –58 | 2 | 19 |
| Effect of foreign tax rates | –57 | –22 | – | – |
| Non-deductible expenses | –23 | 0 | –13 | – |
| Non-taxable revenues | 23 | 0 | – | – |
| Group items* | – | –3 | – | – |
| Effect of altered tax rate | 2 | –1 | – | – |
| Effect of change in unrecognized loss carry-forwards | 40 | –13 | 37 | –29 |
| Other items | 0 | – | – | – |
| Recognized tax expense | –113 | –107 | 26 | –10 |

* Essentially pertaining to changes in fair value of contingent considerations.

Note 15.
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 | |
|--|------------|------------|
| | 2019 | 2018 |
| Weighted number of outstanding shares before dilution | 25,237,953 | 23,256,070 |
| Weighted number of outstanding shares after dilution | 26,431,583 | 23,368,780 |
| Profit for the year attributable to equity holders of the Parent Company (SEKm) | 338 | 156 |
| Basic earnings per share (SEK) | 13.41 | 6.72 |
| Diluted earnings per share (SEK) | 13.36 | 6.68 |

Note 16.
Acquisitions

> **ACQUISITION OF KIXEYE**

In June 2019, Stillfront acquired Kixeye, a leading developer and publisher of online strategy games headquartered in Canada. The upfront consideration which was paid in cash to the sellers of Kixeye amounted to USD 90 m on a cash and debt free basis. The sellers are entitled to a cash earnout consideration if certain EBITDA levels for the financial year 2019 are achieved. The earnout consideration is subject to a cap of USD 30 m. Kixeye was consolidated into Stillfront's consolidated financial reporting from 1 July 2019.

The purchase consideration follows:

| | |
|-------------------------------------|------------|
| SEKm | |
| Purchase consideration | |
| Cash and cash equivalents | 871 |
| New shares issued | – |
| Contingent consideration | 46 |
| Total purchase consideration | 917 |

*Cont. Note 16***Preliminary purchase price allocation**

A preliminary purchase price allocation of KIXEYE 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 2020.

| | |
|---|------------|
| SEKm | |
| Fair value of acquired assets and liabilities taken over | |
| Intangible assets | 386 |
| Property, plant and equipment | 1 |
| Current receivables excluding cash and cash equivalents | 60 |
| Cash and cash equivalents | 15 |
| Deferred tax liabilities | -55 |
| Current liabilities | -73 |
| Total acquired net assets excluding goodwill | 334 |
| Goodwill | 583 |
| Total acquired net assets | 917 |
| <i>Minus</i> | |
| Cash and cash equivalents | -15 |
| Contingent consideration | -46 |
| Net cash flow on acquisition of operation | 856 |

Goodwill attributable to Kixeye consists of the value of the skills within the company in terms of its capability to develop and publish long-lasting MMORPGs (massively multiplayer online role-playing game).

Stillfront applies a probability-weighted average of payouts associated with each possible outcome ('probability-weighted payout approach') when estimating the fair value of contingent consideration.

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.

The purchase price allocation remained unchanged and is therefore final.

*Cont. Note 16***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 initial acquisition analysis for Imperia was changed by adjusting goodwill upwards by SEK 13 m to SEK 173 m and adjusting the fair value of acquired assets downwards by the corresponding amount.

The purchase consideration follows:

| | |
|-------------------------------------|------------|
| SEKm | |
| 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.

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.

Purchase price allocation

The purchase price allocation of Imperia Online follows. The allocation of intangible assets is definitive.

| | |
|---|------------|
| 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 | -14 |
| Total acquired net assets excluding goodwill | 61 |
| Goodwill | 173 |
| Total acquired net assets | 235 |
| Minus | |
| Cash and cash equivalents | -15 |
| New shares issued | -45 |
| Contingent consideration | -133 |
| Net cash flow on acquisition of operation | 41 |

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 (massively multiplayer online role-playing game).

Stillfront applies a probability-weighted average of payouts associated with each possible outcome ('probability-weighted payout approach') when estimating the fair value of contingent consideration.

*Cont. Note 16***ACQUISITION OF PLAYA GAMES**

The acquisition 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 initial acquisition analysis for Playa was changed by adjusting goodwill downwards by SEK 61 m to SEK 219 m and adjusting the fair value of acquired assets upwards downwards by the corresponding amount.

The purchase consideration for the acquisition is as follows:

| | |
|-------------------------------------|------------|
| SEKm | |
| Purchase consideration | |
| Cash and cash equivalents | 153 |
| New shares issued | 58 |
| Contingent consideration | 219 |
| Total purchase consideration | 430 |

425,913 shares were issued in tandem with the acquisition of Playa Games, at a price of SEK136 per share. SEK 144 m of the purchase consideration was financed with cash. The acquisition was conducted on a debt free cash free basis.

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.

Purchase Price Allocation

The purchase price allocation of Playa Games and follows. The allocation of intangible assets is definite.

| | |
|---|------------|
| SEKm | |
| Fair value of acquired assets and liabilities taken over | |
| Intangible assets | 148 |
| Property, plant and equipment | 3 |
| Current receivables excluding cash and cash equivalents | 16 |
| Cash and cash equivalents | 16 |
| Deferred tax liabilities | -48 |
| Current liabilities | -24 |
| Total acquired net assets excluding goodwill | 112 |
| Goodwill | 317 |
| Total acquired net assets | 430 |
| <i>Minus</i> | |
| Cash and cash equivalents | -16 |
| New shares issued | -58 |
| Contingent consideration | -219 |
| <i>Plus</i> | |
| Redemption of loans to previous owners | 33 |
| Net cash flow on acquisition of operation | 169 |

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 (massively multiplayer online role-playing games).

Stillfront applies a probability-weighted average of payouts associated with each possible outcome ('probability-weighted payout approach') when estimating the fair value of contingent consideration.

Note 17.
Intangible assets



| GROUP, SEKm | Capitalized development expenditure | | Game products | | Licenses, market and customer related assets | | Goodwill | | Total | |
|-----------------------------------|-------------------------------------|--------------|---------------|--------------|--|--------------|--------------|--------------|--------------|--------------|
| | 31 Dec. 2019 | 31 Dec. 2018 | 31 Dec. 2019 | 31 Dec. 2018 | 31 Dec. 2019 | 31 Dec. 2018 | 31 Dec. 2019 | 31 Dec. 2018 | 31 Dec. 2019 | 31 Dec. 2018 |
| Opening accumulated cost | 588 | 414 | 255 | – | 91 | 32 | 1,674 | – | 2,608 | 446 |
| Purchased through operations | 281 | – | 207 | 246 | 27 | 54 | 533 | 1,679 | 1,048 | 1,979 |
| Other external acquisitions | 25 | – | 0 | 2 | 3 | 2 | 0 | – | 28 | 4 |
| Internal development in the year | 220 | 156 | –1 | – | – | – | 0 | – | 220 | 156 |
| Reclassifications during the year | 313 | – | –253 | – | –56 | – | 0 | – | 3 | – |
| Finalization of PPA | – | – | – | – | – | – | 3 | – | 3 | 0 |
| Translation differences | 9 | 18 | 0 | 7 | 1 | 3 | 1 | –5 | 11 | 23 |
| Closing accumulated cost | 1,437 | 588 | 208 | 255 | 66 | 91 | 2,211 | 1,674 | 3,921 | 2,608 |
| Opening accumulated amortisation | –367 | –271 | –30 | – | –33 | –25 | – | – | –430 | –296 |
| Amortization for the year | –165 | –83 | –23 | –30 | –2 | –7 | – | – | –190 | –120 |
| Reclassifications during the year | –40 | – | 30 | – | 5 | – | – | – | –5 | 0 |
| Translation differences | –4 | –13 | 0 | – | 0 | –1 | – | – | –4 | –14 |
| Closing accumulated amortization | –576 | –367 | –23 | –30 | –29 | –33 | – | – | –628 | –430 |
| Closing carrying amount | 860 | 222 | 185 | 225 | 37 | 58 | 2,211 | 1,674 | 3,293 | 2,179 |
| Of which incomplete development | 130 | 46 | – | – | – | – | – | – | 130 | 46 |

Note 18.
Goodwill

> **GOODWILL IMPAIRMENT TEST**

Goodwill is monitored by Management and tested for impairment. The recoverable amount is based on value in use, which is the present value of the expected future cash flows without regard to potential future expansions of operations and restructuring. When goodwill is testing for impairment, the assets are grouped in cash-generating units. The current cash-generating units identified for impairment testing of goodwill comprise of Stillfront Group AB as one cash generating unit.

Goodwill related to Stillfront Group AB has been tested for impairment. Material factors for the test were estimated cash flows for the coming five years, estimated growth after the forecast period (2 percent), the EBITDA margin during the forecast period and the weighted average cost of capital (WACC, 10 percent). The assumption on revenue growth in years 2–5 is in line with external market research on industry market growth, while free cash flow in years 1–5 was on par with 2019 figures in relation to revenues. A sensitivity analysis reveals that a margin to impairment remains when either growth is reduced by half during the forecast periods 2–5, perpetual growth reduced by half or average weighted cost of capital (WACC) increased by 20 percent to 12 percent.

Note 19.
Right-of-use assets

> The balance sheet shows the following amounts relating to leases:

| SEKm | GROUP | |
|--|--------------|-------------|
| | 31 Dec. 2019 | 1 Jan. 2019 |
| Buildings | 58 | 44 |
| Others | 0 | 1 |
| Closing accumulated cost | 58 | 45 |
| Lease liabilities | | |
| Current | 22 | 20 |
| Non-current | 36 | 25 |
| Total | 58 | 45 |
| Additions to the right-of-use assets during the 2019 financial year were | 33 | – |

Note 20.
Equipment, tools,
fixtures and fittings

>

| SEKm | GROUP | | PARENT COMPANY | |
|---|------------|------------|----------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| Opening cost | 64 | 48 | – | – |
| Acquisition of companies | 39 | 6 | – | – |
| New acquisitions | 10 | 3 | – | – |
| Disposals in the year | –36 | –6 | – | – |
| Translation difference | 1 | 2 | – | – |
| Closing accumulated cost | 78 | 53 | – | – |
| Opening accumulated depreciation | –51 | –38 | – | – |
| Depreciation | –45 | –5 | – | – |
| Disposals in the year | 36 | 6 | – | – |
| Translation differences | 0 | –2 | – | – |
| Closing accumulated depreciation | –60 | –39 | – | – |
| Total closing carrying amount | 18 | 14 | – | – |

Note 21.
Deferred tax asset

>

| SEKm | GROUP | | PARENT COMPANY | |
|--|-----------|----------|----------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| The balance comprises temporary differences attributable to: | | | | |
| Tax losses | 68 | 0 | 26 | – |
| Lease liabilities | 0 | – | – | – |
| Deferred income | 21 | 23 | – | – |
| Reported deferred tax asset accounted net against deferred tax liabilities | – | –18 | – | – |
| Closing carrying amount | 90 | 5 | 26 | – |
| The balance comprises temporary differences attributable to: | | | | |
| Opening balance | 5 | 0 | 26 | – |
| Reversal of reported deferred tax asset accounted net against deferred tax liabilities | 18 | – | – | – |
| Acquisition of operations | 43 | – | – | – |
| Recognized in Income Statement | 24 | 5 | – | – |
| Closing carrying amount | 90 | 5 | 26 | – |

Note 22.
Participations in
Group companies

>

| SEKm | PARENT COMPANY | |
|--------------------------------|----------------|--------------|
| | 31 Dec. 2019 | 31 Dec. 2018 |
| Opening carrying amount | 3,906 | 72 |
| Acquisition of subsidiaries | 0 | 7,640 |
| Sale of subsidiary* | –402 | –3,806 |
| Closing carrying amount | 3,504 | 3,906 |

* Sale of subsidiary is an intra-group restructuring. The sold entity is still part of the Stillfront Group.

*Cont. Note 22***SPECIFICATION OF PARENT COMPANY HOLDINGS OF PARTICIPATIONS IN GROUP COMPANIES**

The Parent Company Stillfront Group AB holds 100 percent of the shares in Stillfront Midco AB och Todavia AB. Stillfront Midco AB own directly or indirectly the Studios 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, SEKm | |
|-------------------------------|-----------|---------------------|---------------------------------|---------------------------|---|------------------|--------------|
| | | | | | | 31 Dec. 2019 | 31 Dec. 2018 |
| Todavia AB | Sweden | Stockholm | 559100-2893 | 100 | Owning and managing securities | 2 | 2 |
| Stillfront Midco AB | Sweden | Stockholm | 559110-4053 | 100 | Owning and managing securities | 3,502 | 3,502 |
| - Altigi GmbH | Germany | Hamburg | HRB 99869 | 100 | Developing and publishing online games | - | - |
| - Goodgames Studio Japan K.K. | Japan | | | 100 | | | |
| - Babil Games LLC | UAE | Dubai | 2987/2012 FCZ | 100 | Publishing mobile games | - | - |
| - Babil Games Jordan Branch | Jordan | | 2740 | 100 | | | |
| - Arab Gamers League FZ LLC | UAE | Fujairah | 12166/2018 | 51 | New media services, event management and digital media services | | |
| - Imperia Online JSC | Bulgaria | Sofia | 205098993 | 100 | Developing and publishing online games | - | - |
| Kixeye Inc. | US | Wilming- ton | 935057-91 | 100 | Developing and publishing online games | - | - |
| - Kixeye Canada Ltd. | Canada | Vancouver | BC0952509 (CRA 846529931) | 100 | Developing and publishing online games | - | - |
| - KIXEYE Australia PTY LTD | Australia | Benowa | 157747870 | 100 | Developing and publishing online games | - | - |
| - MachineCell PTY Ltd. | Australia | Benowa | 616523329 | 100 | Developing and publishing online games | - | - |
| - SHFT Inc. | US | Wilming- ton | 5947380 | 100 | Developing and publishing online games | - | - |
| - SHFT VN Co LTD | Vietnam | Ho Chi Minh City | 314465736 | 100 | Developing and publishing online games | - | - |
| - Simutronics | US | Maryland Heights | 311296 | 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 | Malta | C64760 | 100 | Developing and publishing online games | - | - |
| - DOG Prodcutions Ltd | Malta | Malta | C55850 | 100 | Developing and publishing online games | - | - |
| - OFM studios | Germany | | HRB 145244 | 51 | 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 | Hamburg | HRB 118884 | 100 | Developing and publishing online games | - | - |
| - eRepublik Labs. Ltd | Ireland | Dublin | 264101 | 100 | Developing and publishing online games | - | - |
| - ERPK Labs SRL | Romania | Bucharest | 25622297 | 100 | Developing and publishing online games | - | - |
| Playa Games GmbH | Germany | Hamburg | HRB 109725 | 100 | Developing and publishing online games | - | 402 |
| Closing carrying amount | | | | | | 3,504 | 3,906 |

In 2019, the Parent Company sold the investment in Playa Games GmbH to Stillfront Midco AB at book value.

*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.

CONDENSED BALANCE SHEET

| SEKm | SIMUTRONICS | | OFM | | SOG | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 31 Dec. 2019 | 31 Dec. 2018 | 31 Dec. 2019 | 31 Dec. 2018 | 31 Dec. 2019 | 31 Dec. 2018 |
| Non-current assets | 87 | 72 | 11 | 7 | 27 | – |
| Current assets | 4 | 3 | 15 | 12 | 13 | – |
| Total assets | 91 | 75 | 26 | 19 | 41 | – |
| Non-current liabilities | 17 | 18 | 4 | 9 | 2 | – |
| Current liabilities | 45 | 26 | 15 | 6 | 35 | – |
| Total liabilities | 62 | 44 | 18 | 15 | 36 | – |
| Net assets | 29 | 31 | 8 | 3 | 64 | – |
| Accumulated non-controlling interests | 13 | 14 | 4 | 2 | 1 | – |

CONDENSED INCOME STATEMENT

| SEKm | SIMUTRONICS | | OFM | | SOG | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 31 Dec. 2019 | 31 Dec. 2018 | 31 Dec. 2019 | 31 Dec. 2018 | 31 Dec. 2019 | 31 Dec. 2018 |
| Revenues | 40 | 29 | 11 | 9 | 53 | – |
| Profit for the year | –4 | –1 | 5 | 3 | 8 | – |
| Profit attributable to the non-controlling interests | –1 | 0 | 2 | 2 | 2 | – |

Note 23.
Receivables from
Group companies

>

| SEKm | PARENT COMPANY | |
|--------------------------------|----------------|------------|
| | 2019 | 2018 |
| Opening carrying amount | 493 | 257 |
| Net change | 6 | 236 |
| Closing carrying amount | 499 | 493 |

No portion of receivables have become due for payment.

Note 24.
Accounts receivable

| SEKm | GROUP | | PARENT COMPANY | |
|---|------------|------------|----------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Accounts receivable | | | | |
| Accounts receivable | 150 | 98 | 0 | 0 |
| Other receivables* | 54 | 40 | 11 | 10 |
| Contract assets (accrued income) | 25 | 4 | – | – |
| Reserve for doubtful debt | 0 | – | – | – |
| Accounts receivable, net | 229 | 142 | 11 | 10 |
| Accounts receivable not due | 146 | 91 | 0 | 0 |
| Accounts receivable, overdue with no reserve | | | | |
| Overdue by 0–3 mth. | 1 | 4 | – | – |
| Overdue by 4–6 mth. | 0 | 0 | – | – |
| Overdue by 7–12 mth. | 0 | 1 | – | – |
| Overdue by 2–5 yr. | 2 | 2 | – | – |
| Total remaining maturity as of 31 December | 150 | 98 | 0 | 0 |

* The Group's other receivables at year-end 2019 largely consist of receivables from business partners and lease deposits.

As of 31 December 2019, accounts receivable amounted to SEK 150 m of which 146 were not overdue. Expected credit losses are insignificant. 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 and 3.

Note 25.
**Prepaid expenses
and accrued income**

| SEKm | GROUP | | PARENT COMPANY | |
|------------------------------------|-----------|-----------|----------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| Prepaid expenses | 16 | 11 | 1 | 3 |
| Contracted assets (accrued income) | 25 | 4 | 0 | – |
| Total | 41 | 15 | 2 | 3 |

Note 26.
**Cash equivalents/cash
and bank balances**

| SEKm | GROUP | | PARENT COMPANY | |
|------------------------|------------|------------|----------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Cash and bank balances | 342 | 246 | 15 | 26 |
| Total | 342 | 246 | 15 | 26 |

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.

*Cont. Note 27**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 2020.

| PARENT COMPANY SEKm | 31 Dec. 2019 | 31 Dec. 2018 |
|------------------------------------|-------------------|-------------------|
| Share capital | 18 | 16 |
| <i>Change in number of shares:</i> | | |
| Opening balance | 24,048,240 | 6,425,008 |
| 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 |
| New share issue, 18 Jun. 2019 | 2,080,732 | |
| New share issue, 06 Sep. 2019 | 206,173 | |
| New share issue, 16 Sep. 2019 | 4,308 | |
| Closing balance | 26,339,453 | 24,048,240 |

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 | |
|---|----------|----------|
| | 2019 | 2018 |
| Currency translation from translation of foreign entities | 20 | 3 |
| Currency translation from translation of liabilities that hedge net investments | -16 | -2 |
| Total | 4 | 1 |

Note 29.
Non-current liabilities

>

| SEKm | GROUP | | PARENT COMPANY | |
|--|--------------|------------|----------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Contingent considerations | | | | |
| Repayment within 2–5 yr. | 124 | 279 | – | – |
| Repayment after more than 5 yr. | – | – | – | – |
| Non-current liability | 124 | 279 | – | – |
| Current liability | 206 | 125 | – | – |
| Total Contingent considerations | 331 | 404 | – | – |
| Bond loans | | | | |
| Repayment within 2–5 yr. | 1,085 | 588 | 1,085 | 588 |
| Repayment after more than 5 yr. | – | – | – | – |
| Non-current liability | 1,085 | 588 | 1,085 | 588 |
| Current liability | 0 | 0 | 0 | 0 |
| Total bond loans | 1,085 | 588 | 1,085 | 588 |
| Liabilities to credit institutions | | | | |
| Repayment within 2–5 yr. | 30 | 144 | – | – |
| Repayment after more than 5 yr. | – | – | – | – |
| Non-current liability | 30 | 144 | – | – |
| Total liabilities to credit institutions | 30 | 144 | – | – |
| Other non-current liabilities and non-current lease liabilities | | | | |
| Repayment within 2–5 yr. | 38 | – | – | – |
| Repayment after more than 5 yr. | – | – | – | – |
| Non-current liability | 38 | – | – | – |
| Total other non-current liabilities and non-current lease liabilities | 38 | – | – | – |

BOND LOANS AND REVOLVING CREDIT FACILITY

The Group has a revolving credit facility of SEK 500 m with two years to maturity at competitive market terms. As of December 31, 2019, SEK 30 m had been utilized. An unsecured bond loan of SEK 600 m was issued in November 2018 due 2022. The bond has a coupon rate of Stibor 3m +5 percent with a zero floor. In June 2019 an unsecured bond loan of SEK 500 m was issued due 2024. The bond has a coupon rate of Stibor 3m + 4,75 percent with a zero floor. Both 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 percent of the votes or capital of Stillfront Group. The pricing in an advance redemption would exceed nominal value.

*Cont. Note 29***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.

The value of the earnouts for the acquired studios are based on current assessment of the future profits for each studio based on the terms and conditions as per the purchase agreement. At year end four studios had an expected earnout payout. Earnouts to be settled relate to performance based on the years 2019 to 2021, of which the last payout is due in 2022.

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 recognized in financial items in the Income Statement.

**Note 30.
Provisions**

>

| SEKm | GROUP | | PARENT COMPANY | |
|---|-----------|----------|----------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Contingent considerations | | | | |
| Opening balance | – | – | 406 | 25 |
| Acquisitions | – | – | – | 330 |
| Transfer from subsidiary | – | – | – | 61 |
| Settlement | – | – | –130 | –22 |
| Change in fair value | – | – | –14 | 8 |
| Interest | – | – | 23 | 4 |
| Closing balance, contingent considerations | – | – | 285 | 406 |
| Other provisions | | | | |
| Opening balance | 6 | 18 | – | – |
| Provision in the year | 20 | 0 | – | – |
| Settled in the year | –3 | –11 | – | – |
| Closing balance, other provisions | 24 | 7 | – | – |

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

**Note 31.
Deferred tax liability**

>

| SEKm | GROUP | |
|--|----------|------------|
| | 2019 | 2018 |
| Deferred tax asset | | |
| <i>Reported deferred tax assets accounted net against deferred tax liabilities</i> | | |
| Opening balance | –18 | –22 |
| Recognized in Income Statement | 18 | 4 |
| Closing carrying amount | – | –18 |

Cont. Note 31

| SEKm | GROUP | |
|--|--------------|--------------|
| | 31 Dec. 2019 | 31 Dec. 2018 |
| The balance comprises temporary differences attributable to: | | |
| Deferred tax liability | | |
| <i>Intangible assets</i> | | |
| Opening balance | 118 | 46 |
| Acquisition of operations | 125 | 68 |
| Recognized in Income Statement | 26 | – |
| Translation differences | 0 | 4 |
| Closing carrying amount | 269 | 118 |
| <i>Other temporary differences</i> | | |
| Opening balance | 2 | – |
| Acquisition of operations | – | 3 |
| Recognized in Income Statement | –2 | –1 |
| Closing carrying amount | – | 2 |

| SEKm | GROUP | |
|---|--------------|--------------|
| | 31 Dec. 2019 | 31 Dec. 2018 |
| Total deferred tax liability, net | | |
| Opening balance | 102 | 46 |
| Reversal of reported deferred tax asset that was accounted net against deferred tax liabilities in 2018 | 18 | – |
| Acquisition of operations | 125 | 71 |
| Recognized in Income Statement | 24 | –1 |
| Translation differences | 0 | 4 |
| Reported deferred tax asset accounted net against deferred tax liabilities | – | –18 |
| Closing carrying amount | 269 | 102 |

Note 32.
Other current liabilities

| SEKm | GROUP | | PARENT COMPANY | |
|-------------------------------|------------|------------|----------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Contingent considerations | 206 | 125 | – | – |
| Overdraft facilities | 48 | 35 | 48 | 35 |
| Current lease liabilities | 22 | – | – | – |
| VAT payable | 18 | 13 | – | – |
| Employee withholding taxes | 4 | 3 | 1 | 0 |
| Social security contributions | 2 | 1 | 0 | 0 |
| Other short term liabilities | 5 | 4 | – | – |
| Total | 306 | 181 | 49 | 35 |

Note 33.
Accrued expenses
and deferred income

| SEKm | GROUP | | PARENT COMPANY | |
|-----------------------------|------------|------------|----------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Accrued expenses | 37 | 50 | 9 | 13 |
| of which personnel expenses | 11 | 29 | 2 | 3 |
| of which other expenses | 26 | 20 | 7 | 10 |
| Deferred income | 81 | 63 | – | 0 |
| Total | 118 | 113 | 9 | 13 |

Note 34.
Pledged assets

| SEKm | GROUP | | PARENT COMPANY | |
|--|--------------|--------------|----------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| Collateral for liabilities to credit institutions | | | | |
| Corporate mortgages | – | – | – | – |
| Pledged shares in subsidiaries | 1,578 | 1,269 | 3,502 | 3,502 |
| Total | 1,578 | 1,269 | 3,502 | 3,502 |

Value of pledged shares in the group are the consolidated values that are included in the consolidated balance sheet. The consolidated values are treated as a reversed acquisition for accounting purposes.

Note 35.
Cash flow

| NON-CASH ITEMS | | | | |
|--|------------|------------|----------------|----------|
| SEKm | GROUP | | PARENT COMPANY | |
| | 2019 | 2018 | 2019 | 2018 |
| Depreciation and amortization | 223 | 125 | 0 | 0 |
| Change in fair value of contingent consideration | –14 | 5 | – | – |
| Unrealised exchange rate differences | – | – | 19 | – |
| Other items | –5 | –2 | 7 | 4 |
| | 205 | 129 | 26 | 4 |

INFORMATION ABOUT INTEREST AND DIVIDEND

| SEKm | GROUP | | PARENT COMPANY | |
|-------------------------------|-------|------|----------------|------|
| | 2019 | 2018 | 2019 | 2018 |
| Interest paid during the year | 64 | 81 | 49 | 38 |

No dividend has been received during 2019 and 2018.

Note 36.
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 29 and 32. The bond loans are classified as level 1 in the fair value hierarchy. The contingent considerations are classified as level 3 in the fair value hierarchy.

GROUP

| SEKm | Financial assets measured at amortized cost | | Financial liabilities measured at amortized cost | | Financial liabilities measured at fair value through profit or loss | |
|---|--|--------------|---|--------------|--|--------------|
| | 31 Dec. 2019 | 31 Dec. 2018 | 31 Dec. 2019 | 31 Dec. 2018 | 31 Dec. 2019 | 31 Dec. 2018 |
| Financial assets | | | | | | |
| Accounts receivable | 150 | 98 | – | – | – | – |
| Other receivables | 54 | 40 | – | – | – | – |
| Accrued income | 25 | 4 | – | – | – | – |
| Cash and cash equivalents | 343 | 246 | – | – | – | – |
| Total | 572 | 388 | – | – | – | – |
| Financial liabilities | | | | | | |
| Bond loans | – | – | 1,135 | 596 | – | – |
| Other non-current liabilities | – | – | 30 | 144 | – | – |
| Contingent consideration, long portion | – | – | – | – | 124 | 279 |
| Contingent consideration, short portion | – | – | – | – | 206 | 125 |
| Accounts payable | – | – | 84 | 66 | – | – |
| Overdraft facility | – | – | 48 | 35 | – | – |
| Other liabilities | – | – | 51 | 21 | – | – |
| Accrued expenses | – | – | 37 | 49 | – | – |
| Total | – | – | 1,385 | 911 | 330 | 404 |

PARENT COMPANY

| SEKm | Financial assets measured at amortized cost | | Financial liabilities measured at amortized cost | |
|----------------------------------|--|--------------|---|--------------|
| | 31 Dec. 2019 | 31 Dec. 2018 | 31 Dec. 2019 | 31 Dec. 2018 |
| Receivables from group companies | 1,795 | 513 | – | – |
| Other receivables | 12 | 12 | – | – |
| Accrued income | – | – | – | – |
| Cash and bank balances | 15 | 26 | – | – |
| Other non-current liabilities | – | – | 1,135 | 596 |
| Liabilities to group companies | – | – | 65 | 95 |
| Accounts payable | – | – | 5 | 9 |
| Overdraft facility | – | – | 48 | 35 |
| Other liabilities | – | – | 1 | – |
| Accrued expenses | – | – | 9 | 13 |
| Total | 1,822 | 551 | 1,263 | 748 |

Note 37.
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. There are no purchases of goods and services from related parties.

SALES, GROUP

| SEKm | Sales of goods and services to related parties | | Purchases of goods and services from related parties | |
|-----------------------------------|--|--------------|--|--------------|
| | 31 Dec. 2019 | 31 Dec. 2018 | 31 Dec. 2019 | 31 Dec. 2018 |
| Related party relationship | | | | |
| Key individuals | – | – | – | – |
| Other related parties | – | – | – | 0 |
| Total | – | – | – | 0 |

RECEIVABLES, GROUP

| SEKm | Receivables from related parties | | Liabilities to related parties | |
|-----------------------------------|----------------------------------|--------------|--------------------------------|--------------|
| | 31 Dec. 2019 | 31 Dec. 2018 | 31 Dec. 2019 | 31 Dec. 2018 |
| Related party relationship | | | | |
| Key individuals | – | – | – | – |
| Other related parties | – | – | – | – |
| Total | – | – | – | – |

RELATED PARTY DISCLOSURES, PARENT COMPANY

| SEKm | 2019 | 2018 |
|--|-------|------|
| Sales to group companies | 54 | 19 |
| Interest income from Group companies | 2 | 1 |
| Interest expense to Group companies | –2 | –1 |
| Non-current receivables from Group companies | 499 | 493 |
| Current receivables from Group companies | 1,296 | 20 |
| Current liabilities to Group companies | 76 | 95 |

Note 38.
Significant events after
the end of the year

- > Johanna Bergsten was appointed as General Counsel and member of the Group's Executive Management team effective as of 7th January 2020.

In January 2020, Stillfront entered into an agreement with the owners of Storm8, a US market leading mobile mash-up game developer, to acquire 100 percent of the shares in Storm8 for an upfront consideration of USD 300 m on a cash and debt free bases. Storm8 has published more than 50 games across a variety of genres, with 155+ countries reached and over 1 billion downloads. The acquisition was completed on 28 February 2020.

In January 2020, Stillfront secured a new SEK 1.6 billion revolving credit facility with a tenor of 3.5 years from Nordea Bank Abp, branch in Sweden and Swedbank AB (publ).

In January 2020, Stillfront conducted directed share issues of 3,424,129 shares at a price of SEK 381 per share. The subscription price was determined through an accelerated bookbuilding procedure. Through the share issues, Stillfront received proceeds of approximately SEK 1.3 billion before transaction costs.

Cont. Note 38

In January 2020, Stillfront issued SEK 500 m of subsequent bonds under the SEK 1.0 billion framework of its 2019/2024 senior unsecured bond loan. The total amount outstanding under the bond loan is SEK 1.0 billion. The bonds were priced at 105.25, corresponding to a yield of 3.47 percent.

In February 2020, Stillfront conducted directed share issue of 1,909,222 shares to the sellers of Storm8 as part of the upfront consideration for the acquisition of the shares in Storm8.

During the first quarter of 2020, Covid-19 broke out globally. Stillfront is closely monitoring developments and is evaluating the extent to which this may affect the Group's operations in the short and long term. Stillfront is a decentralized organization with studios and professionals in several continents, with the majority located in Europe and North America. Stillfront has proactively taken a number of preventative measures to ensure the Group's operational continuity and curb the spread of the virus among its professionals. Among other things, all business trips and physical business meetings have been postponed and remote work is encouraged. Stillfront focuses on digital entertainment and has digital processes and procedures in place which makes it possible for our organization to function more or less as usual.

Note 39.
Appropriation of profits

- > The Board of Directors proposes that the disposable funds of SEK 3,829,502,291 are appropriated as follows:

| SEK | 31 Dec. 2019 |
|---|----------------------|
| Share premium reserve | 3,956,512,661 |
| Profit/loss brought forward | -140,336,811 |
| Profit/loss for the year | 15,531,625 |
| Total | 3,831,707,475 |
| Repayment of conditional shareholder's contribution | 2,205,184 |
| Carried forward | 3,829,502,291 |
| Total | 3,831,707,475 |

The Board of Directors proposes to reimburse the conditional shareholder's contribution to Deseven Capital AB reg.no 556691-6614 ("Contributor") according to the following conditions.

Reimbursement shall be made with SEK 2,205,184 to the Contributor.

The date for reimbursement shall be 15 May 2020 or such other day that the board of directors may determine.

As indicated in the most recent income statement and balance sheet, the results and the position of the Company are good. The Board of Directors considers the proposed reimbursement to be covered by the shareholders' equity. The capital cover rate and liquidity will, after the proposed reimbursement, continue to be adequate in relation to the field of business within which the Company operates.

Therefore, the Board of Directors considers the proposed reimbursement defensible with references to the requirements regarding the size of the shareholders' equity in relation to the nature, scope and risks in relation to the conducted business, and the consolidation requirements, liquidity and the position in general for the company.

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, April 21, 2020

Jan Samuelson
Chairman

Katarina Bonde
Board member

Erik Forsberg
Board member

Birgitta Henriksson
Board member

Ulrika Viklund
Board member

Kai Wawrzinek
Board member

Jörgen Larsson
President and Chief Executive Officer

Our Auditor's Report was submitted on April 21, 2020
Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
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 2019. The annual accounts and consolidated accounts of the company are included on pages 45–108 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 and the group as of 31 December 2019 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 2019 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 consolidated statement of comprehensive income and consolidated statement of financial position for 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 audit committee 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.

OTHER MATTER

The audit of the annual accounts and consolidated accounts for year 2018 was performed by another auditor who submitted an auditor's report dated 17 April 2019, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

OUR AUDIT APPROACH***Audit scope***

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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.

KEY AUDIT MATTER

HOW OUR AUDIT ADDRESSED THE KEY
AUDIT MATTER

> REVENUE RECOGNITION – CUT-OFF

We refer to the Notes 2 Critical accounting policies, 6 Classification of net revenues and non-current assets and 33 Accrued expenses and deferred income.

The Group's revenue amounts to SEK 1,967 m in 2019. The majority of Stillfront Group's revenue consists of in game purchases in free-to-play games. A purchased virtual currency can be used for acquisition of virtual goods or so-called subscriptions. Revenue is recognized at the point in time when a player uses a virtual currency as payment for the virtual goods or over the time relevant for a purchased subscription. Stillfront also has revenue from in game advertising. These revenues are reported in the period in which the advertising takes place as this is deemed to comprise the correct measure of when the revenue has been earned. Stillfront also has revenues from contracting work. These are recognized in accordance with the economic implications of the agreements in place.

The risk is that there can exist a difference between the point in time when Stillfront provides goods or services and when the control is transferred to clients. When the goods or services are seen to have been provided to the clients, and when revenues can, then, be reported, is based on the contractual stipulations found in the established agreements.

In our audit, we have analyzed Stillfront's processes and controls regarding revenue recognition in order to obtain an understanding of how they operate and where potential errors could occur. This analysis has been performed to enable us to focus our substantive procedures on the right areas.

Our audit procedures included the following:

- Analysis of revenues as compared with the prior period.
- We have tested, on a random basis, the reported revenue against payments received and agreements, if applicable, to determine if these items have been reported in the correct amounts in the correct periods.
- We have tested a sample of receivables against payments received after the year end.
- We have by analysis of values accounted for and analysis of unused virtual currency balances tested that deferred revenue is recognized in the correct amount.
- We have also assessed if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS.

The results of these activities have produced no significant observations as regards the audit.

KEY AUDIT MATTER

HOW OUR AUDIT ADDRESSED THE KEY
AUDIT MATTER> CAPITALIZATION AND IMPAIRMENT TEST
OF DEVELOPMENT EXPENDITURE

We refer to the Notes 2 Critical accounting policies, 4 Critical accounting estimates and judgements, 17 Intangible assets and 18 Goodwill.

Capitalised expenses for product development in the amount of SEK 860 m comprise a significant portion of Stillfront Group's balance sheet as at the end of December 2019. There is a risk that criteria for capitalization of development expenditure have not been met and that the future estimated cash flow will not be equivalent to the book value of capitalized development expenditure and that, as a result, an impairment risk exists.

Normally, Stillfront commences development when all the recognition criteria are met, therefore development expenditure is capitalized from the starting date. The assets are subject to ongoing depreciation. According to the Stillfront Group's routine, the value of capitalized development expenditure is tested annually for impairment. Stillfront has a process for executing this test. This testing is based on the recoverable amount, which is equivalent to the value of the discounted cash flows for the identified assets.

The calculated recoverable value is based on future budgets and forecasts, approved by the Board of Directors, for the next five years. The cash flows after the first five years are extrapolated based on the estimated long-term growth rate. The process, consequently, includes assumptions of a major significance in the testing of impairment requirements. These include the assumptions regarding revenue growth, growth of free cash flows and the discount rate (WACC). The whole Stillfront Group comprises a single cash-generating unit.

In our audit, we have analyzed Stillfront's processes and controls regarding capitalization of development expenditure and checked that criteria for capitalization are met. In evaluating the assumptions for a combined impairment test for goodwill and other intangible assets, as reported in Note 18, we have undertaken the following audit measures to assess the valuation of such assumptions and model:

- We have tested and evaluated management's assumptions regarding the discount rate, growth and margins. We test the assumptions based on what is included in the budgets and business plans, the results of the studios and our knowledge of the Stillfront Group's development. This includes the follow-up of the accuracy of the forecasts for historical periods and provides us with a basis for testing the assumptions regarding future development. In terms of discount rate, this is based on our review of the company's calculation of WACC and the assessment of the inherent risk of operating in current markets.
- With help of PwC's internal valuation specialists, we have tested accuracy of the impairment test model.
- We have also, in conjunction with the testing of possible impairment requirements, checked the sensitivity of the valuations through sensitivity analyses, to determine if there are negative changes in significant parameters which individually, or on a collective basis, could imply the existence of an impairment requirement.
- We have assessed correctness of determining the cash-generating units.
- We have also assessed if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS.

No significant observations were made in the audit resulting in reporting to the Audit Committee.

KEY AUDIT MATTER

HOW OUR AUDIT ADDRESSED THE KEY
AUDIT MATTER> **IMPAIRMENT TEST OF GOODWILL
AND INTANGIBLE ASSETS**

We refer to the Notes 2 Critical accounting policies, 4 Critical accounting estimates and judgements, 17 Intangible assets and 18 Goodwill.

Goodwill in the amount of SEK 2,211 m, game products in the amount of SEK 185 m and licenses, market and customer related assets in the amount of SEK 37 m comprise a significant portion of Stillfront Group's balance sheet as at the end of December 2019. There is a risk that the future estimated cash flow will not be equivalent to the book value of goodwill and other intangible assets and that, as a result, an impairment risk exists.

According to the Stillfront Group's routine, the value of goodwill and other intangible assets is tested annually for impairment. Stillfront has a process for executing this test. This testing is based on the recoverable amount, which is equivalent to the value of the discounted cash flows for the identified assets.

The calculated recoverable value is based on future budgets and forecasts, approved by the Board of Directors, for the next five years. The cash flows after the first five years are extrapolated based on the estimated long-term growth rate. The process, consequently, includes assumptions of a major significance in the testing of impairment requirements. These include the assumptions regarding revenue growth, growth of free cash flows and the discount rate (WACC). The whole Stillfront Group comprises a single cash-generating unit.

In evaluating the assumptions for a combined impairment test for goodwill and other intangible assets, as reported in Note 18, we have undertaken the following audit measures to assess the valuation of such assumptions and model:

- We have tested and evaluated management's assumptions regarding the discount rate, growth and margins. We test the assumptions based on what is included in the budgets and business plans, the results of the units and our knowledge of the Stillfront Group's development. This includes the follow-up of the accuracy of the forecasts for historical periods and provides us with a basis for testing the assumptions regarding future development. In terms of discount rate, this is based on our review of the company's calculation of WACC and the assessment of the inherent risk of operating in current markets.
- With help of PwC's internal valuation specialists, we have tested accuracy of the impairment test model.
- We have also, in conjunction with the testing of possible impairment requirements, checked the sensitivity of the valuations through sensitivity analyses, to determine if there are negative changes in significant parameters which individually, or on a collective basis, could imply the existence of an impairment requirement.
- We have assessed correctness of determining the cash-generating units.
- We have also assessed if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS.

No significant observations were made in the audit resulting in reporting to the Audit Committee.

KEY AUDIT MATTER

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

> VALUATION OF CONTINGENT CONSIDERATION

We refer to the Notes 2 Critical accounting policies, 4 Critical accounting estimates and judgements and 29 Non-current liabilities.

The contingent consideration amounts to SEK 331 m as at the end of December 2019. This is deemed to comprise a significant item in the group's balance sheet. Valuation of contingent consideration is based on the management's estimates regarding future performance of subsidiaries as specified in agreements related to business acquisitions. The valuation is based on future budgets and forecasts, approved by the Board of Directors.

In our audit, we have assessed the process for valuation of contingent consideration and the underlying management's estimates. The audit procedures included, amongst other:

- We evaluated the management's assumptions regarding assessed future results in subsidiaries with contingent consideration.
- We performed a follow-up of the accuracy of the forecasts for historical periods.
- We checked the calculation of WACC which is applied in discounting expected future cash flows.
- We have also assessed if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS.

No significant observations were made in the audit resulting in reporting to the Audit Committee.

KEY AUDIT MATTER

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

> ACQUISITION OF OPERATIONS (BUSINESS COMBINATIONS)

We refer to the Notes 2 Critical accounting policies and 16 Acquisitions.

In 2019, Stillfront acquired Kixeye for an upfront consideration of USD 90 m in cash being the equivalent of SEK 871 m. The sellers will be also entitled to a cash earn-out consideration subject to a cap of USD 30 m being the equivalent of SEK 280 m. As of 31 December 2019, Stillfront determined the fair value of contingent consideration in the amount of SEK 46 m. Stillfront applies a probability-weighted average of payouts associated with each possible outcome when estimating the fair value of contingent consideration. According to the preliminary purchase price allocation, goodwill on acquisition of Kixeye amounts to SEK 583 m. The purchase price allocation will be finalized in 2020.

In our audit, we have assessed the process for performing purchase price allocation for business acquisitions. The audit procedures included, amongst other:

- We evaluated the management's assumptions in determining fair values of acquired identifiable assets and liabilities.
- We tested consideration paid upon acquisition and checked valuation of contingent consideration payable.
- We have also assessed if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS.

No significant observations were made in the audit resulting in reporting to the Audit Committee.

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 1–44 and 115–116. 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 DIRECTOR'S 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 intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITY

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

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 2019 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.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of Stillfront Group AB (publ) by the general meeting of the shareholders on May 9, 2019 and has been the company's auditor since May 9, 2019.

Stockholm, April 21, 2020

Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant

Auditor's report on the statutory sustainability report

To the general 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 statutory sustainability report for the year 2019 on pages 12–23 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 RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and 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 opinion.

Opinion

- > A statutory sustainability report has been prepared.

Stockholm, April 21, 2020

Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
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.

ARMPU

Average non-adjusted revenue per monthly paying user.

BIG

Category of games based on the Big brand.

CORE

Category of games not belonging to the categories of 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 IAC.

EBIT

Profit before financial items and tax. Adjusted EBIT is EBIT excluding items affecting comparability and amortization of PPA, purchase price allocation-items

EBIT MARGIN

EBIT as a percentage of Net revenue. Adjusted EBIT margin is EBIT margin excluding items affecting comparability and amortization of PPA, purchase price allocation-items.

EMPIRE

Category of games based on the Empire brand.

ITEMS AFFECTING COMPARABILITY, IAC

Significant income statement items that are not included in the Group's normal recurring operations and which distort the comparison between the periods.

INTEREST COVERAGE RATIO

Adjusted EBITDA divided by net financial items excluding revaluation of provision for earnouts for the past twelve months.

ADJUSTED LEVERAGE RATIO

Net interest-bearing debt excluding earnout 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. Provisions for earnouts is not considered interest bearing in this context.

ORGANIC GROWTH

The average increase in net revenues to prior period, excluding acquisitions.

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 2020 | 6 May 2020 |
| Annual General Meeting, Stockholm | 14 May 2020 |
| Interim Report January–June 2020 | 12 August 2020 |
| Interim Report January–September 2020 | 11 November 2020 |
| Year End Report 2020 | 17 February 2021 |

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*This Annual report is a non-official translation from Swedish of the Årsredovisning 2019 issued April XX, 2020.
 In the event of discrepancies between the language versions the Swedish wording will prevail.*

















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